ZENIT BANKING GROUP

Condensed Interim Consolidated Financial Report (Unaudited)

Six-month period ended 30 June 2011

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ZENIT Banking Group

Statement of Management's Responsibilities for the Preparation and Approval of the Condensed Interim Consolidated Financial Report for the Six Months Ended 30 June 2011 (Unaudited)

Management is responsible for the preparation of the condensed interim consolidated financial report that present fairly the financial position of Bank ZENIT (Open Joint-Stock Company) and its subsidiaries (hereinafter referred to as "ZENIT Banking Group" or the "Group") as of 30 June 2011, the results of its operations, cash flows and changes in shareholders' equity for the six months then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the condensed interim consolidated financial report, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial report of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial report for the six months ended 30 June 2011 was approved by management on 16 September 2011 by the Management Board.

On behalf of the Management Board:

Shpigun K.O. Chairman of the Management Board	Gorovoy R.V. First Deputy Chairman
16 September 2011 Moscow	16 September 2011 Moscow

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and the Board of Directors of Open Joint-Stock Company "BANK ZENIT":

We have reviewed the accompanying condensed interim consolidated statement of financial position of Open Joint-Stock Company "BANK ZENIT" and its subsidiaries as of 30 June 2011 and the related condensed interim consolidated statements of income, cash flows, statement of comprehensive income and changes in equity for the six months then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review of the condensed interim consolidated financial report for the six months ended 30 June 2011, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial report is not prepared, in all material respects in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Deloitte & Touche

16 September 2011
Moscow

(Thousands of Russian Roubles, except for Earnings per share)

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Interest income	4	8,417,227	8,799,906
Interest expense	4	(4,918,072)	(5,530,759)
Net interest income		**3,499,155**	**3,269,147**
Provision for loan impairment	5	(705,556)	(694,706)
Net interest income after changes in provision for loan impairment		**2,793,599**	**2,574,441**
Net gain arising from financial assets at fair value through profit or loss	6	153,256	56,947
Net realised gain from available-for-sale financial assets		74,668	322,455
Impairment of available-for-sale financial assets	14	(5,334)	(156,755)
Net gain arising from dealing in foreign currencies		233,864	511,481
Net loss arising on foreign exchange translation		(45,223)	(301,102)
Fee and commission income	7	1,861,568	1,855,614
Fee and commission expense	7	(217,685)	(180,917)
Provision for losses on credit related commitments	5	(24,881)	(6,956)
Impairment of assets for development and sale	17	(318,039)	-
Other operating income		177,566	437,252
Net revenues		**4,683,359**	**5,112,460**
Operating expenses	8	(3,042,572)	(2,515,496)
Profit before income tax expense		**1,640,787**	**2,596,964**
Income tax expenses	9	(443,124)	(775,784)
Net profit		**1,197,663**	**1,821,180**
Attributable to:			
Equity holders of the parent		**1,195,603**	**1,813,116**
Non-controlling interest		**2,060**	**8,064**
Earnings per share, basic and diluted (Russian Roubles)	10	**0.106**	**0.161**

Signed on behalf of the Management Board

Shpigun K.O.
Chairman of the Management Board

16 September 2011
Moscow

Gorovoy R.V.
First Deputy Chairman

16 September 2011
Moscow

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО
БАНК ЗЕНИТ
МОСКВА

The notes on pages 8-34 form an integral part of this condensed interim consolidated financial report.

(Thousands of Russian Roubles, except for Earnings per share)

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Net Profit		**1,197,663**	**1,821,180**
Other comprehensive income			
Exchange differences on translation of foreign operations		(1,867)	(778)
Fair value adjustment on available-for-sale financial assets recognised in the statement of income (net of deferred income tax of RUR 14,934 thousand for 6 months ended 30 June 2011 and net of deferred income tax of RUR 64,491 thousand for 6 months ended 30 June 2010) (unaudited)		(59,734)	(257,964)
Fair value adjustment on available-for-sale financial assets impaired in the statement of income (net of deferred income tax of RUR 1,067 thousand for 6 months ended 30 June 2011 and net of deferred income tax of RUR 31,351 thousand for 6 months ended 30 June 2010) (unaudited)		4,267	125,404
Fair value adjustment on available-for-sale financial assets (net of deferred income tax of RUR 6,514 thousand for 6 months ended 30 June 2011 and net of deferred income tax of RUR 45,931 thousand for 6 months ended 30 June 2010) (unaudited)		26,054	183,725
Other comprehensive income from investments in associates (net of deferred income tax of RUR 14,193)		56,772	-
Other comprehensive income, net of tax		**25,492**	**50,387**
Total comprehensive income		**1,223,155**	**1,871,567**
Total comprehensive income attributable to:			
Equity holders of the parent		**1,221,095**	**1,863,503**
Non-controlling interest		**2,060**	**8,064**

Signed on behalf of the Management Board

Shpigun K.O.
Chairman of the Management Board

16 September 2011
Moscow

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО
БАНК
ЗЕНИТ
МОСКВА
Г.Р.№3255

Gorovoy R.V.
First Deputy Chairman

16 September 2011
Moscow

The notes on pages 8-34 form an integral part of this condensed interim consolidated financial report.

(Thousands of Russian Roubles)

	Note	30 June 2011 (unaudited)	31 December 2010
Assets			
Cash and cash equivalents	11	32,186,801	30,936,454
Mandatory reserve deposits with the Central Bank of the Russian Federation (CBRF)		2,133,322	1,087,250
Due from banks	12	3,733,787	8,618,382
Financial assets at fair value through profit or loss	13	11,045,011	12,122,902
Available-for-sale financial assets	14	18,084,215	11,414,482
Investments in associates	15	1,124,070	1,162,726
Loans to customers	16	149,403,533	126,995,907
Property, plant and equipment		3,796,867	3,730,088
Assets for development and sale	17	2,235,426	-
Investment property		378,193	212,771
Goodwill		156,248	156,248
Other assets		772,645	540,467
Current income tax asset		17,936	101,727
Deferred income tax asset		517,685	387,953
Non-current assets held for sale		2,751,530	2,328,547
Total assets		**228,337,269**	**199,795,904**
Liabilities			
Due to banks and CBRF	18	18,940,351	16,247,210
Customer accounts	19	132,828,315	116,153,700
Debt securities issued	20	18,170,526	15,832,779
RUR-denominated bonds issued	21	22,290,157	17,384,398
Other liabilities		891,386	815,122
Current income tax liability		7,971	4,002
Deferred income tax liability		92,237	101,759
Subordinated debt	22	11,978,277	11,087,699
Total liabilities		**205,199,220**	**177,626,669**
Equity			
Share capital		12,698,104	12,698,104
Treasury shares		(699,900)	(699,900)
Share premium		1,545,000	1,545,000
Cumulative translation reserve		(1,972)	(105)
Revaluation reserve for available-for-sale financial assets		(8,622)	20,791
Property, plant and equipment revaluation reserve		137,702	137,702
Other comprehensive income from investments in associates		56,772	-
Retained earnings		9,342,709	8,400,755
Equity attributable to the shareholders of the Bank		**23,069,793**	**22,102,347**
Non-controlling interest		68,256	66,888
Total equity		**23,138,049**	**22,169,235**
Total liabilities and equity		**228,337,269**	**199,795,904**

Signed on behalf of the Management Board

Shpigun K.O.
Chairman of the Management Board

16 September 2011
Moscow

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО БАНК ЗЕНИТ МОСКВА

Gorovoy R.V.
First Deputy Chairman

16 September 2011
Moscow

The notes on pages 8-34 form an integral part of this condensed interim consolidated financial report.

