ZAO Raiffeisenbank

International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information and
Review Report of Independent Auditor

30 June 2011

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CONTENTS

Review Report of Independent Auditor

To the Shareholders and Managing Board of ZAO Raiffeisenbank:

Introduction

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

Scope of Review

2 We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial 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

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

ZAO « PricewaterhouseCoopers Audit »

29 July 2011

Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit, White Square Office Center, 10 Butyrsky Val, Moscow, Russia, 125047
T: +7 (495) 967 6000, F: +7 (495) 967 6001, www.pwc.ru

In thousands of Russian Roubles	Note	30 June 2011 (Unaudited)	31 December 2010
ASSETS			
Cash and cash equivalents	7	116 412 375	84 278 857
Mandatory cash balances with the Central Bank of the Russian Federation		5 209 481	2 698 403
Trading securities	8	58 425 078	53 613 606
Other securities at fair value through profit or loss	9	5 185 982	18 405 098
Due from other banks	10	7 720 096	21 724 713
Loans and advances to customers	11	310 858 555	283 563 919
Investment securities available for sale	12	10 905 962	11 086 572
Premises and equipment		8 801 312	9 097 449
Intangible assets		11 961 033	11 777 347
Deferred income tax asset		2 479 846	2 248 290
Investment securities held to maturity	13	507 578	512 148
Derivatives and other financial assets	14	4 948 057	6 337 166
Investment in associate		1 126 762	1 058 323
Other assets		1 515 648	1 902 811
TOTAL ASSETS		**546 057 765**	**508 304 702**
LIABILITIES			
Due to other banks	15	9 899 830	20 535 226
Customer accounts	16	345 918 057	286 744 158
Term borrowings from the Parent Bank		71 068 052	81 169 487
Term borrowings from other financial institutions		4 041 334	5 658 905
Debt securities in issue		15 111 518	16 196 249
Current income tax liability		298 699	500 840
Derivatives and other financial liabilities	17	7 571 449	7 591 746
Other liabilities		3 740 127	3 999 773
TOTAL LIABILITIES		**457 649 066**	**422 396 384**
EQUITY			
Share capital		43 268 888	43 268 888
Share premium		591 083	591 083
Additional paid-in capital		1 520 016	1 520 016
Retained earnings and other reserves		43 028 712	40 528 331
TOTAL EQUITY		**88 408 699**	**85 908 318**
TOTAL LIABILITIES AND EQUITY		**546 057 765**	**508 304 702**

Approved for issue and signed on behalf of the Managing Board on 29 July 2011.

Sergei Monin
Deputy Chairman of the Board

Arndt Roechling
Chief Financial Officer

In thousands of Russian Roubles	Note	Six-Month Period Ended 30 June 2011 (Unaudited)	Three-Month Period Ended 30 June 2011 (Unaudited)	Six-Month Period Ended 30 June 2010 (Unaudited)	Three-Month Period Ended 30 June 2010 (Unaudited)
Interest income	18	17 612 614	9 077 916	15 798 064	7 962 344
Interest expense	18	(5 611 904)	(3 071 595)	(5 173 348)	(2 488 325)
Net interest income		**12 000 710**	**6 006 321**	**10 624 716**	**5 474 019**
Release/ (charge) of provision for loan impairment	11	(23 166)	(410 976)	(1 987 178)	(1 163 177)
Net interest income after provision for loan impairment		**11 977 544**	**5 595 345**	**8 637 538**	**4 310 842**
Fee and commission income	19	4 713 597	2 476 468	4 259 369	2 250 108
Fee and commission expense	19	(1 073 219)	(524 707)	(709 643)	(381 936)
Losses, net of gains/ gains less losses from trading securities		(54 237)	(71 799)	762 146	(246 239)
Gains less losses from other securities at fair value through profit or loss		99 790	3 555	313 827	294 121
Gains less losses from trading in foreign currencies		1 641 282	889 308	1 710 656	945 527
Unrealized losses, net of gains from derivative financial instruments		(1 617 931)	(1 825 572)	(6 053 758)	(4 452 716)
Realized gains less losses from derivative financial instruments		756 569	395 031	2 548 463	1 798 243
Foreign exchange translation gains less losses		1 023 094	1 677 980	2 301 799	2 010 041
Ineffectiveness from the hedge accounting		44 037	6 996	(194 676)	(116 559)
Charge of provisions for credit related commitments		(38 102)	(72 246)	(422 366)	(206 173)
Provision for investment securities held to maturity		(5 496)	(259)	-	-
Gains from the sale of loans		229 840	66 436	108 122	81 520
Other operating income		113 715	36 011	58 939	29 088
Share of profit of associate		53 439	42 171	17 550	7 724
Operating income		**17 863 922**	**8 694 718**	**13 337 966**	**6 323 591**
Administrative and other operating expenses	20	(9 196 820)	(4 472 459)	(8 368 961)	(4 237 883)
Profit before tax		**8 667 102**	**4 222 259**	**4 969 005**	**2 085 708**
Income tax expense		(1 915 366)	(857 217)	(1 219 180)	(517 308)
Profit for the period		**6 751 736**	**3 365 042**	**3 749 825**	**1 568 400**
Revaluation of investment securities available for sale		(176 912)	(82 530)	(95 850)	(101 939)
Valuation reserve due to cash flow hedge		247 115	81 023	167 162	36 821
Income tax (expense)/credit		(14 041)	301	(14 262)	13 024
Other comprehensive income/(expense) for the period, net of tax		**56 162**	**(1 206)**	**57 050**	**(52 094)**
Total comprehensive income for the period, net of tax		**6 807 898**	**3 363 836**	**3 806 875**	**1 516 306**

In thousands of Russian Roubles	Share capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Total
Balance at 1 January 2010	**43 268 888**	**591 083**	**1 520 016**	**34 258 706**	**(532 685)**	**79 106 008**
Profit for the period	-	-	-	3 749 825	-	3 749 825
Other comprehensive income recognized for the period	-	-	-	-	57 050	57 050
Total comprehensive income for the period	**-**	**-**	**-**	**3 749 825**	**57 050**	**3 806 875**
Dividends declared	-	-	-	(1 198 241)	-	(1 198 241)
Balance at 30 June 2010	**43 268 888**	**591 083**	**1 520 016**	**36 810 290**	**(475 635)**	**81 714 642**
Balance at 1 January 2011	**43 268 888**	**591 083**	**1 520 016**	**40 348 137**	**180 194**	**85 908 318**
Profit for the period	-	-	-	6 751 736	-	6 751 736
Other comprehensive income recognized for the period	-	-	-	-	56 162	56 162
Total comprehensive income for the period	**-**	**-**	**-**	**6 751 736**	**56 162**	**6 807 898**
Dividends declared	-	-	-	(4 307 517)	-	(4 307 517)
Balance at 30 June 2011	**43 268 888**	**591 083**	**1 520 016**	**42 792 356**	**236 356**	**88 408 699**

In thousands of Russian Roubles	Note	Six-Month Period Ended 30 June 2011 (Unaudited)	Six-Month Period Ended 30 June 2010 (Unaudited)
Net cash from operating activities		**52 100 537**	**(80 422 478)**
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(738 626)	(319 457)
Investment in associates		(15 000)	-
Net cash used in investing activities		**(753 626)**	**(319 457)**
Cash flows from financing activities			
Repayment of term borrowings from the Parent Bank and other financial institutions		(11 592 190)	(2 307 017)
Interest paid on term borrowings from the Parent Bank and other financial institutions		(665 464)	(518 801)
Dividends paid		(4 307 517)	(1 198 241)
Net cash used in financing activities		**(16 565 171)**	**(4 024 059)**
Change in accrued interest on cash and cash equivalents		(2 157)	31 746
Effect of exchange rate changes on cash and cash equivalents		(2 646 065)	713 725
Net (decrease)/increase in cash and cash equivalents		**32 133 518**	**(84 020 523)**
Cash and cash equivalents at the beginning of the period		84 278 857	145 233 969
Cash and cash equivalents at the end of the period	**7**	**116 412 375**	**61 213 446**

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the six months period ended 30 June 2011 for ZAO Raiffeisenbank (hereinafter – the "Bank") and its subsidiaries (together referred to as the "Group").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a closed joint stock company limited by shares and was set up in accordance with Russian regulations. The Bank is owned by Raiffeisen Bank International AG and Raiffeisen-Invest-Gesellschaft m.b.h., subsidiaries of Raiffeisen Zentralbank Osterreich AG (the "Parent Bank"), which is the ultimate controlling parent of the Group.

