



Bank of Moscow

**Group of Joint Stock Commercial Bank
Bank of Moscow
(Open Joint Stock Company)**

**Condensed Interim Consolidated Financial Statements
for the Six Month Period Ended 30 June 2011
with Independent Auditor's Review Report**

Moscow

2011

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Report on Review of the Condensed Interim Consolidated Financial Statements

To the Shareholders and the Board of Directors of the Bank of Moscow (OJSC)

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Bank of Moscow (OJSC) and its subsidiaries, which comprise the condensed interim consolidated statement of financial position as at 30 June 2011, and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility

Management of the Bank of Moscow (OJSC) is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

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 condensed interim consolidated financial statements 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.

Basis for Qualified Opinion

As at 30 June 2011 and 31 December 2010, the item "Loans to customers" of the condensed interim consolidated statement of financial position includes loans issued to non-resident borrowers and borrowers acting as intermediaries and/or dealing with securities, in the total amount of not less than RUB 137 227 021 thousand (as at 31 December 2010: not less than RUB 137 180 182 thousand). The amount of RUB 66 157 470 thousand represents the provision for impairment of these loans (as at 31 December 2010: RUB 62 057 363 thousand). Besides, this item includes loans issued to borrowers involved in insurance, leasing and manufacturing business in various industries in the total amount of not less than RUB 70 494 122 thousand (as at 31 December 2010: RUB 66 486 060 thousand), with the impairment provision of RUB 23 400 013 thousand (as at 31 December 2010: RUB 19 702 885 thousand). We have discovered the following circumstances in respect of these borrowers:

- As specified in the going concern section of Note 3, there is a certain probability that a significant portfolio of assets is connected with financing of various projects for the benefit of the former management of Bank of Moscow, and a number of other persons related to it, at the expense of Bank of Moscow. Moreover, the current management of Bank of Moscow is aware of the third parties' attempts to sell part of the assets representing collaterals under the loans previously granted by Bank of Moscow, and does not exclude the possibility of such attempts in the future. Bank of Moscow does not exclude the possibility of further loan portfolio deterioration that represents the transactions to finance the projects connected with the former management of the Bank, and the corresponding increase of the impairment provisions for the loans issued to finance such projects.

These circumstances cause us to believe that a substantial portion of the above mentioned borrowers may be represented by the companies related to the Bank of Moscow through either significant influence, or control exercised by the administration of the Bank of Moscow in the office as at 1 January 2011. We have requested the new management of the Bank of Moscow to confirm or deny officially the related party relationship between such borrowers with the Bank of Moscow or its former management and received the confirmation that the Bank of Moscow has no documented information evidencing the related party relationship between the said borrowers and the former management of the Bank of Moscow as at the date of these condensed interim consolidated financial statements preparation.

These circumstances exercise significant influence over the assessment of credit risks in respect of the loans mentioned above, and on the information disclosed in Note 28 "Related Party Transactions". At the same time, the uncertainty as regards the borrowers' being the related parties of the Bank of Moscow, the on-going internal investigations conducted in the Bank of Moscow and the inspections of the law enforcement authorities do not allow to estimate reliably the adequate amount of provisions for impairment in respect of the above loans and assess the completeness of disclosures in accordance with IAS 24 "Related Party Transactions".

Qualified opinion

Except for the adjustments to the condensed interim consolidated financial statements of the Bank of Moscow (OJSC) and its subsidiaries as at 30 June 2011 and for the six month period then ended that might have been necessary on completion of the effects' assessment of the matters described in the Basis for Qualified Opinion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to the going concern section of Note 3 "Basis of Presentation" and Note 30 "Subsequent Events", which describe measures taken by the Bank of Moscow (OJSC) management and shareholders to remove instability of the financial position and restore the appropriate business activity of the entity.

Anton V. Efremov
Senior Partner



30 September 2011

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

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's review report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the condensed interim consolidated financial statements of Joint Stock Commercial Bank – Bank of Moscow and its subsidiaries (the Group).

Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of the Group as at 30 June 2011, the results of its operations and cash flows for the six months then ended, in accordance with International Financial Reporting Standards (IFRS).

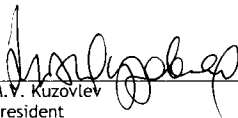
In preparing the condensed interim consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial statements; and
- Preparing the condensed interim consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

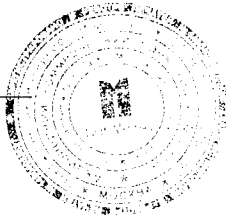
Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining proper accounting records that disclose the financial position of the Group with reasonable accuracy, and which enable to ensure that the condensed interim consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation; and
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Group's management the condensed interim consolidated financial statements for the six months ended 30 June 2011 were authorized for issue on 30 September 2011 by:


M. V. Kuzovlev
President

Bank of Moscow
30 September 2011




S. E. Bykova
Acting Chief Accountant

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
Condensed Interim Consolidated Statement of Financial Position as at 30 June 2011
(in thousands of Russian Roubles)