(Thousands of Russian Roubles)

	Share capital	Treasury shares	Share premium	Cumulative translation reserve	Revaluation reserve for available-for-sale financial assets	Property and equipment revaluation reserve	Other comprehen-sive income from investments in associates	Retained earnings	Equity attributable to the share-holders of the Bank	Non-controlling interest	Total equity
31 December 2009	**12,698,104**	**(699,900)**	**1,545,000**	**346**	**221,950**	**47,288**		**5,833,089**	**19,645,877**	**77,463**	**19,723,340**
Net profit (unaudited)	-	-	-	-	-		-	1,813,116	1,813,116	8,064	**1,821,180**
Dividends for the year 2009 (unaudited) (Note 23)	-	-	-	-	-	-	-	(390,944)	(390,944)	-	(390,944)
Other comprehensive income (net of deferred income tax of RUR 12,791 thousand) (unaudited)	-	-	-	(778)	51,165	-	-	-	50,387	-	50,387
Adjustment for change in ownership of SPIRITBANK (unaudited)	-	-	-	-	-	-	-	-	-	(11,531)	(11,531)
30 June 2010 (unaudited)	**12,698,104**	**(699,900)**	**1,545,000**	**(432)**	**273,115**	**47,288**	**-**	**7,255,261**	**21,118,436**	**73,996**	**21,192,432**
31 December 2010	**12,698,104**	**(699,900)**	**1,545,000**	**(105)**	**20,791**	**137,702**	**-**	**8,400,755**	**22,102,347**	**66,888**	**22,169,235**
Net profit (unaudited)	-	-	-	-	-	-	-	1,195,603	1,195,603	2,060	1,197,663
Dividends for the year 2010 (unaudited) (Note 23)	-	-	-	-	-	-	-	(253,649)	(253,649)	(692)	(254,341)
Other comprehensive incomes (net of deferred income tax of RUR 6,840 thousand) (unaudited)	-	-	-	(1,867)	(29,413)	-	56,772	-	25,492	-	25,492
30 June 2011 (unaudited)	**12,698,104**	**(699,900)**	**1,545,000**	**(1,972)**	**(8,622)**	**137,702**	**56,772**	**9,342,709**	**23,069,793**	**68,256**	**23,138,049**

Signed on behalf of the Management Board

Shpigun K.O.
Chairman of the Management Board

16 September 2011
Moscow

Gorovoy R.V.
First Deputy Chairman

16 September 2011
Moscow

The notes on pages 8-34 form an integral part of this condensed interim consolidated financial report.

(Thousands of Russian Roubles)

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Cash flows from operating activities			
Interest received		7,587,313	7,193,119
Interest paid		(4,833,896)	(4,482,152)
Cash received on dealing in foreign currencies		224,514	492,781
Cash received on dealing in financial assets at fair value through profit or loss		260,934	29,610
Fees and commissions received		1,845,752	1,846,513
Fees and commissions paid		(213,467)	(179,678)
Other operating income received		152,594	433,233
Operating expenses paid		(3,371,786)	(2,682,344)
Income tax paid		(501,458)	(302,330)
Cash generated from operating activities before changes in operating assets and liabilities		**1,150,500**	**2,348,752**
Net cash increase/(decrease) from operating assets and liabilities			
Mandatory reserve deposits with the Central Bank of the Russian Federation		(1,046,072)	(65,662)
Due from banks		4,828,630	17,127,000
Financial assets at fair value through profit or loss and foreign currencies		919,001	(8,874,985)
Loans to customers		(23,942,914)	(15,647,979)
Other assets		(264,949)	(1,049,331)
Due to banks		3,328,265	(7,454,892)
Customer accounts		17,961,765	13,188,104
Debt securities issued		2,782,070	78,666
Other liabilities		178,325	124,197
Net cash generated from/(used in) operating activities		**5,894,621**	**(226,130)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(186,681)	(98,636)
Purchase of available-for-sale financial assets		(13,848,158)	(10,501,408)
Proceeds from sales of available-for-sale financial assets		6,937,273	11,585,663
Proceeds from sale of property, plant and equipment		12,410	6,732
Proceeds from sale of non-current assets held-for-sale		91,635	27,235
Purchase of assets for development and sale		(2,553,465)	-
Purchase of investment property		(165,422)	-
Net cash generated from investing activities		**(9,712,408)**	**1,019,586**
Cash flows from financing activities			
Subsequent acquisition of shares in subsidiary		-	(10,819)
Issuance of RUR-denominated bonds		5,000,000	5,000,000
Redemption of RUR-denominated bonds		(66)	(625,227)
Dividends paid		(254,341)	(390,944)
Subordinated debt, received		1,147,248	3,248
Subordinated debt, paid		(54,605)	-
Net cash generated from/(used in) financing activities		**5,838,236**	**3,976,258**
Effect of exchange rate changes on cash and cash equivalents		**(770,040)**	**(575,131)**
Net increase/(decrease) in cash and cash equivalents		**1,250,409**	**4,194,583**
Cash and cash equivalents, beginning of period		30,935,847	30,985,569
Cash and cash equivalents, end of period	11	**32,186,256**	**35,180,152**

Signed on behalf of the Management Board

Shpigun K.O.
Chairman of the Management Board

16 September 2011
Moscow

Gorovoy R.V.
First Deputy Chairman

16 September 2011
Moscow

The notes on pages 8-34 form an integral part of this condensed interim consolidated financial report.

(Thousands of Russian Roubles)

1. Principal Activities

The condensed interim consolidated financial report includes the condensed interim financial reports of Bank ZENIT (Open Joint-Stock Company) (the "Bank", or "ZENIT") and its subsidiaries. ZENIT and its subsidiaries are hereinafter, collectively referred to as the "Group".

ZENIT, the parent company and principal operating entity of the Group, was registered in the Russian Federation to carry out banking activities in 1995. The Bank provides all services permitted by the legislation of the Russian Federation in accordance with a full banking license issued by the Central Bank of the Russian Federation (the "CBRF") in 1996 and other licences issued by respective regulatory bodies. The Bank is an open joint-stock company.

The Bank's registered office is located in Moscow at Bannyi Pereulok 9. As of 30 June 2011 ZENIT has 94 points of sale including head office, branches, sub-branches and mini-offices throughout the Russian Federation. The Group also includes the following consolidated banking subsidiaries, incorporated in the Russian Federation:

		30 June 2011		31 December 2010	
Name	**Date of acquisition**	**% ownership interest and voting power**	**Number of points of sale**	**% ownership interest and voting power**	**Number of points of sale**
Bank Devon-Credit	2 December 2005	97.3%	33	97.3%	33
Lipetskcombank	29 June 2007	99.4%	23	99.4%	22
Bank ZENIT Sochi	15 January 2007	99.5%	6	99.5%	7
SPIRITBANK	8 December 2008	100.0%	8	100.0%	8

As of 30 June 2011, the Group has an integrated ATM network consisting of 811 ATMs (as of 31 December 2010: 754). The Group has a wide correspondent network both in Russia and abroad and is involved in co-operation with more than 100 international institutions in Europe, America and Asia.

Other consolidated subsidiaries are LLP "Regionalnoe Razvitie", OJSC "Pushnoy Dom", Zenit Investment Service Inc. and ZPIF "4th Natsionalny" The Bank has 100% ownership in LLP "Regionalnoe Razvitie" and in ZPIF "4th Natsionalny" and 99.7% in OJSC "Pushnoy Dom". These subsidiaries are incorporated in the Russian Federation and engaged in the real estate business. The Bank has 100% ownership in Zenit Investment Service Inc, incorporated in the British Virgin Islands and kept dormant as of 30 June 2011.

(Thousands of Russian Roubles)

1. Principal Activities (continued)

The ultimate controlling parties of the Group as of 30 June 2011 and 31 December 2010 are as follows:

		30 June 2011	
Shareholder	**Controlled by:**	**% of voting rights**	**% of effective ownership**
Tatneft Oil AG	OJSC Tatneft	24.56%	25.13%
Nabertherm Limited, Clytia Enterprises Limited, SGICY Holdings Limited, Rosemead Enterprises Limited	Mr. Alexey A. Sokolov, Mr. Arkady V. Sokolov, Mr. Andrey V. Nyrkov, Ms. Tatyana P. Shishkina	19.77%	20.23%
Silener Management Limited	Mr. Vladimir S. Lisin	14.42%	14.76%
Viewcom Finance Limited	Mr. Alexandr I. Proshechkin	6.80%	6.96%
Gatehill Limited	Ms. Tatyana P. Shishkina	4.22%	4.32%
Mr. Alexey A. Sokolov	-	3.00%	3.07%
Meliboea Trading Limited	Mr. Igor G. Avanesyan	2.44%	2.49%
RUVC Limited, LLP “Sintez Grupp”, Janisaco Enterprises Limited, Jackfield Trading Limited	Members of the Management Board and the Board of Directors	19.92%	20.38%
Other		4.87%	2.66%
Total		**100.00%**	**100.00%**