Principal activity. The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1996. The Bank operates in all banking sectors of the Russian financial markets, including money market, investments, corporate and retail banking, and provides a complete range of banking services to its clients. In addition, the Group, through operations of its subsidiaries and associates, is also involved in asset management, pension and leasing businesses. On 2 February 2005 the Bank was accepted to the State deposit insurance scheme, introduced by the Federal law №177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

As at 30 June 2011 the Group had 17 branches within the Russian Federation and 171 outlets (31 December 2010: 22 branches and 173 outlets). During 2010 and 2011 the Bank reorganized regional branches into outlets following the process of harmonization of the regional network.

The number of the Group's employees as at 30 June 2011 was 8 517 (31 December 2010: 8 508).

Registered address and place of business. The Bank's registered address is: 17/1 Troitskaya Str., 129090 Moscow, Russian Federation. The Bank's main place of business is: 15A Leninsky prospect, 119071 Moscow, Russian Federation.

Presentation currency. This consolidated condensed interim financial information is presented in Russian Roubles ("RR"), unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates.

The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010 and 2011, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased money market liquidity levels.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes (Note 23). The need for further developments in the bankruptcy laws, formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments continue to contribute to the challenges faced by banks 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.

2 Operating Environment of the Group (Continued)

Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period and applied the ‘incurred loss’ model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Refer to Note 4.

Management is unable to predict all developments which could have an impact on the banking sector and wider economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group’s business.

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34. This consolidated condensed interim financial information should be read in conjunction with the annual IFRS consolidated financial statements of the Group for the year ended 31 December 2010.

Foreign currency translation. The functional currency of each of the Group’s consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank’s functional currency and the Group’s presentation currency is the national currency of the Russian Federation, Russian Roubles (“RR”).

At 30 June 2011 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 28.0758 (31 December 2010: USD 1 = 30.4769 RR) and EUR 1 = 40.3870 (31 December 2010: EUR 1 = 40.3331).

Except as described below, the accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2010. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group’s consolidated financial statements for the year ended 31 December 2010, became effective for the Group from 1 January 2011. They have not significantly affected this consolidated condensed interim financial information of the Group. Refer to Note 5.

This consolidated condensed interim financial information does not contain all the explanatory notes as required for a full set of financial statements, including certain disclosures introduced by IFRS 7, *Financial Instruments: Disclosures.*

***Interim period measurement*.** Interim period income tax expense is accrued using the effective tax rate that would be applied to expected total annual earnings, i.e. the estimated weighted average annual effective income tax rate is applied to the pre-tax income of the interim period.

Changes in presentation. The reclassification in amount of RR 258 945 thousand was done from “Interest income” to “Fee and commission income” for six-month period ended 30 June 2010. This reclassification reflected the nature of fees collected.

As at 30 June 2010 the Group performed the reclassification of the interest income in the amount of RR 648 953 thousand from other securities at fair value through profit and loss to interest income from investment securities available for sale within Interest income line in the consolidated statements of comprehensive income. Refer to Note 18.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances to customers. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 642 898 thousand (2010: RR 845 608 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 226 787 thousand (2010: RR 452 205 thousand), respectively.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to single currency interest rate swap transactions, cross currency interest swap transactions and foreign exchange forward contracts. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of floating obligation or vice versa. The present value of floating obligation is determined using discount factors derived from the zero coupon curve. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

Special purpose entities. Judgement is also required to determine whether the substance of the relationship between the Group and a special purpose entity (SPE) indicates that the special purpose entity is controlled by the Group. In assessing ability of the Group to control the special purpose entities, Management takes into consideration the following factors presented in SIC 12 "Consolidation – special purpose entities":

(i) SPE activities are being conducted on behalf of the Bank as it was set up to satisfy specific business needs of the Group (issue of asset-backed securities);

(ii) Rewards taken by SPE are transferred to the Bank in the form of dividends on a preference share held by the Bank; and

(iii) Risks including credit risk are assumed by the Bank through the purchase of Subordinated notes.

Non-consolidation of the special purpose entity would decrease the Group's total assets by RR 1 814 997 thousand as at 30 June 2011 (31 December 2010: RR 2 948 261 thousand). The impact on the consolidated profit after tax would be a decrease by RR 114 856 thousand for six-month period ended 30 June 2011 (for six-month period ended 30 June 2010: a decrease by RR 6 277 thousand).

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2011:

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 consolidated condensed interim 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 amendment did not have impact on this consolidated condensed interim 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. IFRIC 19 did not have impact on this consolidated condensed interim 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. IFRIC 14 did not have impact on this consolidated condensed interim 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 consolidated condensed interim financial information.

5 Adoption of New or Revised Standards and Interpretations (Continued)

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 interest 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 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; 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 amendment did not have a material impact on this consolidated condensed interim financial information.

Unless otherwise described above, the new standards and interpretations did not significantly affect the Group's financial reporting.

6 New Accounting Pronouncements

Since the Group published its last annual financial statements, certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2010 or later periods 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.

6 New Accounting Pronouncements (Continued)

- 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.

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 the Group's consolidated financial statements.

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 consolidated financial statements.

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 IFRS. 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 where the fair value is established through valuation techniques at initial recognition 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 may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes.

6 New Accounting Pronouncements (Continued)

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 is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

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 effect on its consolidated financial statements.

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 is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

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 is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

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 financial statements.

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 is currently assessing the impact of the amended standard on disclosures in its financial statements.

The Group has not early adopted the new standards or interpretations described above in its last annual financial statements that come into effect for the Group’s accounting periods beginning on or after 1 January 2012 or later periods.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
Cash on hand	18 027 328	19 639 061
Cash balances with the CBRF (other than mandatory reserve deposits)	5 120 204	24 349 214
Correspondent accounts and overnight placements with other banks		
- Russian Federation	3 122 269	5 743 136
- Other countries	65 072 684	23 681 028
Placements with other banks with original maturities of less than three months	14 045 251	1 308 642
Reverse securities sale and repurchase agreements with other banks with original maturities of less than three months	11 024 639	9 557 776
Total cash and cash equivalents	**116 412 375**	**84 278 857**

At 30 June 2011 cash equivalents in the amount of RR 11 024 639 thousand (31 December 2010: RR 9 557 776 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 12 509 363 thousand (31 December 2010: RR 10 971 360 thousand). At 30 June 2011 included within correspondent accounts and overnight placements with other banks is a cash reserve facility placed under the terms of an asset backed securities program in the amount of RR 838 353 thousand (31 December 2010: RR 989 994 thousand).

Correspondent accounts, overnight placements and placements with other banks with original maturities of less than three months and deals with securities purchased under "reverse-repo agreements" with original maturities of less than three months represent balances with large and well-known foreign banks and top-rated Russian banks.

Currency, geographical and liquidity analysis of cash and cash equivalents are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

8 Trading Securities

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
Corporate bonds	42 138 603	31 233 102
Federal loan bonds (OFZ)	4 979 916	3 509 158
Corporate eurobonds	4 447 972	11 537 792
Bonds of the European Bank for Reconstruction and Development (EBRD)	3 704 577	4 400 238
Municipal bonds	3 149 411	2 542 342
Bonds of Central Bank of Russia	-	386 155
Total debt trading securities	**58 420 479**	**53 608 787**
Corporate shares	4 599	4 819
Total trading securities	**58 425 078**	**53 613 606**

Estimation of fair value of trading securities is based on their market quotations.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at fair value based on observable market data, the Group does not analyse or monitor impairment indicators separately on these securities.

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

At 30 June 2011 and 31 December 2010 there were no renegotiated balances that would otherwise be past due. Trading debt securities are not collateralised.

As at 30 June 2011 and 31 December 2010 no debt trading securities are past due or impaired.

9 Other Securities at Fair Value Through Profit or Loss

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
Corporate bonds	3 070 108	1 946 057
Federal loan bonds (OFZ)	523 305	237 044
Municipal bonds	441 278	418 374
Bonds of the European Bank for Reconstruction and Development (EBRD)	52 102	48 816
Mutual funds	35 890	45 450
Corporate eurobonds	5 623	4 286
Bonds of Central Bank of Russia	-	15 053 197
Total other debt securities at fair value through profit and loss	**4 128 306**	**17 753 224**
Corporate shares	1 057 676	651 874
Total other securities at fair value through profit or loss	**5 185 982**	**18 405 098**

The Group irrevocably designated the above securities, which are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Asset and Liability Committee of the Group ("ALCO") assesses performance of the investments based on their fair values in accordance with a strategy documented in the business plan.