	Note	30 June 2011 (unaudited)	31 December 2010
Assets			
Cash and cash equivalents	5	48 643 482	73 028 296
Mandatory cash balances with central banks		8 625 995	5 588 823
Financial assets at fair value through profit or loss	6	95 417 810	137 214 658
Due from other banks	7	48 405 682	79 402 561
Loans to customers	8	497 602 096	497 570 795
Financial assets available for sale	9	14 366 790	11 152 406
Investments held to maturity	10	393 664	418 361
Investments in associates and non-consolidated subsidiaries	11	2 768 117	3 247 814
Premises and equipment and intangible assets		14 260 628	14 741 266
Investment property		3 914 895	3 637 994
Other assets	12	4 988 418	5 932 719
Current tax asset		5 606 692	3 671 603
Deferred tax asset		16 396 241	18 603 067
Total assets		761 390 510	854 210 363
Liabilities			
Due to other banks	13	83 808 597	159 330 606
Customer accounts	14	532 294 457	543 140 280
Financial liabilities at fair value through profit or loss	6	5 084 300	4 899 711
Debt securities issued	15	96 705 341	102 172 382
Other liabilities	16	2 377 526	4 208 444
Current tax liability		41 418	39 446
Deferred tax liability		966 208	134 969
Total liabilities		721 277 847	813 925 838
Equity			
Share capital	18	20 476 746	20 476 746
Share premium		53 624 131	53 624 131
Fair value reserve for financial assets available for sale		3 821	2 605
Revaluation reserve for premises and equipment		3 860 841	3 882 551
Accumulated exchange differences		(753 819)	13 489
Accumulated loss		(37 773 407)	(38 143 811)
Equity attributable to the shareholders of the parent Bank		39 438 313	39 855 711
Non-controlling interest	17	674 350	428 814
Total equity		40 112 663	40 284 525
Total liabilities and equity		761 390 510	854 210 363

M. V. Ruzovlev
 President

30 September 2011



S.E. Bykova
 Acting Chief Accountant

The notes set out on pages 12 to 61 are an integral part of these condensed interim consolidated financial statements.

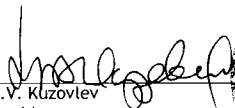
Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
Condensed Interim Consolidated Statement of Comprehensive Income
for the Three and Six Months Ended 30 June 2011
(in thousands of Russian Roubles)

	Note	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2011	2010	2011	2010
Interest income	19	11 875 622	19 630 524	28 451 723	39 094 565
Interest expense	19	(8 194 851)	(9 365 484)	(16 566 950)	(18 925 784)
Net interest income		3 680 771	10 265 040	11 884 773	20 168 781
Provision for impairment of due from other banks and loans to customers	7, 8	(277 699)	(4 051 146)	(2 776 163)	(9 077 615)
Net interest income after provision for impairment of due from other banks and loans to customers		3 403 072	6 213 894	9 108 610	11 091 166
Gains less losses arising from financial assets at fair value through profit or loss		362 846	(856 979)	853 192	1 889 909
Gains less losses arising from financial liabilities at fair value through profit or loss		(575 777)	610 179	(175 502)	469 604
Gains less losses arising from financial assets available for sale		2 777	44 868	2 083	46 917
Gains less losses from dealing in foreign currency and precious metals		2 410 757	(2 154 546)	4 681 994	(4 698 210)
Gains less losses from revaluation of foreign currency and precious metals		(1 354 898)	1 847 879	(4 210 100)	4 509 231
Fee and commission income	20	2 057 946	1 738 352	3 847 572	3 234 939
Fee and commission expense	20	(526 576)	(425 374)	(944 905)	(764 960)
Dividends received		5 558	26 878	12 269	30 137
Provision for impairment of financial assets available for sale	9	(3 393)	(13 766)	(15 397)	(13 178)
Provision for impairment of other assets	12	(458 156)	(321 578)	(1 252 196)	(558 778)
Provision for impairment of investments held to maturity	10	-	-	-	368
Provision for impairment of premises and equipment and intangible assets		(322)	-	(322)	-
Net income		5 323 834	6 709 807	11 907 298	15 237 145
General and administrative expenses	21	(4 047 856)	(3 546 430)	(8 478 867)	(7 147 840)
Contributions to the Deposit Insurance Fund		(178 301)	(177 735)	(364 078)	(350 680)
Other operating income less expenses		420 418	31 073	904 678	633 423
Operating income		1 518 095	3 016 715	3 969 031	8 372 048
Share in net profit / (loss) of the associates	11	(479 987)	8 026	(479 707)	54 216
Net share in other movements in equity of non-consolidated subsidiaries		(94)	-	(93)	2
Net gain on acquisition and sale of subsidiaries and associates	24	-	24 070	153 393	23 712
Profit before taxation		1 038 014	3 048 811	3 642 624	8 449 978
Income tax expense		(1 292 664)	(234 477)	(3 293 801)	(2 422 566)
Net profit/(loss)		(254 650)	2 814 334	348 823	6 027 412

The notes set out on pages 12 to 61 are an integral part of these condensed interim consolidated financial statements.