		31 December 2010	
Shareholder	**Incorporation/citizenship**	**% of voting right**	**% of effective ownership**
Tatneft Oil AG	OJSC Tatneft	24.56%	25.13%
Nabertherm Limited, Clytia Enterprises Limited, SGICY Holdings Limited, Rosemead Enterprises Limited	Mr. Alexey A. Sokolov, Mr. Arkady V. Sokolov, Mr. Andrey V. Nyrkov, Ms. Tatyana P. Shishkina	19.94%	20.41%
Silener Management Limited	Mr. Vladimir S. Lisin	14.42%	14.76%
Bursonco Limited	Mr. Maxim V. Dyomin	6.11%	6.25%
Viewcom Finance Limited	Mr. Alexandr I. Proshechkin	6.80%	6.96%
Gatehill Limited	Ms. Tatyana P. Shishkina	7.04%	7.20%
Janisaco Enterprises Limited	Mr. Iskandar G. Garifullin, Mr. Evgeny A.Tihturov	3.36%	3.44%
Meliboea Trading Limited	Mr. Igor G. Avanesyan	2.44%	2.49%
RUVC Limited, LLP “Sintez Grupp”	Members of the Management Board and the Board of Directors	10.46%	10.70%
Other		4.87%	2.66%
Total		**100.00%**	**100.00%**

2. Basis of Presentation

Accounting basis. The condensed interim consolidated financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Accordingly, it does not include all the information required by International Financial Reporting Standards ("IFRS") for complete financial statements and should be read in conjunction with the complete annual consolidated financial statements as of 31 December 2010 and for the year then ended.

Since the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the year.

This condensed interim consolidated financial report is presented in thousands of Russian Roubles ("kRUR"), unless otherwise indicated. This condensed interim consolidated financial report has been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, property, plant and equipment and investment property.

This condensed interim consolidated financial report has been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy and based on historical experience that short-term obligations will be refinanced in the normal course of business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The Bank and its consolidated companies are registered in the Russian Federation and maintain their accounting records in accordance with Russian Accounting Standards ("RAS"). Foreign consolidated companies of the Bank maintain their accounting records in accordance with the law of the countries, in which they operate. This condensed interim consolidated financial report has been prepared from the Russian statutory accounting records and has been adjusted to conform with IFRS. Entered adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Functional currency. The functional currency of the Bank, Bank Devon-Credit, Lipetskcombank, Bank ZENIT Sochi, Spiritbank, LLP Regionalnoe Razvitie, OJSC "Pushnoy Dom" and ZPIF "4th Natsionalny" is the Russian Rouble ("RUR") as the RUR is used by the shareholders, the managers and the regulators in measuring these entities' performance. In addition, the RUR, being the national currency of the Russian Federation, is the currency that reflects the economic substance of the underlying events and circumstances relevant to the Group's entities incorporated in the Russian Federation. The reporting currency of Zenit Investment Service Inc is US Dollar. The results and financial position of Zenit Investment Service inc. are translated into the Russian Roubles for incorporation in the condensed interim consolidated financial report presented in thousands of Russian Roubles.

(Thousands of Russian Roubles)

3. Significant Accounting Policies

In preparing this condensed interim consolidated financial report the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2010.

In addition due to new operations conducted during 2011 year the Group has adopted new accounting policy related to Assets for development and sale, which are accounted for according to IAS 2. Assets are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for property less all estimated costs of completion and costs necessary to make the sale.

There were no new accounting standards adopted from 1 January 2011 which had a material impact in this consolidated interim financial report.

4. Interest Income and Expense

	Six months ended 30 June 2011	Six months ended 30 June 2010
Interest income		
Interest income on financial assets recorded at amortized cost:		
Loans to customers	7,301,090	7,555,903
Due from banks	106,775	318,905
Correspondent accounts	19,416	15,047
Total interest income on financial assets recorded at amortized cost	**7,427,281**	**7,889,855**
Interest income on financial assets at fair value through profit or loss		
Financial assets held-for-trading	418,140	280,040
Total interest income on financial assets at fair value through profit or loss	**418,140**	**280,040**
Interest income on available-for-sale financial assets	571,806	630,011
Total interest income	**8,417,227**	**8,799,906**
Interest expense		
Interest expense on liabilities recorded at amortized cost:		
Term deposits of individuals	(1,642,853)	(1,738,138)
Term deposits of legal entities	(1,271,077)	(1,380,427)
RUR-denominated bonds issued	(724,815)	(724,640)
Debt securities issued	(492,458)	(515,496)
Subordinated debt	(458,671)	(470,253)
Term placements of banks	(328,198)	(701,805)
Interest expense on liabilities recorded at amortized cost	**(4,918,072)**	**(5,530,759)**
Total interest expense	**(4,918,072)**	**(5,530,759)**
Net interest income	**3,499,155**	**3,269,147**

(Thousands of Russian Roubles)

5. Allowance for Impairment Losses and Other Provisions

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

	Loans to legal entities	Loans to individuals	Total
Allowance for impairment losses as of 31 December 2009	**(7,569,283)**	**(666,544)**	**(8,235,827)**
Charge for loan impairment	(656,127)	(38,579)	**(694,706)**
Write off of assets	232,509	16	**232,525**
Allowance for impairment losses as of 30 June 2010	**(7,992,901)**	**(705,107)**	**(8,698,008)**
Allowance for impairment losses as of 31 December 2010	**(9,049,481)**	**(748,791)**	**(9,798,272)**
Charge for loan impairment	(680,356)	(25,200)	**(705,556)**
Write off of assets	194,388	9,213	**203,601**
Allowance for loan impairment as of 30 June 2011	**(9,535,449)**	**(764,778)**	**(10,300,227)**

Movements in the allowance for impairment losses for credit-related commitments are as follows:

	Guarantees and other commitments
Allowance for impairment losses as of 31 December 2009	**(12,257)**
Charge of provision for credit related commitments during the period	(6,956)
Allowance for impairment losses as of 30 June 2010	**(19,213)**
Allowance for impairment losses as of 31 December 2010	**(6,251)**
Charge of provision for credit related commitments during the period	(24,881)
Allowance for impairment losses as of 30 June 2011	**(31,132)**

Provision for guarantees and other off-balance sheet commitments is recorded in other liabilities. The total outstanding contractual amount of guarantees and letters of credit does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

(Thousands of Russian Roubles)

6. Net Gain arising from Financial Assets at Fair Value through Profit or Loss

Net gain arising from financial assets at fair value through profit or loss comprises:

Gain arising from operations with financial assets held-for-trading	**Six months ended 30 June 2011**	**Six months ended 30 June 2010**
Gain/(loss) on trading operations	260,934	29,610
Net fair value adjustment	(107,678)	27,337
Total net gain on operations with financial assets at fair value through profit or loss	**153,256**	**56,947**

7. Fee and Commission Income and Expense

	Six months ended 30 June 2011	**Six months ended 30 June 2010**
Operations with foreign currencies	676,158	628,799
Settlement transactions	654,494	559,235
Cash transactions	231,095	232,694
Guarantees issued	162,365	190,532
Investment banking	30,755	139,158
Asset management	22,363	18,360
Transactions with securities	12,659	18,404
Other	71,679	68,432
Total fee and commission income	**1,861,568**	**1,855,614**
Settlement transactions	(138,194)	(96,671)
Transactions with securities	(23,401)	(31,007)
Cash transactions	(11,282)	(8,809)
Commission on guarantees received	(9,432)	(13,218)
Operations with foreign currencies	(2,718)	(3,687)
Other	(32,658)	(27,525)
Total fee and commission expense	**(217,685)**	**(180,917)**
Net fee and commission income	**1,643,883**	**1,674,697**

(Thousands of Russian Roubles)

8. Operating Expenses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Salaries	(1,432,044)	(1,196,506)
Social security costs	(324,324)	(184,199)
Rent	(277,905)	(298,397)
Occupancy and maintenance	(286,959)	(169,881)
Administrative	(189,570)	(206,235)
Operating taxes	(156,969)	(153,165)
Depreciation	(107,479)	(91,239)
Charitable contributions	(67,919)	(53,584)
Insurance	(50,760)	(40,263)
Advertising and marketing	(38,167)	(40,683)
Telecommunications	(26,259)	(23,922)
Fixed payment to a non-government pension fund	(10,335)	(24,608)
Other	(73,882)	(32,814)
Total operating expenses	**(3,042,572)**	**(2,515,496)**

9. Income Taxes

Income tax expense is comprised of the following:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Current tax charge	(589,218)	(578,184)
Deferred taxation movement due to:		
Origination and reversal of temporary differences	146,094	(197,600)
Income tax expense	**(443,124)**	**(775,784)**

The income tax rate applicable to the majority of the Group's income in 2011 and in 2010 is 20%.