Securities designated at fair value through profit or loss are carried at fair value which also reflects any credit risk related write-downs. As the securities are carried at their fair value based on observable market data, the Group does not analyse or monitor impairment indicators.

Currency, geographical and liquidity analysis of other securities at fair value through profit or loss are disclosed in Note 22.

10 Due from Other Banks

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
Short-term placements with other banks with original maturities of more than three months and less than one year	1 511 281	15 104 374
Long-term placements with other banks with original maturities of more than one year	6 208 815	6 620 339
Total due from other banks	**7 720 096**	**21 724 713**

As at 30 June 2011 and 31 December 2010 due from other banks are neither past due nor impaired.

Currency, geographical and liquidity analysis of due from other banks are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

11 Loans and Advances to Customers

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
Loans to corporate customers (Corporate loans)	239 573 433	225 007 721
Loans to individuals (Retail loans)	88 902 506	78 368 442
Loans to small and medium entities (SME loans)	6 234 275	5 159 529
Loans to state and municipal organisations (Public sector)	1 534 111	1 593 833
Finance lease receivables	284 177	324 406
Total gross loans and advances to customers	**336 528 502**	**310 453 931**
Less: Provision for loan impairment	(25 669 947)	(26 890 012)
Total loans and advances to customers	**310 858 555**	**283 563 919**

Movements in the provision for loan impairment during six-month period ended 30 June 2011 are as follows:

In thousands of Russian Roubles	Corporate loans	Retail loans	SME loans	Public sector	Finance lease receivables	Total
Provision for loan impairment at 1 January 2011	**18 421 049**	**7 326 085**	**1 107 922**	**34 956**	**-**	**26 890 012**
Provision for impairment during the period	(149 187)	167 966	(9 051)	13 438	-	23 166
Provisions on disposed loans	(1 087 879)	(79 997)	(23 293)	-	-	(1 191 169)
Amounts written off during the period as uncollectible	(26 050)	(2 027)	(23 985)	-	-	(52 062)
Provision for loan impairment at 30 June 2011 (Unaudited)	**17 157 933**	**7 412 027**	**1 051 593**	**48 394**	**-**	**25 669 947**

Movements in the provision for loan impairment during three-month period ended 30 June 2011 are as follows:

In thousands of Russian Roubles	Corporate loans	Retail loans	SME loans	Public sector	Finance lease receivables	Total
Provision for loan impairment at 1 April 2011 (Unaudited)	**17 556 042**	**7 527 349**	**1 058 641**	**41 070**	**-**	**26 183 102**
Provision for impairment during the period	498 849	(112 948)	17 751	7 324	-	410 976
Provisions on disposed loans	(870 908)	(347)	(814)	-	-	(872 069)
Amounts written off during the period as uncollectible	(26 050)	(2 027)	(23 985)	-	-	(52 062)
Provision for loan impairment at 30 June 2011 (Unaudited)	**17 157 933**	**7 412 027**	**1 051 593**	**48 394**	**-**	**25 669 947**

11 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during six-month period ended 30 June 2010 are as follows:

In thousands of Russian Roubles	Corporate loans	Retail loans	SME loans	Public sector	Finance lease receivables	Total
Provision for loan impairment at 1 January 2010	**16 547 947**	**8 015 311**	**1 183 742**	**40 673**	**-**	**25 787 673**
Provision for impairment during the period	660 794	1 170 851	80 440	75 093	-	1 987 178
Provisions on disposed loans	-	(1 127 674)	(57 065)	-	-	(1 184 739)
Amounts written off during the period as uncollectible	(470 371)	-	(23 385)	-	-	(493 756)
Provision for loan impairment at 30 June 2010	**16 738 370**	**8 058 488**	**1 183 732**	**115 766**	**-**	**26 096 356**

Movements in the provision for loan impairment during three-month period ended 30 June 2010 are as follows:

(Unaudited)

In thousands of Russian Roubles	Corporate loans	Retail loans	SME loans	Public sector	Finance lease receivables	Total
Provision for loan impairment at 1 April 2010	**16 489 154**	**7 981 928**	**1 209 467**	**44 821**	**-**	**25 725 370**
Provision for impairment during the period	264 556	780 962	46 714	70 945	-	1 163 177
Provisions on disposed loans	-	(704 402)	(55 150)	-	-	(759 552)
Amounts written off during the period as uncollectible	(15 340)	-	(17 299)	-	-	(32 639)
Provision for loan impairment at 30 June 2010	**16 738 370**	**8 058 488**	**1 183 732**	**115 766**	**-**	**26 096 356**

During the six-month period ended 30 June 2011 the Bank disposed loans to customers under cession agreements with the total amount of RR 1 957 648 thousand (six-month period ended 30 June 2010: RR 1 184 739 thousand). As of the date of disposal during the six-month period ended 30 June 2011 these loans were provided for impairment in the total amount of RR 1 191 169 thousand (six-month period ended 30 June 2010: RR 1 184 739 thousand). The net financial result of a loan disposal during the six-month period ended 30 June 2011 recognized in the statement of comprehensive income was RR 229 840 thousand (six-month period ended 30 June 2010: RR 66 436 thousand).

11 Loans and Advances to Customers (Continued)

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

	30 June 2011 (Unaudited)		31 December 2010	
In thousand of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	88 902 506	26.42%	78 368 442	25.24%
Manufacturing	85 572 457	25.43%	75 481 311	24.31%
Real estate	61 106 101	18.16%	66 999 038	21.58%
Trade	36 208 965	10.76%	37 659 210	12.13%
Mining	29 056 893	8.63%	17 042 596	5.49%
Transport, storage and communication	13 470 524	4.00%	12 143 098	3.91%
Financial services	7 849 641	2.33%	5 569 703	1.79%
Electricity, gas and water supply	4 710 478	1.40%	7 278 952	2.34%
Hotels and restaurants	2 687 369	0.80%	2 954 047	0.95%
Agriculture, hunting and forestry	2 213 905	0.66%	3 327 594	1.07%
Cities and municipalities	1 490 200	0.44%	1 533 587	0.49%
Other	3 259 463	0.97%	2 096 353	0.70%
Total loans and advances to customers (before impairment provision)	**336 528 502**	**100.00%**	**310 453 931**	**100.00%**

Currency, geographical and liquidity analysis of loans and advances to customers are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

12 Investment Securities Available for Sale

In thousands of Russian Roubles	**30 June 2011 (Unaudited)**	**31 December 2010**
Corporate bonds	10 388 368	10 617 267
Corporate shares	517 594	469 305
Total investment securities available for sale	**10 905 962**	**11 086 572**

Due to the absence of an active market for the corporate bond included in the investment securities available for sale category and also due to the low level of trading activity with this particular bond, for the purposes of the estimation of the fair value of this instrument, Management implemented a valuation technique based on the yield-to-maturity of comparable benchmark instruments, currently actively quoted on the market.

Currency, geographical and liquidity analysis of investment securities available for sale are disclosed in Note 22.

13 Investment Securities Held to Maturity

In thousands of Russian Roubles	**30 June 2011 (Unaudited)**	**31 December 2010**
Corporate bonds	517 272	516 346
Total gross investment securities held to maturity	**517 272**	**516 346**
Less: Provision for impairment	(9 694)	(4 198)
Total investment securities held to maturity	**507 578**	**512 148**

Currency, geographical and liquidity analysis of investment securities held to maturity are disclosed in Note 22.

14 Derivatives and Other Financial Assets

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
Fair value of interest rate based financial derivatives	3 254 723	3 626 608
Fair value of currency rate based financial derivatives	1 219 435	2 064 010
Plastic card receivables	431 692	631 733
Trade receivables	42 207	14 815
Total derivatives and other financial assets	**4 948 057**	**6 337 166**

Currency, geographical and liquidity analysis of derivatives and other financial assets are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

15 Due to Other Banks

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
Correspondent accounts and overnight placements of other banks	7 955 364	14 800 075
Short-term placements of other banks	1 208 309	4 910 050
Long-term placements of other banks	736 157	825 101
Total due to other banks	**9 899 830**	**20 535 226**

At 30 June 2011 included within correspondent accounts and overnight placements of other banks is a cash facility placed by the Parent Bank under the terms of cash reserve facility agreement and in relation to asset backed securities program in the amount of RR 880 699 thousand (31 December 2010: RR 956 018 thousand).