(Thousands of Russian Roubles)

10. Earnings per Share

	Six months ended 30 June 2011	Six months ended 30 June 2010
Profit:		
Profit attributable to the ordinary shareholders of the Bank	1,195,603	1,813,116
Weighted average number of ordinary shares for basic and diluted earnings per share	11,283,625,876	11,283,625,876
Earnings per share – basic and diluted (Russian Roubles)	**0.106**	**0.161**

11. Cash and Cash Equivalents

	30 June 2011	31 December 2010
Cash balances with the CBRF	10,684,740	10,537,314
Cash on hand	6,077,891	6,892,125
Correspondent accounts and overnight deposits with other banks:		
- The Russian Federation	4,217,142	1,984,525
- Other countries	11,207,028	11,522,490
Total cash and cash equivalents	**32,186,801**	**30,936,454**

As of 30 June 2011, the Group placed RUR 6,49,299 thousand with three banks located in countries that are members of the Organisation for Economic Co-operation and Development (the “OECD”), which individually exceed 5% of the Group’s equity (as of 31 December 2010: RUR 10,628,213 thousand with four OECD banks).

Cash and cash equivalents include RUR 545 thousand (as of 31 December 2010: RUR 607 thousand) of accrued interest which has not been included in cash and cash equivalents for the purposes of the consolidated statement of cash flows.

12. Due from Banks

	30 June 2011	31 December 2010
Term deposits	3,733,787	8,618,382
Total due from banks	**3,733,787**	**8,618,382**

As of 30 June 2011, there were no term deposits placed either with any OECD bank or with the CBRF, which individually exceeded 5% of the Group’s equity (as of 31 December 2010: RUR 1,839,775 thousand with one OECD bank and RUR 4,800,633 placed with CBRF).

(Thousands of Russian Roubles)

12. Due from Banks (continued)

As of 30 June 2011 term deposits include RUR 500,232 thousand (as of 31 December 2010: RUR 408,064 thousand) that represent deposits issued to Russian banks under repurchase agreements. These loans are collateralized by securities, primarily shares of Russian companies and corporate bonds, with market values of RUR 562,245 thousand (as of 31 December 2010: RUR 467,020 thousand). In accordance with the contractual terms and conditions, loans under repurchase agreements outstanding as of 30 June 2011 were repaid in July 2011.

As of 30 June 2011 included in due from banks are deposits of RUR 1,748,243 thousand (as of 31 December 2010: RUR 2,025,092 thousand), transferred to foreign banks as collateral for irrevocable commitments under import letters of credit.

13. Financial Assets at Fair Value through Profit or Loss

	30 June 2011	**31 December 2010**
	Held for Trading	**Held for Trading**
RUR denominated securities		
Corporate bonds	6,312,571	5,120,245
Federal loan bonds (OFZ)	628,338	-
Corporate shares	327,370	152,185
Local authorities bonds	183,824	103,676
Russian Federation Eurobonds (RUR)	80,452	-
Corporate Eurobonds (RUR)	26,600	-
CBRF Bonds	-	4,261,130
Promissory notes	-	264,623
US Dollar and other currencies denominated securities		
Corporate Eurobonds	3,447,339	2,114,405
GDR	30,290	-
Russian Federation Eurobonds	-	106,057
Derivatives	8,227	581
Total financial assets at fair value through profit or loss	**11,045,011**	**12,122,902**

Corporate bonds held as of 30 June 2011 and 31 December 2010 consist of RUR-denominated bonds issued by Russian banks and companies. As of 30 June 2011 these bonds mature from March 2012 to June 2021 (as of 31 December 2010: March 2011 to September 2020). As of 30 June 2011 the annual coupon rates on these securities range from 6.5% to 14.5% (as of 31 December 2010: from 6.5% to 15.0%), and yields to maturity vary from 5.0% to 12.3% (as of 31 December 2010: from 3.8% to 11.1%).

13. Financial Assets at Fair Value through Profit or Loss (continued)

Federal loan bonds held as of 30 June 2011 are RUR-denominated government securities issued by the Ministry of Finance of the Russian Federation, which are commonly referred to as “OFZ”. Bonds are issued with a premium to face value and mature in March 2018. The annual coupon rate on these securities is 7.5%, and yield to maturity is 7.9%.

Corporate shares include quoted shares of Russian companies.

Local authorities bonds held as of 30 June 2011 and 31 December 2010 consist of RUR-denominated bonds issued by regional and municipal authorities of the Russian Federation mature from April 2014 to December 2014 (as of 31 December 2010: December 2011 to June 2014). As of 30 June 2011 they bear annual coupon rate from 7.6% to 8.0% (as of 31 December 2010: from 12.0% to 15.0%), and their yields to maturity vary from 5.9% to 8.1% (as of 31 December 2010: from 6.9% to 7.4%).

Russian Federation Eurobonds held as of 30 June 2011 and 31 December 2010 are RUR and USD denominated bearer securities. These bonds mature in March 2018 (as of 31 December 2010: June 2028). The annual coupon rate for these bonds is 7.9% (as of 31 December 2010: 12.8%) and yield to maturity is 6.9% (as of 31 December 2010: 5.9%).

Corporate Eurobonds (RUR) held as of 30 June 2011 are securities denominated in RUR. As of 30 June 2011 these securities mature in March 2016. The annual coupon rate on these securities is 8.7%, and yield to maturity is 7.7%.

Corporate Eurobonds held as of 30 June 2011 and 31 December 2010 are securities denominated in US Dollars and Euros issued by Russian, Kazakh and Ukrainian companies and financial institutions. As of 30 June 2011 these securities mature from December 2011 to March 2022 (as of 31 December 2010: June 2011 to February 2020). As of 30 June 2011 they bear annual coupon rates ranging from 4.3% to 12.0% (as of 31 December 2010: from 6.0% to 12.0%) and their yields to maturity vary from 3.4% to 7.6% (as of 31 December 2010: from 4.0% to 8.4%).

GDRs are denominated in USD Global Depository Receipts for shares of Russian companies.

CBRF Bonds as of 31 December 2010 are RUR-denominated securities issued by the CBRF at a discount to face value. These bonds matured in March 2011 and yield to maturity amounted to 3.7%.

Promissory notes held as of 31 December 2010 are RUR-denominated promissory notes of Russian banks. These promissory notes are purchased at a discount to nominal value and mature in June 2012. Average yield to maturity on these promissory notes is 8.8%

Derivatives. The Group engages in transactions with forward contracts with foreign currency, securities and precious metals. Foreign exchange and other derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standard contractual terms and conditions.

(Thousands of Russian Roubles)

13. Financial Assets at Fair Value through Profit or Loss (continued)

The table below includes derivative contracts with maturity dates subsequent to 30 June 2011. The majority of these contracts were executed during June 2011 and settled in July 2011.

	Domestic			Foreign		
	Nominal amount	Net fair value Asset	Net fair value Liability	Nominal amount	Net fair value Asset	Net fair value Liability
Precious metals						
- sale of precious metals	-	-	-	328,543	6,348	-
- purchase of precious metals	-	-	-	3,342,595	20	(98)
Foreign currency						
- Foreign currency SWAP	-	-	-	5,857,382	-	(59)
Securities						
- sale of securities	2,466	35	(31)	826,415	1,029	(2)
- purchase of securities	15,951	-	(77)	425,308	697	(1)
Futures						
- sale of precious metals	1,588,172	-	-	-	-	-
- sale of RTS Index	397,070	-	-	-	-	-
Options						
- purchase of put option on RTS Index	441,901	-	(825)	-	-	-
- sale of call option on precious metals	-	-	-	192,038	94	-
- purchase of call option on precious metals	191,129	4	-	-	-	-
Total	**2,636,689**	**39**	**(933)**	**10,972,281**	**8,188**	**(160)**

The table below includes derivative contracts with maturity dates subsequent to 31 December 2010. These contracts were executed during December 2010 and mature in January 2011.

	Domestic			Foreign		
	Nominal amount	Net fair value Asset	Net fair value Liability	Nominal amount	Net fair value Asset	Net fair value Liability
Precious metals						
- sale of precious metals	-	-	-	4,305	7	-
- purchase of precious metals	-	-	-	1,334,364	574	(184)
Options						
- purchase of call option on RTS Ind.	89,304	-	-	-	-	-
Futures						
- purchase of RTS Ind.	372,694	-	-	-	-	-
- sale of precious metals	1,256,519	-	-	-	-	-
Total	**1,718,517**	**-**	**-**	**1,338,669**	**581**	**(184)**

(Thousands of Russian Roubles)

14. Available-for-Sale Financial Assets

	30 June 2011	31 December 2010
US Dollar and other currency denominated securities		
Corporate Eurobonds	2,293,096	2,102,028
GDR	48,971	28,329
RUR denominated securities		
Corporate bonds	13,154,404	8,065,985
Corporate shares	1,578,909	665,013
Federal loan bonds	856,104	550,679
Local authorities bonds	150,170	-
Participating shares of investment funds	2,561	2,448
Total available-for-sale securities	**18,084,215**	**11,414,482**

Corporate Eurobonds held as of 30 June 2011 and 31 December 2010 are securities denominated in US Dollars and Euros issued by Russian, Kazakh and Ukrainian companies and financial institutions. These securities mature from November 2011 to July 2025 (as of 31 December 2010: from February 2011 to July 2025). They bear annual coupon rates ranging from 6.7% to 13.0% (as of 31 December 2010: from 7.2% to 13.0%) and their average yields to maturity vary from 6.7% to 7.1% (as of 31 December 2010: from 4.1% to 13.4%).

GDR held as of 30 June 2011 and 31 December 2010 are denominated in USD global depository receipts for shares of Russian companies and Kazakhstan banks.

Corporate bonds held as of 30 June 2011 and 31 December 2010 consist of RUR-denominated bonds issued by Russian banks and companies. These bonds mature from September 2011 to June 2021 (as of 31 December 2010: from January 2011 to October 2020). The annual coupon rates on these securities range from 6.5% to 17.0% (as of 31 December 2010: from 6.5% to 16.8%), and yields to maturity vary from 4.5% to 92.0% (as of 31 December 2010: from 4.9% to 105.9%).

Corporate shares include quoted shares of Russian companies.

Federal loan bonds held as of 30 June 2011 and 31 December 2010 are RUR-denominated government securities issued by the Ministry of Finance of the Russian Federation, which are commonly referred to as “OFZ”. Bonds are issued with a premium to face value and mature from November 2012 to November 2019 (as of 31 December 2010: from July 2011 to November 2019). The annual coupon rates on these securities vary from 6.2% to 11.9% (as of 31 December 2010: from 6.0% to 11.9%), and yields to maturity vary from 3.7% to 8.6% (as of 31 December 2010: from 4.5% to 8.3%).

Local authorities bonds held as of 30 June 2011 consist of RUR-denominated bonds issued by regional and municipal authorities of the Russian Federation and mature from June 2013 to December 2014. The annual coupon rates on these securities range from 8.8% to 9.0% and yields to maturity vary from 7.0% to 8.0%.

Participation shares of investment funds are shares in funds operating with different types of securities.

As of 30 June 2011 the Group made an analysis of credit risk and history of payments for debt securities available-for-sale. The Group recognized impairment loss for debt securities in the amount of RUR 5,334 thousand (for the period ended 30 June 2010: impairment loss for debt securities of RUR 156,755 thousand).

(Thousands of Russian Roubles)

15. Investments in Associates

The following enterprises were recorded in the consolidated financial report using equity method:

	30 June 2011		31 December 2010	
	Ownership interest	**Carrying value**	**Ownership interest**	**Carrying value**
Cheltenwood Investments Limited	35.5%	1,124,070	35.5%	1,162,726

Summarized financial information in respect of the Group's associates carried as an equity method investees is set out below:

	30 June 2011	**31 December 2010**
Total assets	3,770,138	3,687,929
Total liabilities	1,123,209	997,155
Net assets	2,646,929	2,690,773
Net revenue	(16,998)	-
Net loss	(50,729)	-
Group's share of net assets of associate	939,660	955,224

In December 2010 the Group purchased 35.5% of Cheltenwood Investments Limited.

The net loss of Cheltenwood Investments Limited attributable to the Group for the six-month period ended 30 June 2011 and included within other operating income in the consolidated statement of income was RUR 14,412 thousand (RUR 18,016 thousand less deferred tax of RUR 3,603 thousand).

16. Loans to Customers

	30 June 2011	**31 December 2010**
Loans to legal entities:		
Commercial loans	96,690,764	78,164,354
Project finance	50,542,934	48,437,015
Reverse sale and repurchase agreements	2,063,234	643,112
Total loans to legal entities	**149,296,932**	**127,244,481**
Loans to individuals:		
Consumer loans	6,210,248	5,777,507
Mortgage loans	3,527,965	3,165,376
Car loans	323,552	284,789
Plastic cards overdrafts	227,444	209,781
Reverse sale and repurchase agreements	117,619	112,245
Total loans to individuals	**10,406,828**	**9,549,698**
Loans to customers before impairment	**159,703,760**	**136,794,179**
Allowance for loan impairment	(10,300,227)	(9,798,272)
Total loans to customers	**149,403,533**	**126,995,907**

Movements in allowances for impairment losses for the periods ended 30 June 2011 and 2010 are disclosed in Note 5.

As at 30 June 2011 and 31 December 2010 the Group granted loans to 27 and 24 customers totalling RUR 47,920,408 thousand and RUR 41,767,729 thousand, respectively, which individually exceeded 5% of the Group's equity.

(Thousands of Russian Roubles)

16. Loans to Customers (continued)

Risk concentrations by customer industry within the customer loan portfolio are as follows:

	30 June 2011		31 December 2010	
	Amount	**%**	**Amount**	**%**
Manufacturing	**38,372,267**	**24**	**29,764,340**	**22**
Manufacturing (Other)	14,897,979	9	15,477,074	11
Machine building	14,383,486	7	6,477,521	5
Metallurgy	6,262,125	4	6,257,160	5
Chemical industry	2,446,483	2	1,552,585	1
Pulp and paper industry	382,194	-	-	-
Trade	**31,270,324**	**19**	**26,700,077**	**19**
Food trade	9,295,163	6	9,861,642	7
Trade (other)	8,109,903	5	5,769,403	4
Car trade and service	4,742,964	3	4,380,073	3
Oil trade	3,442,461	2	2,243,183	2
Liquors and tobacco trade	3,030,414	2	1,995,187	1
Home appliances trade	1,928,137	1	1,717,381	1
Metal trade	721,282	0	733,208	1
Construction and development	**26,595,549**	**16**	**29,317,848**	**21**
Construction (Residential)	18,086,567	11	20,981,114	15
Construction (Non-Residential)	8,508,982	5	8,336,734	6
Services	20,598,085	13	13,172,470	10
Finance	10,480,455	7	7,724,942	6
Individuals	10,406,828	7	9,549,698	7
Food	8,354,080	5	8,491,198	6
Agricultural	5,398,462	3	5,409,054	4
Oil and gas	2,627,947	2	2,504,673	2
Other	5,599,763	4	4,159,879	3
Total	**159,703,760**	**100**	**136,794,179**	**100**

Loans to customers consist of RUR 137,719,903 thousand (as of 31 December 2010: RUR 111,988,179 thousand) loans secured by real estate, equipment, goods in turnover, corporate and individuals' guarantees, securities and other types of collateral and RUR 21,983,857 thousand (as of 31 December 2010: RUR 24,806,000 thousand) unsecured loans.

Included in loans to customers as of 30 June 2011 is RUR 2,180,853 thousand (as of 31 December 2010: RUR 755,357 thousand), which represents loans issued to customers under reverse repurchase agreements. These loans are collateralized by securities, primarily bonds and shares of Russian companies and local authorities bonds, with fair value of RUR 2,446,467 thousand as of 30 June 2011 (as of 31 December 2010: RUR 958,196 thousand). In accordance with contractual terms and conditions loans under reverse repurchase agreements outstanding as of 30 June 2011 mature in July 2011 (as of 31 December 2010 mature in January 2011).

During the six months of 2011 the Group obtained property with carrying amount of RUR 514,618 thousand (six months of 2010: RUR 1,025,940) by taking possession of collateral which it held as security of loans to customers. The possessed property in the amount of RUR 91,018 thousand has been converted into cash during six months of 2011 with profit of RUR 617 thousand (six months 2010: RUR 27,235 thousand has been converted into cash with a loss of RUR 2,530 thousand).