At 30 June 2011 included in due to banks are deposits of RR 203 951 thousand (31 December 2010: RR 135 747 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 23.

Currency, geographical and liquidity analysis of due to other banks are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

16 Customer Accounts

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
State and public organisations		
- Current/settlement accounts	308 167	266 022
- Term deposits	172 074	5 818
Legal entities		
- Current/settlement accounts	85 833 082	68 785 155
- Term deposits	80 964 163	57 022 981
Individuals		
- Current/demand accounts	72 804 939	66 147 355
- Term deposits	105 835 632	94 516 827
Total customer accounts	**345 918 057**	**286 744 158**

At 30 June 2011 the Group had one customer (31 December 2010: no customer) with a balance above 10% of consolidated equity of the Group as at this date. The balance of this customer was RR 9 428 347 thousand (31 December 2010: n/a) or 2.73% (31 December 2010: n/a) of total customer accounts.

16 Customer Accounts (Continued)

At 30 June 2011 included in customer accounts are deposits of RR 613 169 thousand (31 December 2010: RR 92 841 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 23.

At 30 June 2011 included in customer accounts are deposits of RR 2 382 812 thousand (31 December 2010: RR 2 073 969 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 23.

Currency, geographical and liquidity analysis of customer accounts are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

17 Derivatives and Other Financial Liabilities

Derivatives and other financial liabilities comprise the following:

In thousands of Russian Roubles	**30 June 2011 (Unaudited)**	**31 December 2010**
Fair value of interest rate based financial derivatives	3 934 298	4 867 803
Fair value of currency rate based financial derivatives	1 476 689	724 141
Provision for credit related commitments	1 681 113	1 643 011
Plastic cards payables	426 531	242 886
Commission on credit related commitments	44 680	49 405
Trade payables	4 827	9 642
Settlements on conversion operations	-	48 810
Other	3 311	6 048
Total derivatives and other financial liabilities	**7 571 449**	**7 591 746**

Currency, geographical and liquidity analysis of derivatives and other financial liabilities are disclosed in Note 22. Information on related party transactions is presented in Note 24.

18 Interest Income and Expense

In thousands of Russian Roubles	**Six-Month Period Ended 30 June 2011 (Unaudited)**	**Three-Month Period Ended 30 June 2011 (Unaudited)**	**Six-Month Period Ended 30 June 2010 (Unaudited)**	**Three-Month Period Ended 30 June 2010 (Unaudited)**
Interest income				
Loans and advances to customers	13 995 552	7 136 372	12 698 551	6 410 120
Trading securities	1 911 083	1 008 979	1 494 523	728 693
Due from other banks	809 070	506 584	614 208	305 222
Investment securities available for sale	672 918	340 041	648 953	316 076
Interest income on impaired financial assets	193 093	70 470	315 000	178 300
Debt securities held to maturity	27 106	13 627	798	-
Other securities at fair value through profit and loss	3 792	1 843	26 031	23 933
Total interest income	**17 612 614**	**9 077 916**	**15 798 064**	**7 962 344**
Interest expense				
Term deposits of individuals	2 081 691	1 074 827	2 158 636	1 012 663
Term deposits of legal entities	1 090 433	724 554	768 322	359 214
Term borrowings from the Parent Bank	1 051 014	525 147	1 186 683	594 496
Debt securities in issue	867 733	434 042	672 376	338 950
Current/settlement accounts	384 026	242 675	218 849	110 902
Term borrowings from other financial institutions	29 022	14 610	52 564	30 159
Term placements of other banks	101 004	50 977	113 718	40 930
Correspondent accounts of other banks	6 981	4 763	2 200	1 011
Total interest expense	**5 611 904**	**3 071 595**	**5 173 348**	**2 488 325**
Net interest income	**12 000 710**	**6 006 321**	**10 624 716**	**5 474 019**

19 Fee and Commission Income and Expense

In thousands of Russian Roubles	**Six-Month Period Ended 30 June 2011 (Unaudited)**	**Three-Month Period Ended 30 June 2011 (Unaudited)**	**Six-Month Period Ended 30 June 2010 (Unaudited)**	**Three-Month Period Ended 30 June 2010 (Unaudited)**
Fee and commission income				
Commissions on operations with plastic cards	1 574 874	834 994	1 265 282	658 653
Commissions on settlement transactions	533 935	294 820	606 478	288 808
Commissions on documentary business and guarantees	443 286	237 252	381 178	195 967
Credit facility fee	356 534	156 102	283 104	169 409
Commissions on cash operations	382 639	197 309	312 052	166 200
Early and late repayment fees	191 063	66 523	264 071	154 950
Insurance commission income	245 312	151 461	124 967	72 776
Fiduciary activities	184 916	86 072	138 373	62 799
Commissions on export operations	170 795	91 028	164 504	88 683
Commissions on transfer payments	159 321	88 071	185 305	99 658
Commissions from investment banking	147 780	93 166	208 744	95 544
Commissions on transactions with securities	71 252	36 583	60 646	28 396
Commission income on foreign exchange operations	28 597	16 628	35 439	21 221
Other	223 293	126 459	229 226	147 044
Total fee and commission income	**4 713 597**	**2 476 468**	**4 259 369**	**2 250 108**
Fee and commission expense				
Commissions on operations with plastic cards	482 880	262 169	311 413	161 010
Commissions on settlement transactions	232 445	101 046	70 819	39 158
Commissions on transfer payments	111 747	42 897	72 201	37 227
Commissions on cash operations	98 088	46 354	117 045	60 420
Credit facility fee	45 875	23 825	46 923	38 164
Commissions on transactions with securities	27 464	10 989	31 751	16 602
Commissions on documentary business	8 998	4 605	8 207	4 016
Other	65 722	32 822	51 284	25 339
Total fee and commission expense	**1 073 219**	**524 707**	**709 643**	**381 936**
Net fee and commission income	**3 640 378**	**1 951 761**	**3 549 726**	**1 868 172**

20 Administrative and Other Operating Expenses

In thousands of Russian Roubles	**Six-Month Period Ended 30 June 2011 (Unaudited)**	**Three-Month Period Ended 30 June 2011 (Unaudited)**	**Six-Month Period Ended 30 June 2010 (Unaudited)**	**Three-Month Period Ended 30 June 2010 (Unaudited)**
Staff costs	4 696 431	2 267 480	3 980 080	1 888 983
Rent expenses	1 101 886	504 973	1 120 560	519 686
Depreciation of premises and equipment	724 358	361 635	719 330	374 368
IT services	479 439	295 466	386 358	258 660
Premises and equipment maintenance expenses	400 051	212 694	374 964	190 229
Deposit insurance fee	325 144	168 369	275 943	139 202
Advertising and marketing	264 978	164 861	217 711	165 076
Communication expenses	229 810	117 647	210 523	134 218
Amortisation of intangible assets	211 597	111 681	224 465	118 000
Professional services	198 630	30 898	143 199	65 862
Security expenses	159 887	94 174	223 599	99 031
Taxes other than on income	89 273	24 405	79 930	42 109
Other	315 336	118 176	412 299	242 459
Total administrative and other operating expenses	**9 196 820**	**4 472 459**	**8 368 961**	**4 237 883**

21 Segment Analysis

Operating Segments

The Supervisory Board monitors the results and is the chief operating decision maker (CODM). The Supervisory Board of the Bank consists of Management Board members of the Parent Bank. The Parent Bank is a holding company that controls the strategic and operating decisions of the Group. The Parent Bank monitors its business by geographic segment where the Group represents a separate segment "Russia". Therefore, the Group's format for reporting segment information is the geographical segment Russia. The Supervisory Board regularly meets at least on a quarterly basis. The Management Board informs the Supervisory Board in a timely and comprehensive manner about the issues relevant to the business development of the Group, including the Group's risk situation, risk management and that of Group entities. The Supervisory Board discusses with the Management Board the strategic orientation, makes respective decisions and monitors regularly the status of the strategy's implementation at regular intervals.

Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on the Group reporting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) Information comprises consolidated result of the Bank and Roof Russia S.A. (SPE of the Bank);

(ii) Certain classification differences exist between the information presented to CODM and consolidated condensed interim financial information.

Segment information for the Russia (as a segment of the Group) is calculated and set out below:

In thousands of Russian Roubles	**Six-Month Period Ended 30 June 2011 (Unaudited) Russia/Total**	**Three-Month Period Ended 30 June 2011 (Unaudited) Russia/Total**	**Six-Month Period Ended 30 June 2010 (Unaudited) Russia/Total**	**Three-Month Period Ended 30 June 2010 (Unaudited) Russia/Total**
External revenues:				
Interest and similar income	18 414 103	9 589 941	17 988 906	8 915 862
Fee and commission income	5 481 061	2 843 176	4 812 788	2 538 532
Total revenue	**23 895 164**	**12 433 117**	**22 801 694**	**11 454 394**
Interest and similar expense	(7 318 416)	(3 914 499)	(8 047 248)	(3 812 011)
Fee and commission expense	(1 070 365)	(523 311)	(707 058)	(380 473)
Provision for loan impairment	505 374	(205 261)	(1 949 458)	(1 086 240)
Trading result	2 270 295	1 148 029	1 652 985	249 806
Valuation result from hedge accounting and other derivative instruments	(575 596)	(248 767)	(599 610)	(238 375)
Net income from investments	(5 103)	(84)	17 905	28 007
Depreciation and amortization	(933 345)	(471 992)	(940 975)	(490 986)
Other administrative expenses	(7 887 798)	(3 868 498)	(6 927 097)	(3 462 272)
Other operating (loss)/profit	(146 274)	(44 339)	(370 763)	(244 552)
Income taxes	(1 975 496)	(1 014 281)	(1 297 100)	(581 366)
Segment result	**6 758 440**	**3 290 114**	**3 633 275**	**1 435 932**

Based on domicile of the customers substantially all of the revenues are from Russian customers.

21 Segment Analysis (Continued)

Major ratio calculations for the reportable segment of the Group for the six-months period ended 30 June 2011 and the year ended 31 December 2010 are set out below:

In thousands of Russian Roubles	30 June 2011 (Unaudited) Russia/Total	31 December 2010 Russia/Total
Total segment assets	**546 057 765**	**508 304 702**
Total segment liabilities	**457 649 066**	**422 396 384**
Capital expenditure	**738 626**	**2 494 394**
Cost/income ratio	51.29%	54.51%
Average equity	87 158 509	82 507 163
Return on equity before tax	19.89%	11.41%
Return on equity after tax	15.49%	8.83%

Capital expenditure represents additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets.

Reconciliation of segment revenues, segment result and other material items is presented below.

In thousands of Russian Roubles	Six-Month Period Ended 30 June 2011 (Unaudited) Russia/Total	Three-Month Period Ended 30 June 2011 (Unaudited) Russia/Total	Six-Month Period Ended 30 June 2010 (Unaudited) Russia/Total	Three-Month Period Ended 30 June 2010 (Unaudited) Russia/Total
Total revenue for segment	**23 895 164**	**12 433 117**	**22 801 694**	**11 454 394**
Reclassification of interest income to trading result	(1 027 896)	(566 082)	(2 305 248)	(1 014 996)
Reclassification of commission income to trading result	(927 777)	(473 855)	(928 836)	(494 933)
Reclassification of provision for loan impairment to interest income and unwinding effect	205 237	79 959	278 037	119 223
Effect of the consolidation of the subsidiaries and other adjustments	181 483	81 245	211 786	148 764
Total revenue	**22 326 211**	**11 554 384**	**20 057 433**	**10 212 452**

Total revenue comprises interest and similar income and fee and commission income.

21 Segment Analysis (Continued)

Reconciliation of reportable segment result is presented below.

In thousands of Russian Roubles	Six-Month Period Ended 30 June 2011 (Unaudited) Russia/Total	Three-Month Period Ended 30 June 2011 (Unaudited) Russia/Total	Six-Month Period Ended 30 June 2010 (Unaudited) Russia/Total	Three-Month Period Ended 30 June 2010 (Unaudited) Russia/Total
Total segment result	**6 758 440**	**3 290 114**	**3 633 275**	**1 435 932**
Less/(Additional) income tax based on tax declaration submitted	60 130	157 064	77 920	64 058
Consolidation of subsidiaries and associate	84 805	55 476	38 373	13 809
Intercompany adjustments	(151 639)	(137 612)	257	54 601
Profit after tax	**6 751 736**	**3 365 042**	**3 749 825**	**1 568 400**

Reconciliation of other material items of income or expenses for the six-month period ended 30 June 2011 is as follows:

In thousands of Russian Roubles	Total amount for reportable segment	Reclassifi-cations	Consolidation of the subsi-diaries and associate and other	As reported under IFRS
Material income or expenses for the six-month period ended 30 June 2011				
External revenues, including				
- Interest and similar income	18 414 103	(822 659)	21 170	17 612 614
- Fee and commission income	5 481 061	(927 777)	160 313	4 713 597
Interest and similar expense	(7 318 416)	1 697 105	9 407	(5 611 904)
Fee and commission expense	(1 070 365)	-	(2 854)	(1 073 219)
Provision for loan impairment	505 374	(205 236)	(131 566)	168 572
Trading result	2 270 295	190 274	(48 147)	2 412 422
Valuation result from hedge accounting and other derivative instruments	(575 596)	(44 037)	25	(619 608)
Net income from investments	(5 103)	112 330	(12 933)	94 294
Depreciation and amortization	(933 345)	-	(2 610)	(935 955)
Other administrative expenses	(7 887 798)	-	(4 292)	(7 892 090)
Other operating (loss)/profit	(146 274)	-	(55 347)	(201 621)
Income taxes	(1 975 496)	-	60 130	(1 915 366)

21 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the three-month period ended 30 June 2011 is as follows:

In thousands of Russian Roubles	**Total amount for reportable segment**	**Reclassifi-cations**	**Consolidation of the subsi-diaries and associate and other**	**As reported under IFRS**
Material income or expenses for the three-month period ended 30 June 2011				
External revenues, including				
- Interest and similar income	9 589 941	(486 123)	(25 902)	9 077 916
- Fee and commission income	2 843 176	(473 855)	107 147	2 476 468
Interest and similar expense	(3 914 499)	839 353	3 551	(3 071 595)
Fee and commission expense	(523 311)	-	(1 396)	(524 707)
Provision for loan impairment	(205 261)	(79 959)	(131 566)	(416 786)
Trading result	1 148 029	207 575	(27 782)	1 327 822
Valuation result from hedge accounting and other derivative instruments	(248 767)	(6 996)	(115)	(255 878)
Net income from investments	(84)	5	3 375	3 296
Depreciation and amortization	(471 992)	-	(1 324)	(473 316)
Other administrative expenses	(3 868 498)	-	29 702	(3 838 796)
Other operating (loss)/profit	(44 339)	-	(37 826)	(82 165)
Income taxes	(1 014 281)	-	157 064	(857 217)
		-		

Reconciliation of other material items of income or expenses for the six-month period ended 30 June 2010 is as follows:

In thousands of Russian Roubles	**Total amount for reportable segment**	**Reclassifi-cations**	**Consolidation of the subsi-diaries and associate and other**	**As reported under IFRS**
Material income or expenses for the six-month period ended 30 June 2010				
External revenues, including				
- Interest and similar income	17 988 906	(2 027 211)	95 314	16 057 009
- Fee and commission income	4 812 788	(928 836)	116 472	4 000 424
Interest and similar expense	(8 047 248)	2 865 108	8 792	(5 173 348)
Fee and commission expense	(707 058)	-	(2 585)	(709 643)
Provision for loan impairment	(1 949 458)	(278 037)	(73 927)	(2 301 422)
Trading result	1 652 985	174 299	(354 155)	1 473 129
Valuation result from hedge accounting and other derivative instruments	(599 610)	194 676	6 435	(398 499)
Net income from investments	17 905	-	295 922	313 827
Depreciation and amortization	(940 975)	-	(2 820)	(943 795)
Other administrative expenses	(6 927 097)	-	(85 770)	(7 012 867)
Other operating (loss)/profit	(370 763)	-	34 953	(335 810)
Income taxes	(1 297 100)	-	77 920	(1 219 180)

21 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the three-month period ended 30 June 2010 is as follows:

In thousands of Russian Roubles	Total amount for reportable segment	Reclassifi-cations	Consolidation of the subsi-diaries and associate and other	As reported under IFRS
Material income or expenses for the three-month period ended 30 June 2010				
External revenues, including				
- Interest and similar income	8 915 862	(895 773)	95 521	8 115 610
- Fee and commission income	2 538 532	(494 933)	53 243	2 096 842
Interest and similar expense	(3 812 011)	1 325 083	(1 397)	(2 488 325)
Fee and commission expense	(380 473)	-	(1 463)	(381 936)
Provision for loan impairment	(1 086 240)	(119 223)	(82 367)	(1 287 830)
Trading result	249 806	68 287	(262 086)	56 007
Valuation result from hedge accounting and other derivative instruments	(238 375)	116 559	4 106	(117 710)
Net income from investments	28 007	-	266 114	294 121
Depreciation and amortization	(490 986)	-	(1 382)	(492 368)
Other administrative expenses	(3 462 272)	-	(40 784)	(3 503 056)
Other operating (loss)/profit	(244 552)	-	38 905	(205 647)
Income taxes	(581 366)	-	64 058	(517 308)

Provision for loan impairment comprises of provision for impairment of loans and advances to customers, provision for credit related commitments and gains from the sale of loans.

Trading result, Net income from investments and valuation result from hedge accounting and other derivative instruments comprises gains less losses from trading securities, gains less losses from trading in foreign currencies, unrealised and realized gains less losses from derivative financial instruments and foreign exchange translation losses, net of gains, ineffectiveness from hedge accounting, gain from redemption of investment securities available for sale, gains less losses from other securities at fair value through profit or loss and provision for investment securities held to maturity.

The reconciling items are attributable to the following.

Reclassification in Interest and similar expense for six-month period ended 30 June 2011:

- reclassification of interest expenses from deposits which are the hedged items in Cash flow hedge from interest and similar expenses to trading result in the amount RR 27 736 (for six-month period ended 30 June 2010: RR 78 567 thousand);

- reclassification of computed refinancing cost of trading portfolio from trading result to interest and similar expenses in the amount RR 713 233 thousand (for six-month period ended 30 June 2010: 831 769 thousand); and

- reclassification of computed refinancing cost of other securities at fair value through profit or loss portfolio from gains less losses from other securities at fair value through profit or loss to interest and similar expenses in the amount RR 112 330 thousand (for six-month period ended 30 June 2010: zero thousand); and

- reclassification of interest expenses from interest rate derivatives from interest and similar expenses to trading result in the amount of RR 2 494 932 thousand (for six-month period ended 30 June 2010: RR 3 618 310 thousand).

21 Segment Analysis (Continued)

Reclassification in Provision for loan impairment movement for the reporting period of the gross up of the loans acquired in the course of the business combination for interest and similar income and for provision for loan impairment and unwinding effect to interest and similar income in the amount of RR 205 237 thousand (for six-month period ended 30 June 2010: RR 278 137 thousand).

Reclassification in Trading result for six-month period ended 30 June 2011:

- the total amount of reclassification from Trading result to Interest and similar expenses is equal to the amount of RR 825 563 thousand (for six-month period ended 30 June 2010: RR 831 769 thousand);

- the total amount of reclassification to Trading result from Interest and similar expenses is equal to the amount of RR 2 494 932 thousand (for six-month period ended 30 June 2010: RR 3 618 310 thousand);

- reclassification of interest income from interest rate derivatives from interest and similar income to trading result in the amount of RR 2 929 826 thousand (for six-month period ended 30 June 2010: RR 3 793 823 thousand);

- reclassification of ineffective part from hedge accounting from valuation result from hedge accounting and other derivative instruments to trading result in the amount of RR plus 44 037 thousand RUB (for six-month period ended 30 June 2010: minus RR 194 676 thousand);

- reclassification of coupon income for trading securities from trading result to interest income in the amount of RR 1 903 406 thousand (for six-month period ended 30 June 2010: RR 1 489 962 thousand);

- reclassification of the result on clients' foreign exchange transactions from commission income to trading result in the amount of RR 75 449 thousand (for six-month period ended 30 June 2010: 142 820 thousand).

Major customers

The Group does not have any single customer, from which it earns revenue representing 10% of more of the total revenues.

22 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and credit risk concentrations. The primary objectives of the financial risk management function are to identify and assess risks, establish risk limits, assume risk mitigation measures, ensure that all material risks are measured and limited, and that business in general is evaluated under a risk/return perspective. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. Policies and processes for managing financial risks remain unchanged from those disclosed in last annual financial statements for the year ended 31 December 2010.

Market risk. Market risk is the risk of loss due to adverse changes in interest rates, exchange rates, equity prices, commodity prices and credit spreads which may affect the Group's equity, profit or the market value of its assets and liabilities. Market risk derives from on and off balance sheet positions in the Bank's treasury, investment banking and lending operations.

The Group's market risk management approach encompasses the recognition, measurement, monitoring and management of market risk that results from the Group's banking business on a group basis. The Group encounters market risk in both trading and non trading activities (including interest rate positions, balance sheet structures and hedging positions).

22 Financial Risk Management (Continued)

The Group's market risk management unit is in charge of identifying and assessing market risks and establishing procedures to control market risks, including monitoring position limits and exposures.

The Bank's market risk management unit also assesses market risk for new businesses and products, including structured products. The Treasury Directorate, which trades within trading limits recommended by the market risk management unit and approved by the ALCO / CC, performs trading and market positioning for the Bank. The Bank is subject to the policies and limits set by the Parent Bank and approved by the Parent Bank's market risk committee.

The Bank's market risk management unit is in charge of daily limit monitoring and weekly reporting to the Parent Bank, and is responsible for reporting any limited breach to the Parent Bank. In the case of a limit breach, the Parent Bank board member responsible for global treasury has the right to intervene in the Bank's risk management activities and practices.

The Bank uses an interest rate sensitivity analysis to assess interest rate risk for its banking portfolio, which consists of loans, deposits, interbank money market transactions, fixed-income held-to-maturity securities and interest rate derivatives and for its trading portfolio, which consists of fixed income trading securities. The Group creates an interest rate repricing gap for each portfolio by comparing the present market value of all future cash flows calculated taking the current market interest rate that the Bank uses for internal pricing, against the value of all future cash flows in the current market increased by one basis point.

The Bank uses set of position limits to prevent the concentration of certain financial instruments, including trading securities and open foreign exchange positions, as well as in the Bank's overall portfolio, in order to maintain the market value of the overall portfolio. The position limits are set for individual positions and for the overall portfolio and account for certain market conditions, including liquidity.

Currency risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign currency exchange risk on open positions (mainly USD/RR and EUR/RR exchange rate fluctuations).

Foreign exchange risk management is done centrally by the Treasury Directorate for the Bank's Head Office and all regional and Moscow branches.

The Bank's Treasury Directorate undertakes daily aggregation of the currency position of the Bank and takes measures for maintaining of the Bank's currency position on a minimum level. The Bank uses swaps, forwards and USD futures contracts tradable on MICEX and RTS as the main instruments for hedging risk.