(Thousands of Russian Roubles)

17. Assets for Development and Sale

As of 30 June 2011 assets for development and sale include two real estate projects for development and further sale. During 2011 as a result of assessment net realizable value of these projects was lower than the cost and the Group recorded the impairment in the consolidated statement of income in amount of RUR 318,039.

18. Due to Banks and CBRF

	30 June 2011	31 December 2010
Term deposits from other banks	14,221,694	9,774,694
Syndicated loans	2,809,324	3,039,129
Loans under repurchase agreements	1,057,392	-
Correspondent accounts and overnight deposits of other banks	851,941	1,042,423
Term deposits from the CBRF	-	2,390,964
Total due to banks and CBRF	**18,940,351**	**16,247,210**

Included in amounts due to banks as of 30 June 2011 are RUR 4,004,408 thousand of correspondent accounts and term deposits from one Russian bank and RUR 1,173,669 thousand of correspondent accounts and term deposits from one OECD bank, which individually exceeded 5% of the Group's equity (2010: RUR 2,379,003 thousand of correspondent accounts and term deposits from one Russian bank).

The loans under repurchase agreements with banks were collateralized by federal loan bonds with fair value of RUR 1,089,569 thousand as of 30 June 2011 (2010: nil). In accordance with contractual terms and conditions deposits under repurchase agreements outstanding as of 30 June 2011 mature in July 2011.

During 2010 the Bank received one loan from the syndicate of several foreign financial institutions. Syndicated loan facility bears interest of LIBOR plus 3.5%. Effective interest rate amounted to 4.8%. Loan matures in November 2011.

During 2010 the Group received two term deposits from the CBRF. These term deposits matured from March 2011 to May 2011. The interest rates on these term deposits ranged from 7.3% to 8.5% (2009: 7.5% to 12.6%).

(Thousands of Russian Roubles)

19. Customer Accounts

	30 June 2011	31 December 2010
State and public organisations		
- Current/settlement accounts	1,143,296	975,325
- Term deposits	6,390,931	852,347
Other legal entities		
- Current/settlement accounts	33,310,986	27,901,955
- Term deposits	36,643,962	33,609,610
Individuals		
- Current/demand accounts	7,096,235	6,869,409
- Term deposits	48,242,905	45,945,054
Total customer accounts	**132,828,315**	**116,153,700**

Risk concentrations by customers' industry within customer accounts are as follows:

	30 June 2011		31 December 2010	
	Amount	**%**	**Amount**	**%**
Individuals	54,867,605	41	52,814,463	45
Oil and gas	22,131,536	17	17,104,822	15
Finance	18,727,863	14	11,971,848	10
Manufacturing	6,466,185	5	8,707,935	8
Trade	6,129,110	5	4,574,411	4
Construction	2,949,357	2	3,371,248	3
Local authorities	2,049,860	2	3,178,725	3
Energy	1,854,890	1	2,462,392	2
Services	1,380,897	1	1,570,007	2
Transport	1,241,996	1	570,850	0
Other	15,029,016	11	9,826,999	8
Total customer accounts	**132,828,315**	**100**	**116,153,700**	**100**

As of 30 June 2011 included in customer accounts are deposits of RUR 3,070,320 thousand (as of 31 December 2010: RUR 2,521,440 thousand), held as collateral for irrevocable commitments under import letters of credit.

As of 30 June 2011, the Group has term deposits and current accounts placed by a single customer totalling RUR 11,647,144 thousand (2010: placed by a single customer totalling RUR 9,569,168 thousand).

As of 30 June 2011, the Group has term deposits and current accounts placed by twelve customers each of which exceeds 5% of total equity of the Group totalling RUR 33,436,277 thousand (2010: term deposits and current accounts placed by eight customers totalling RUR 21,437,005 thousand).

20. Debt Securities Issued

	30 June 2011	31 December 2010
Promissory notes	18,159,147	15,820,778
Certificates of deposit	11,379	12,001
Total debt securities issued	**18,170,526**	**15,832,779**

The Group issued promissory notes at a discount to nominal value and interest bearing promissory notes denominated in Russian Roubles, US Dollars and Euros with effective interest rates from 2.0% to 13.0%, from 1.5% to 7.28% and from 2.0% to 6.5% respectively (2010: Russian Roubles, US Dollars and Euros with effective interest rates from 0.5% to 13.0%, from 0.1% to 7.5% and from 0.1% to 7.0% respectively). Maturity dates of these promissory notes vary from July 2011 to September 2013 (2010: from January 2011 to June 2012).

As of 30 June 2011 non-interest-bearing promissory notes of the aggregate nominal value of RUR 500,842 thousand (2010: RUR 341,608 thousand) were issued by the Group for settlement purposes and mature primarily on demand.

21. RUR-denominated Bonds Issued

	30 June 2011	31 December 2010
RUR-denominated bonds issued	22,290,157	17,384,398
Total RUR-denominated bonds issued	**22,290,157**	**17,384,398**

The Group had the following RUR-denominated bonds outstanding as of 30 June 2011:

Nominal (thousands of Roubles)	Effective rate, %	Issue date	Maturity date	Outstanding as of 30 June 2011
3,000,000	8.10%	15 November 2006	9 November 2011	2,467,031
5,000,000	7.50%	10 June 2008	4 June 2013	2,461,797
3,000,000	8.00%	7 July 2009	1 July 2014	2,945,723
5,000,000	7.10%	7 April 2010	7 April 2013	4,588,578
5,000,000	7.75%	22 September 2010	22 September 2013	5,062,161
5,000,000	7.25%	26 May 2011	26 May 2014	4,764,867
Total RUR-denominated bonds				**22,290,157**

21. RUR-denominated Bonds Issued (continued)

The Group had the following RUR-denominated bonds outstanding as of 31 December 2010:

Nominal (thousands of Roubles)	Effective rate, %	Issue date	Maturity date	Outstanding as at 31 December 2010
3,000,000	8.10%	15 November 2006	9 November 2011	2,782,233
5,000,000	7.50%	10 June 2008	4 June 2013	2,416,158
3,000,000	8.00%	7 July 2009	1 July 2014	2,642,412
5,000,000	7.90%	7 April 2010	7 April 2013	5,030,223
5,000,000	7.75%	22 September 2010	22 September 2013	4,513,373
Total RUR-denominated bonds				**17,384,398**

22. Subordinated debt

	30 June 2011	31 December 2010
Subordinated loans in RUR	8,802,397	8,855,887
Subordinated loans in US Dollars	3,175,880	2,231 812
Total subordinated debt	**11,978,277**	**11,087,699**

The Group received 11 subordinated loans from its shareholders totalling RUR 8,707,545 thousand as of 30 June 2011 (as of 31 December 2010: 9 loans of RUR 8,282,258 thousand). Subordinated loans in RUR bear interest at rates ranging from 6.5% to 12.0% (as of 31 December 2010: from 7.5% to 12.0%) and mature from July 2011 to June 2019 (as of 31 December 2010: from May 2011 to June 2019). Subordinated loans in US Dollars bear interest at rates ranging from 4.8% to 8.0% as of 30 June 2011 (as of 31 December 2010: 4.8% to 8.0%) and mature from June 2016 to December 2021 (as of 31 December 2010: from September 2012 to June 2016).

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

23. Dividends and Distributions

The Group's members report under Russian Accounting Rules which are the basis for the profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit calculated in accordance with Russian Accounting Rules.

In April 2011 the Bank paid dividends for the year 2010 of RUR 253,649 thousand. In April 2011 Lipetskcombank paid dividends to minority shareholders for the year 2010 of RUR 143 thousand. In April 2011 Devon-Credit paid dividends to minority shareholders for the year 2010 of RUR 522 thousand. In May 2011 Bank ZENIT Sochi paid dividends to minority shareholders for the year 2010 of RUR 27 thousand.

In June 2010 the Bank paid dividends for the year 2009 of RUR 390,944 thousand.

24. Risk Management Policies

There were no significant changes in the Risk Management Policies since 31 December 2010.

25. Contingencies and Commitments

Operating Environment. Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Russia and Russian economy in general. Although recently there has been a general improvement in economic conditions in the Russian Federation, in the first quarter 2011, the macroeconomic environment remained highly volatile. There is a general tendency of lowering the inflation rate; the government takes all the necessary actions to secure financial stability and continue structural reforms.