22 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 June 2011:

In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Less fair value of currency derivatives**	**Currency derivatives**	**Net position including currency derivatives**
Russian Roubles	274 913 675	264 913 897	566 999	60 562 734	69 995 513
US Dollars	176 962 669	108 577 450	(646 318)	(74 430 025)	(5 398 488)
Euros	60 799 659	79 061 880	(181 467)	18 170 450	89 696
Other	5 917 292	1 057 013	3 532	(4 560 413)	296 334
Total	**518 593 295**	**453 610 240**	**(257 254)**	**(257 254)**	**64 983 055**

The Group's exposure to foreign currency exchange rate risk at 31 December 2010 is presented below:

In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Less fair value of currency derivatives**	**Currency derivatives**	**Net position including currency derivatives**
Russian Roubles	277 551 857	213 619 146	1 186 828	9 589 839	72 335 722
US Dollars	168 865 651	124 098 054	22 567	(52 969 469)	(8 224 439)
Euros	28 351 541	79 187 679	127 941	50 419 999	(544 080)
Other	6 641 992	990 892	2 533	(5 700 500)	(51 933)
Total	**481 411 041**	**417 895 771**	**1 339 869**	**1 339 869**	**63 515 270**

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

22 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 30 June 2011 is set out below:

In thousands of Russian Roubles	Russia	Austria	Other European Union	Other countries	Total
Assets					
Cash and cash equivalents	37 294 545	74 463 196	2 776 817	1 877 817	116 412 375
Mandatory cash balances with the Central bank of the Russian Federation	5 209 481	-	-	-	5 209 481
Trading securities	54 715 902	-	3 704 577	4 599	58 425 078
Other securities at fair value through profit or loss	5 097 990	-	52 102	35 890	5 185 982
Due from other banks	1 812 585	5 635 789	-	271 722	7 720 096
Loans and advances to customers	280 738 117	1 533 597	18 584 712	10 002 129	310 858 555
Investment securities available for sale	10 388 368	-	-	517 594	10 905 962
Investment securities held-to-maturity	507 578	-	-	-	507 578
Derivatives and other financial assets	1 022 594	2 684 007	1 224 756	16 700	4 948 057
Total financial assets	**396 787 160**	**84 316 589**	**26 342 964**	**12 726 451**	**520 173 164**
Liabilities					
Due to other banks	4 027 752	1 886 370	3 334 468	651 240	9 899 830
Customer accounts	338 061 930	641 548	5 931 289	1 283 290	345 918 057
Term borrowings from the Parent Bank	-	71 068 052	-	-	71 068 052
Term borrowings from other financial institutions	384 870	1 427 830	637 645	1 590 989	4 041 334
Debt securities in issue	15 111 518	-	-	-	15 111 518
Derivatives and other financial liabilities	2 720 081	3 167 242	1 383 810	300 316	7 571 449
Total financial liabilities	**360 306 151**	**78 191 042**	**11 287 212**	**3 825 835**	**453 610 240**
Net balance sheet position	**36 481 009**	**6 125 547**	**15 055 752**	**8 900 616**	**66 562 924**
Credit related commitments (Note 23)	**167 283 860**	**1 593 661**	**5 779 041**	**306 816**	**174 963 378**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from off-shore companies of these Russian counterparties are allocated to the caption "Russia". Cash on hand have been allocated based on the country in which they are physically held.

22 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2010 is set out below:

In thousands of Russian Roubles	Russia	Austria	Other European Union	Other countries	Total
Assets					
Cash and cash equivalents	60 594 432	16 489 458	3 006 510	4 188 457	84 278 857
Mandatory cash balances with the Central bank of the Russian Federation	2 698 403	-	-	-	2 698 403
Trading securities	49 208 549	-	4 405 057	-	53 613 606
Other securities at fair value through profit or loss	18 277 613	-	49 072	78 413	18 405 098
Due from other banks	3 132 553	18 317 877	-	274 283	21 724 713
Loans and advances to customers	258 791 201	1 649 029	12 302 821	10 820 868	283 563 919
Investment securities available for sale	10 617 267	-	-	469 305	11 086 572
Investment securities held-to-maturity	512 148	-	-	-	512 148
Derivatives and other financial assets	984 014	3 922 800	1 291 383	138 969	6 337 166
Total financial assets	**404 816 180**	**40 379 164**	**21 054 843**	**15 970 295**	**482 220 482**
Liabilities					
Due to other banks	15 579 330	1 923 389	1 842 874	1 189 633	20 535 226
Customer accounts	277 296 510	761 130	7 049 185	1 637 333	286 744 158
Term borrowings from the Parent Bank	-	81 169 487	-	-	81 169 487
Term borrowings from other financial institutions	827 623	1 140 484	1 683 439	2 007 359	5 658 905
Debt securities in issue	16 196 249	-	-	-	16 196 249
Derivatives and other financial liabilities	2 358 160	3 537 798	1 624 830	70 958	7 591 746
Total financial liabilities	**312 257 872**	**88 532 288**	**12 200 328**	**4 905 283**	**417 895 771**
Net balance sheet position	**92 558 308**	**(48 153 124)**	**8 854 515**	**11 065 012**	**64 324 711**
Credit related commitments (Note 23)	**135 949 847**	**6 297 829**	**4 171 963**	**4 434 053**	**150 853 692**

Credit risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations at 30 June 2011 or 31 December 2010.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset and Liability Committee of the Group.

The Group seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios on a daily basis in accordance with the requirement of the CB RF.

22 Financial Risk Management (Continued)

The Bank monitors expected maturities, which may be summarised as follows at 30 June 2011 and 31 December 2010:

In thousands of Russian Roubles	**Demand and less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
At 30 June 2011					
Financial assets	247 685 276	90 162 535	149 909 777	32 415 576	520 173 164
Financial liabilities	269 547 714	114 485 274	68 180 714	1 396 538	453 610 240
Net liquidity gap based on expected maturities	**(21 862 438)**	**(24 322 739)**	**81 729 063**	**31 019 038**	**66 562 924**
At 31 December 2010					
Financial assets	223 405 842	88 683 854	136 168 782	33 962 004	482 220 482
Financial liabilities	229 447 278	112 004 171	73 957 189	2 487 133	417 895 771
Net liquidity gap based on expected maturities	**(6 041 436)**	**(23 320 317)**	**62 211 593**	**31 474 871**	**64 324 711**

The above given analyses are based on contractual maturities, except for the entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of the portfolio's realisability.

23 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group may be received On the basis of its own estimates and internal professional advice Management is of the opinion that certain losses could be incurred in respect of claims and accordingly has made provisions for the legal cases in these consolidated condensed interim financial statements.

Tax legislation. Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2006, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

23 Contingencies and Commitments (Continued)

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumptions that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Russian Roubles	**30 June 2011 (Unaudited)**	**31 December 2010**
Not later than 1 year	825 187	820 670
Later than 1 year and not later than 5 years	13 258	13 054
Total operating lease commitments	**838 445**	**833 724**

Compliance with covenants. The Group is subject to certain covenants related primarily to its other borrowed funds. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's Management believes that the Group is in compliance with covenants as at 30 June 2011.

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

23 Contingencies and Commitments (Continued)

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
Undrawn credit lines	76 373 490	67 592 123
Guarantees issued	40 288 234	32 203 710
Undrawn commitments to issue documentary instruments	31 594 807	27 668 616
Overdraft facilities	16 429 002	14 088 199
Import letters of credit	8 841 958	6 946 223
Export letters of credit	1 435 887	2 354 821
Credit related commitments before provision	**174 963 378**	**150 853 692**
Less: Provision for credit related commitments	(1 681 113)	(1 643 011)
Total credit related commitments	**173 282 265**	**149 210 681**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Fair value of guarantee contracts was RR 83 265 thousand at 30 June 2011 (31 December 2010: RR 305 441 thousand). The total amount of irrevocable undrawn credit lines and overdraft facilities was RR 48 785 575 thousand at 30 June 2011 (31 December 2010: RR 39 400 427 thousand).

In thousands of Russian Roubles	30 June 2011 (Unaudited)	31 December 2010
Russian Roubles	119 162 247	85 559 685
US Dollars	42 341 116	49 299 040
Euro	13 432 643	15 977 514
Other	27 372	17 453
Total credit related commitments before provision	**174 963 378**	**150 853 692**

Assets pledged and restricted. Mandatory cash balances with the Bank of Russia in the amount of RR 5 209 481 thousand (31 December 2010: RR 2 698 403 thousand) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

As at 30 June 2011 the estimated fair value of securities purchased under reverse sale and repurchase agreements (Note 7), which the Group has the right to sell or repledge in the absence of default of the counterparty was RR 12 509 363 thousand (31 December 2010: RR 10 971 360 thousand).

24 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party 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.