At the same time, Russia being a part of global economy is exposed to the systemic risks existing in the global economy and finance. Particularly, there still remains uncertainty regarding financial sector liquidity and prices for oil and gas which keeps the risks of high fluctuations on the Russian financial market. The management of the Group is constantly monitoring the macroeconomic and market environment within the country and in the world to react effective and prompt to the ongoing changes and to adjust their actions to the competitive environment. The management of the Group considers that all necessary steps to keep the stable development and growth of the Group are undertaken in the given circumstances.

Laws and regulations affecting businesses in Russian Federation continue to change rapidly. Tax, currency and customs legislation within Russian Federation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russian Federation. The future economic dynamics of the country is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal and regulatory developments.

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. Management is of the opinion that no material losses will be incurred by the Group and, accordingly, no provision for such contingent liabilities has been made in the interim condensed consolidated financial report.

Tax legislation. The presence in Russian commercial and tax legislation of provisions allowing more than one interpretation coupled with the practice by the tax authorities of making arbitrary judgements of business activities, management's judgement on the Group's business activities may not coincide with the interpretation of the same by tax and other regulatory authorities. Therefore, the possibility exists that tax authorities may impose arbitrary or onerous taxes and penalties in the future, which could adversely affect the Group's business.

In addition to this, because the tax legislation is subject to frequent change and some tax regulations are comparatively new, implementation of these regulations is often unclear or nonexistent. In some instances, the Russian tax authorities have applied new interpretations of tax laws retroactively. There is no established precedent or consistent court practice in respect of these questions. Tax years remain open to review by the tax authorities for three years.

Tax declarations, together with other legal compliance areas including, for example, customs and currency control matters, are subject to review and investigation by a number of authorities, which are enabled by law to impose several fines, penalties and interest charges.

The Bank has a legal dispute with Russian Tax Authority upon additional income tax payment for the years 2006-2008. As at 31 December 2009 the Group made a provision for these contingent liabilities totalling to RUR 82,612 thousand. In 2010 the Group paid the requested amount but the dispute is proceeding and the court decision has not been passed.

(Thousands of Russian Roubles)

25. Contingencies and Commitments (continued)

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

	30 June 2011	31 December 2010
Not later than one year	425,460	448,568
Later than one year and not later than five years	493,575	707,306
Later than five years	-	-
Total operating lease commitments	**919,035**	**1,155,874**

Credit related commitments. The credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual commitments represent the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, certain part of Group's import letters of credit are collateralised with cash deposits or collateral pledged to the Group and accordingly the Group normally assumes minimal risk.

Outstanding credit related commitments are as follows:

	30 June 2011	31 December 2010
Guarantees issued	16,364,966	9,415,552
Loan commitments	30,004,202	25,593,521
Import letters of credit	5,528,315	2,224,523
Total credit related commitments before allowance for impairment	**51,897,483**	**37,233,596**
Less: client funds held as security for guarantees issued	(241,027)	(348,789)
Less: client funds held as security for import letter of credits	(1,322,077)	(496,348)
Less: allowance for credit related commitment impairment	(31,132)	(6,251)
Total credit related commitments	**50,303,247**	**36,382,208**

Allowance for credit related commitment impairment was included in other liabilities and its movements are disclosed in Note 5. The total outstanding contractual amount of guarantees and letters of credit does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Fiduciary activities. These assets are not included in the Group's consolidated balance sheet as they are held in the Group's custody or safekeeping on behalf of customers. The nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

	30 June 2011 Nominal value	31 December 2010 Nominal value
Shares in banks	10,483,818	8,710,013
Corporate bonds	8,818,320	10,012,899
Shares in companies	2,868,604	2,040,709
Federal loan bonds (OFZ)	1,555,718	2,297,242
Shares in investment funds	1,076,710	916,299
Local authorities bonds	1,043,136	13,50,375
Corporate Eurobonds	816,923	1,114,718
Russian Federation Eurobonds	305,000	-
Bills of exchange	78,771	82,080
Depository notes	23,408	125,339
Vnesheconombank 3.0% coupon bonds ("MinFin bonds")	-	30,477

25. Contingencies and Commitments (continued)

The Group also performs asset management on behalf of customers and at their expense. The fair value of assets under management as of 30 June 2011 amounted to RUR 2,635,321 thousand (as of 31 December 2010: RUR 2,624,805 thousand).

26. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced sale or liquidation.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realised.

The following methods and significant assumption have been applied to estimate the fair values of following financial instruments:

- Cash and balances with the CBRF and mandatory reserve deposits with the CBRF, due to the short term environment and availability restriction of these types of assets, the carrying amount is assumed to be reasonable estimate of their fair value.
- The estimated fair value of quoted trading securities and derivative financial instruments, comprising financial assets at fair value through profit or loss category and available-for-sale financial assets, is determined based on quoted active market prices at the reporting date.
- The fair value of overdraft loans to customers is assumed to be the amount of their carrying value The fair value of other loans is estimated by application of market interest rates when the loans were originated with the year-end market rates offered on similar deposits with the deduction of the allowance for loan impairment from the calculated fair value amounts.
- Other financial assets and liabilities are mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimated of their fair value.
- The fair value of the term deposits (included in customer accounts and due to banks) is estimated by application of market interest rates when the deposits were placed with the year-end market rates offered on similar deposits. The carrying amount of current customer accounts is assumed to be reasonable estimate of their fair value due to the short-term environment and availability requirements of these types of liability.
- The fair value of debt securities issued, RUR-denominated bonds issued, and subordinated debt is based on quoted prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities or funds whose market tares are quoted.

(Thousands of Russian Roubles)

27. Related Party Transactions

For the purposes of the condensed interim consolidated financial report, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances at the period end and income and expenses as well as other transactions with related parties as of and for the six months ended 30 June 2011 are as follows:

	Entities with significant influence over the Group	Key management personnel of the Group	Associates	Other related parties	Total related parties
Assets					
Financial assets at fair value through profit or loss	13,293	-	-	-	13,293
Available-for-sale financial assets	184,424	-	-	-	184,424
Investments in associates	-	-	1,124,070	-	1,124,070
Loans to customers, net	4,065,979	120,453	862,535	29	5,048,996
Loans to customers, gross	4,153,013	126,603	888,000	31	5,167,647
Less: allowance for loan impairment	(87,034)	(6,150)	(25,465)	(2)	(118,651)
Other assets	1,134	-	-	-	1,134
Liabilities					
Customer accounts	26,067,848	3,051,077	23,688	2,755,925	31,898,538
Debt securities issued (first holder)	463,603	-	-	-	463,603
Subordinated debt	8,707,545	-	-	-	8,707,545
Statement of Income					
Interest income	164,499	7,028	25,174	2	196,703
Interest expense	(807,415)	(120,509)	-	(84,801)	(1,012,725)
Provision for loan impairment	105,794	(124)	17,949	(2)	123,617
Net gain arising from financial assets at fair value through profit or loss	2,548	-	-	-	2,548
Fee and commission income	591,279	347	19	831	592,476
Off-balance sheet commitments					
Guarantees issued	849,468	-	-	-	849,468
Import letters of credit	218,604	-	-	-	218,604
Loan commitments	805,141	19,578	-	98,353	923,072
Fiduciary activities	3,863,918	356,108	-	2,507,721	6,727,747

(Thousands of Russian Roubles)

27. Related Party Transactions (continued)

The outstanding balances as of 31 December 2010 and income and expenses as well as other transactions with related parties for the six months ended 30 June 2010 are as follows:

	Entities with significant influence over the Group	Key management personnel of the Group	Associates	Other related parties	Total related parties
Assets					
Financial assets at fair value through profit or loss	11,311	-	-	-	11,311
Available-for-sale financial assets	179,676	-	-	-	179,676
Investments in associates	-	-	1,162,726	-	1,162,726
Loans to customers, net	3,157,115	120,145	748,406	6	4,025,672
Loans to customers, gross	3,349,943	126,171	766,355	6	4,242,475
Less: allowance for loan impairment	(192,828)	(6,026)	(17,949)	-	(216,803)
Liabilities					
Customer accounts	24,917,485	2,926,354	5,183	3,150,695	30,999,717
Debt securities issued (first holder)	448,032	-	-	-	448,032
Subordinated debt	8,282,258	-	-	45,000	8,327,258
Statement of Income					
Interest income	80,373	3,171	-	46,963	130,507
Interest expense	(1,021,139)	(42,984)	-	(111,184)	(1,175,307)
Provision for interest bearing assets	(777)	(4,621)	-	41,680	36,282
Net gain arising from financial assets at fair value through profit or loss	10,378	-	-	-	10,378
Fee and commission income	685,866	452	-	11,732	698,050
Other operating income	7,897	-	-	293	8,190
Off-balance sheet commitments					
Guarantees issued	741,133	-	-	-	741,133
Import letters of credit	368,282	-	-	-	368,282
Loan commitments	1,323,125	15,210	-	394,337	1,732,672
Fiduciary activities	3,363,029	9,759	-	1,320,557	4,693,345

During the six months ended 30 June 2011, the total remuneration of directors and key management personnel included in operating expenses was RUR 176,452 thousand (during the six months ended 30 June 2010: RUR 89,755 thousand). The amount included solely short-term benefits.

28. Segment Reporting

Business segments

The Group is organized on the basis of three main business segments:

- Corporate banking: Corporate banking includes the provision of settlement, foreign currency, cash and other transactions as well as the attraction of funds and extension loans to corporate customers;
- Investment banking: Investment banking includes the provision of brokerage, custody and fiduciary services to large corporate groups and individual clients, acting as a financial consultant to the corporate customers on raising finance as well as operating as a dealer on financial markets on the Bank's own behalf; and
- Retail and private banking: Retail and private banking represents the provision of large-scale retail services to middle-income and high net-worth individuals, the attraction of funds from them and the issuance loans of different types.

Transactions between business segments are held on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers. Interest charged for these funds is based on the Group's internal interest rates that are based on market terms and conditions for similar financial instruments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but excluding items such as taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

(Thousands of Russian Roubles)

28. Segment Reporting (continued)

Segment information about these businesses as of and for the six months ended 30 June 2011 is presented below.

	Corporate banking	Investment banking	Retail and private banking	Unallocated	Total
Interest income	6,703,539	1,116,137	597,551	-	8,417,227
Interest expense	(2,233,611)	(1,040,874)	(1,643,587)	-	(4,918,072)
Net interest income	**4,469,928**	**75,263**	**(1,046,036)**	**-**	**3,499,155**
Provision for loan impairment	(680,356)	-	(25,200)	-	(705,556)
Net interest income after changes in provision for loan impairment	**3,789,572**	**75,263**	**(1,071,236)**	**-**	**2,793,599**
Net loss on financial assets at fair value through profit or loss	-	153,256	-	-	153,256
Net realised gain from available-for-sale financial assets	-	74,668	-	-	74,668
Impairment of available-for-sale financial assets	-	(5,334)	-	-	(5,334)
Net gain arising from dealing in foreign currencies	133,090	67,342	33,432	-	233,864
Net loss arising on foreign exchange translation	-	(45,223)	-	-	(45,223)
Fee and commission income	876,259	591,223	394,086	-	1,861,568
Fee and commission expense	(78,488)	(32,057)	(106,930)	(210)	(217,685)
Provision for losses on credit related commitments	(24,713)	-	(168)	-	(24,881)
Impairment of assets for development and sale	(318,039)	-	-	-	(318,039)
Other operating income	108,408	7,492	21,886	39,780	177,566
External net revenue	**4,486,089**	**886,630**	**(728,930)**	**39,570**	**4,683,359**
Net revenue from other segments	(913,870)	(23,216)	937,086	-	-
Total	**3,572,219**	**863,414**	**208,156**	**39,570**	**4,683,359**
Operating expenses	(1,501,273)	(319,913)	(1,056,146)	(165,240)	(3,042,572)
Profit before income tax expense	**2,070,946**	**543,501**	**(847,990)**	**(125,670)**	**1,640,787**
Income tax expense	-	-	-	(443,124)	(443,124)
Net profit	**2,070,946**	**543,501**	**(847,990)**	**(568,794)**	**1,197,663**
Segment assets	169,137,373	39,970,947	17,689,110	1,539,839	228,337,269
Segment liabilities	104,028,598	45,642,004	55,282,236	246,382	205,199,220
Other segment items					
Depreciation expense	(57,956)	(3,013)	(37,825)	(8,685)	(107,479)
Capital expenditures	(71,263)	(3,980)	(64,063)	(47,375)	(186,681)

(Thousands of Russian Roubles)

28. Segment Reporting (continued)

Assets and liabilities of these businesses as of 31 December 2010 and their incomes, expenses and other transactions for the six months ended 30 June 2010 is presented below.

	Corporate banking	Investment banking	Retail and private banking	Unallocated	Total
Interest income	6,976,256	1,244,003	579,647	-	8,799,906
Interest expense	(2,739,733)	(1,025,986)	(1,765,040)	-	(5,530,759)
Net interest income	**4,236,523**	**218,017**	**(1,185,393)**	**-**	**3,269,147**
Provision for loan impairment	(656,127)	-	(38,579)	-	(694,706)
Net interest income after changes in provision for loan impairment	**3,580,396**	**218,017**	**(1,223,972)**	**-**	**2,574,441**
Net gain on financial assets at fair value through profit or loss	-	56,947	-	-	56,947
Net realised gain from available-for-sale financial assets	-	322,455	-	-	322,455
Impairment of available-for-sale financial assets	-	(156,755)	-	-	(156,755)
Net gain arising from dealing in foreign currencies	231,832	236,716	42,933	-	511,481
Net loss arising on foreign exchange translation	(14)	(301,088)	-	-	(301,102)
Fee and commission income	1,406,376	81,297	367,941	-	1,855,614
Fee and commission expense	(64,229)	(38,773)	(77,915)	-	(180,917)
Provision for losses on credit related commitments	(6,956)	-	-	-	(6,956)
Other operating income	286,896	36,895	22,379	91,082	437,252
External net revenue	**5,434,301**	**455,711**	**(868,634)**	**91,082**	**5,112,460**
Net revenue from other segments	(1,642,290)	(117,288)	1,759,578	-	-
Total	**3,792,011**	**338,423**	**890,944**	**91,082**	**5,112,460**
Operating expenses	(1,424,462)	(231,510)	(752,549)	(106,975)	(2,515,496)
Profit before income tax expense	**2,367,549**	**106,913**	**138,395**	**(15,893)**	**2,596,964**
Income tax expense	-	-	-	(775,784)	(775,784)
Net profit	**2,367,549**	**106,913**	**138,395**	**(791,677)**	**1,821,180**
Segment assets	149,204,319	31,796,083	17,394,211	1,401,291	199,795,904
Segment liabilities	87,164,245	37,473,395	52,652,120	336,909	177,626,669
Other segment items					
Depreciation expense	(48,706)	(2,708)	(32,868)	(6,957)	(91,239)
Capital expenditures	(41,826)	(2,234)	(30,695)	(23,881)	(98,636)

(Thousands of Russian Roubles)

29. Capital Management and Capital Adequacy

Capital Management. The Group's policy on capital management is to maintain a strong capital base in order to support further business development of the Group and to satisfy requirements set by regulatory authorities.

The CBRF establishes and controls capital adequacy requirements. Banks are obliged to maintain the ratio of capital to risk weighted assets at not less than certain established levels. As of 30 June 2011 and 31 December 2010 the minimum capital adequacy requirement imposed by CBRF was 10%.

The following table shows the structure of the Group's capital position calculated in accordance with the requirements of the Basle Accord dated 1988 (amended from time to time) as of 30 June 2011 and 31 December 2010.

	30 June 2011	**31 December 2010**
Tier 1 capital	21,720,029	20,712,559
Tier 2 capital	10,997,717	7,695,069
Total capital	32,717,746	28,407,628
Risk-weighted assets	220,377,481	174,052,875
Total capital ratio, %	14.8%	16.3%
Tier 1 capital ratio, %	9.9%	11.9%

Capital allocation between transactions and business lines performed by the Group is done to maximize risk adjusted profitability (return on allocated capital). The Group's capital management policies are reviewed by the Board of Directors on a regular basis.

The Group has been developing procedures for the economic capital calculation on the basis of best international risk management practices. The economic capital is compared to the Group's capital and should not exceed it. The calculation is performed on a quarterly basis and includes all types of risks by all business lines. Where appropriate, an accepted level of calculation reliability equals 98.5% which corresponds to international standards.

30. Subsequent Events

In August 2011 the Group became the sole owner of ZPIF "LIBRA CAPITAL-PROPERTY". The principal activity of the entity is investment management. The fair value of the net assets of the entity as of the acquisition date amounting to RUR 516,407 thousand was equal to the consideration paid.