At 30 June 2011, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Parent bank**	**Subsidia-ries of the Parent Bank**	**Associate**	**Members of the Managing Board**	**Other related parties**
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0.05 % - 1.30 % p.a.)	60 417 946	9 901	-	-	-
Placements with other banks with original maturities of less than three months (contractual interest rate: 0.00 % - 0.29 % p.a.)	14 045 250	-	-	-	-
Due from other banks (contractual interest rate: 0.00 % - 7.89 % p.a.)	5 635 789	241 556	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 0.69 % – 17.13 % p.a.)	-	1 531 479	2 626 062	54 605	-
Purchased intangible assets less accumulated depreciation	115 755	-	-	-	-
Derivatives and other financial assets	2 665 602	15	-	-	-
Investments in associate	-	-	1 126 762	-	-
Due to other banks (contractual interest rate: 0.00 % – 3.55% p.a.)	93 779	1 013 580	-	-	72 092
Customer accounts (contractual interest rate: 0.00 % – 1.47 % p.a.)	-	20 720	5 587 758	-	-
Term borrowings from the Parent Bank (contractual interest rate: 0.16 % – 6.25% p.a.)	71 068 052	-	-	-	-
Term borrowings from other financial institutions (contractual interest rate: 2.00 % p.a.)	-	-	-	-	1 812 699
Other liabilities	453 838	2 350	4 285	149 195	-
Derivatives and other financial liabilities	3 167 263	639	-	-	-

24 Related Party Transactions (Continued)

The income and expense items with related parties for the six-month period ended 30 June 2011 were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate	Members of the Managing Board	Other related parties
Interest income	198 881	19 616	66 364	3 409	-
Interest expense	(1 076 016)	(3 806)	(80 246)	-	(21 369)
Fee and commission income	6 557	3 246	3 016	-	-
Fee and commission expense	(65 574)	-	-	-	-
Gains less losses from trading in foreign currencies	15 549	(7 874)	1 759	-	-
Realized gains less losses/(losses, net of gains) from financial derivatives	78 270	(6 447)	-	-	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	(1 279 825)	1 058	-	-	-
Ineffectiveness from the hedge accounting	38 197	-	-	-	-
Administrative and other operating expenses	(234 457)	(7 175)	-	(88 822)	-
Other operating income	90	-	1 622	-	-
Share of profit of associate	-	-	53 439	-	-

The income and expense items with related parties for the three-month period ended 30 June 2011 were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate	Members of the Managing Board	Other related parties
Interest income	134 932	8 671	38 497	1 478	-
Interest expense	(555 294)	(1 870)	(41 433)	-	(10 299)
Fee and commission income	3 035	1 739	1 913	-	-
Fee and commission expense	(33 554)	-	-	-	-
Gains less losses from trading in foreign currencies	9 010	(2 935)	1 488	-	-
Realized gains less losses from financial derivatives	6 189	1 036	(271)	-	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	(473 859)	3 578	-	-	-
Ineffectiveness from the hedge accounting	1 156	-	-	-	-
Administrative and other operating expenses	(99 745)	(4 198)	-	-	-
Other operating income	90	-	805	-	-
Share of profit of associate	-	-	42 172	-	-

24 Related Party Transactions (Continued)

At 30 June 2011, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate	Other related parties
Guarantees issued by the Group at the period end	355 722	268 174	334 530	-
Guarantees received by the Group at the period end	1 173 836	408 553	-	60 901
Letters of credit issued by the Group at the period end	-	-	3 351	-
Stand-by facilities issued by Parent Bank at the period end	4 462 764	-	-	-
Undrawn credit lines and overdraft facilities	650 000	134 067	3 248 633	450 000
Undrawn commitments to issue documentary instruments	-	742	-	-
Interest rate swap agreements – notional amount as at the period end	91 864 295	-	-	-
Interest rate swap agreements – fair values as at the period end	(330 644)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the period end	6 461 941	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the period end	5 822 749	-	-	-
Cross currency interest rate swap agreements – fair values at the period end	169 200	-	-	-
Foreign currency derivative financial instruments – principal amount	27 145 304	590 852	-	-
Foreign currency derivative financial instruments – fair value	(340 218)	(624)	-	-

At 31 December 2010, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Parent bank	Subsidia-ries of the Parent Bank	Associate	Members of the Managing Board	Other related parties
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0.00 % – 0.00 % p.a.)	2 372 873	16 017	-	-	-
Due from other banks (contractual interest rate: 0.00 % – 8.25 % p.a.)	19 273 895	311 881	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 0.76 % – 17.13 % p.a.)	-	1 648 270	1 449 328	52 854	-
Purchased intangible assets less accumulated depreciation	86 425	-	-	-	-
Derivatives and other financial assets	3 922 800	360	2 450	-	-
Investments in associate	-	-	1 058 323	-	-
Due to other banks (contractual interest rate: 0.00 % – 8.73% p.a.)	153 700	1 036 834	-	-	54
Customer accounts (contractual interest rate: 0.00 % – 3.60 % p.a.)	4 399	186 768	7 246 293	-	-
Term borrowings from the Parent Bank (contractual interest rate: 0.22 % – 6.25% p.a.)	81 169 487	-	-	-	-
Term borrowings from other financial institutions (contractual interest rate: 2.05% p.a.)	-	-	-	-	1 968 107
Other liabilities	314 266	7	893	118 251	1 851
Derivatives and other financial liabilities	3 537 791	2 042	-	-	-

24 Related Party Transactions (Continued)

The income and expense items with related parties for the six-month period ended 30 June 2010 were as follows:

In thousands of Russian Roubles	**Parent bank**	**Subsidiaries of the Parent Bank**	**Associate**	**Members of the Managing Board**
Interest income	243 140	8 723	41 843	3 809
Interest expense	(1 155 237)	(2 499)	(67 617)	-
Fee and commission income	10 611	5 610	1 715	-
Fee and commission expense	(56 670)	-	-	-
Gains less losses from trading in foreign currencies	5	21	674	-
Realized gains less losses/(losses, net of gains) from financial derivatives	1 683 572	(523)	2 055	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	(2 285 774)	88	(1 991)	-
Ineffectiveness from the hedge accounting	(194 676)	-	-	-
Administrative and other operating expenses	(141 883)	-	-	(105 297)
Other operating income	1 324	-	1 515	-
Share of profit of associate	-	-	17 550	-

The income and expense items with related parties for the three-month period ended 30 June 2010 were as follows:

In thousands of Russian Roubles	**Parent bank**	**Subsidiaries of the Parent Bank**	**Associate**	**Members of the Managing Board**
Interest income	127 183	4 292	16 449	1 817
Interest expense	(561 362)	(1 253)	(31 719)	-
Fee and commission income	1 749	2 961	422	-
Fee and commission expense	(38 327)	-	-	-
Gains less losses from trading in foreign currencies	3	-	362	
Realized gains less losses from financial derivatives	1 605 811	1 609	765	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	(1 411 091)	1 075	(775)	-
Ineffectiveness from the hedge accounting	(116 559)	-	-	-
Administrative and other operating expenses	(71 487)	-	-	(65 476)
Other operating income	-	-	782	-
Share of profit of associate	-	-	7 724	-

24 Related Party Transactions (Continued)

At 31 December 2010, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	**Parent bank**	**Subsidiaries of the Parent Bank**	**Associate**	**Other related parties**
Guarantees issued by the Group at the year end	355 087	264 920	-	-
Guarantees received by the Group at the year end	1 271 853	418 828	-	61 162
Stand-by facilities issued by Parent Bank	4 456 808	-	-	-
Undrawn credit lines	-	146 457	4 802 365	-
Overdraft facilities	650 000	-	-	185 000
Undrawn commitments to issue documentary instruments	-	2 242 667	3 346	-
Interest rate swap agreements – notional amount as at the year end	99 936 700	-	-	-
Interest rate swap agreements - fair values as at the year end	(901 945)	-	-	-
Cross currency interest rate swap agreements - notional amount receivable as at the year end	4 157 228	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the year end	3 299 443	-	-	-
Cross currency interest rate swap agreements - fair values as at the year end	579 112	-	-	-
Foreign currency derivative financial instruments – principal amount	62 078 288	69 056	-	-
Foreign currency derivative financial instruments –fair value	707 842	(124)	-	-

The Bank's immediate parent is Raiffeisen Bank International AG (2010: Raiffeisen International Bank-Holding AG). The Bank is ultimately controlled by Raiffeisen Zentralbank Osterreich AG (2010: Raiffeisen Zentralbank Osterreich AG).

Key management compensation is presented below:

In thousands of Russian Roubles	**30 June 2011 Expense**	**30 June 2011 Accrued liability**	**30 June 2010 Expense**	**31 December 2010 Accrued liability**
Short-term benefits:				
- Salaries	57 879	-	51 582	-
- Short-term bonuses	27 323	137 044	53 715	109 721
Share-based compensation:				
- Cash-settled share-based compensation	3 620	12 151	-	8 531
Total	**88 822**	**149 195**	**105 297**	**118 252**

Short-term bonuses fall due within twelve months after the end of the period in which Management rendered the related services.