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
Condensed Interim Consolidated Statement of Comprehensive Income
for the Three and Six Months Ended 30 June 2011
(in thousands of Russian Roubles)

	Note	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2011	2010	2011	2010
Other comprehensive income:					
Revaluation of financial assets available for sale	9	(5 485)	2 715	1 722	9 546
Exchange differences		(775 958)	58 370	(794 486)	(67 789)
Revaluation of premises and equipment		18 100	(669)	(4 512)	(2 034)
Income tax relating to components of comprehensive income:					
- Financial assets available for sale		2 140	(687)	(506)	(2 161)
- Revaluation of premises and equipment		-	-	902	-
Other comprehensive income/(loss) after taxation		(761 203)	59 729	(796 880)	(62 438)
Total comprehensive income/(loss) for the period		(1 015 853)	2 874 063	(448 057)	5 964 974
Net profit/(loss) of the reporting period attributable to the shareholders of the parent Bank		(228 983)	2 823 821	370 404	6 032 291
Net loss of the reporting period attributable to the non-controlling interest		(25 667)	(9 487)	(21 581)	(4 879)
Comprehensive income/(loss) for the reporting period attributable to the shareholders of the parent Bank		(981 077)	2 883 550	(417 398)	5 974 596
Comprehensive loss for the reporting period attributable to the non-controlling interest		(34 776)	(9 487)	(30 659)	(9 622)
Basic and diluted earnings/(loss) per share (RUR/per share)	22	(1.27)	17.83	2.06	38.09


M.V. Kuzovlev
President




S.E. Bykova
Acting Chief Accountant

30 September 2011

The notes set out on pages 12 to 61 are an integral part of these condensed interim consolidated financial statements.

*Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
Condensed Interim Consolidated Statement of Cash Flows
for the Six Months Ended 30 June 2011
(in thousands of Russian Roubles)*

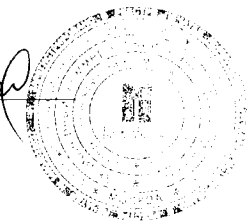
	For the six months ended 30 June 2011 (unaudited)	For the six months ended 30 June 2010 (unaudited)
Cash flows from operating activities		
Interest received	31 689 606	38 980 364
Interest paid	(17 451 347)	(19 589 860)
Gains less losses arising from financial assets at fair value through profit or loss	(4 467 372)	4 490 613
Gains less losses from dealing in foreign currencies and precious metals	4 681 994	(4 698 210)
Fees and commissions received	3 837 907	3 226 670
Fees and commissions paid	(944 905)	(764 960)
General and administrative expenses paid	(10 151 691)	(6 810 142)
Contributions to the Deposit Insurance Fund	(364 078)	(350 680)
Other net operating income received less expenses	667 542	633 423
Income tax paid	(2 192 903)	(1 362 089)
Cash flows from operating activities before changes in operating assets and liabilities	5 304 753	13 755 129
Net (increase)/decrease in operating assets		
Mandatory cash balances with central banks	(3 038 690)	(578 672)
Financial assets at fair value through profit or loss	43 630 063	(15 917 069)
Due from other banks	31 295 919	(12 808 787)
Loans to customers	(4 763 446)	(40 963 116)
Other assets	(48 481)	754 081
Net increase/(decrease) in operating liabilities		
Due to other banks	(78 119 612)	(82 994 259)
Customer accounts	(10 478 228)	70 811 343
Debt securities issued (excluding eurobonds)	(718 645)	45 191
Other liabilities	367 957	10 469 430
Net cash flows from operating activities	(16 568 410)	(57 426 729)

The notes set out on pages 12 to 61 are an integral part of these condensed interim consolidated financial statements.

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
Condensed Interim Consolidated Statement of Cash Flows
for the Six Months Ended 30 June 2011
(in thousands of Russian Roubles)

	For the six months ended 30 June 2011 (unaudited)	For the six months ended 30 June 2010 (unaudited)
Cash flows from investing activities		
Acquisition of subsidiaries and associates	(35 040)	(91 488)
Disposal of subsidiaries and associates	753 308	-
Acquisition of financial assets available for sale (Note 9)	(4 317 539)	(2 838 124)
Redemption of financial assets available for sale (Note 9)	158 390	1 290
Sale of financial assets available for sale (Note 9)	863 604	705 053
Acquisition of investments held to maturity	(197 152)	(117 765)
Redemption of investments held to maturity	70 279	54 097
Increase in cash and cash equivalents on acquisition of the subsidiaries	-	91 732
Purchase of premises and equipment	(654 055)	(553 020)
Proceeds from sale of premises and equipment	314 284	518
Dividends received	12 269	30 137
Net cash flows from investing activities	(3 031 652)	(2 717 570)
Cash flows from financing activities		
Eurobonds issued by the Bank	3 481 515	22 293 675
Eurobonds repaid by the Bank	(7 711 375)	-
Dividends paid (Note 23)	(8)	(1)
Net cash flows from financing activities	(4 229 868)	22 293 674
Effect of exchange rate changes on cash and cash equivalents	(554 884)	(1 286 436)
Net change in cash and cash equivalents	(24 384 814)	(39 137 061)
Cash and cash equivalents at the beginning of the year (Note 5)	73 028 296	75 955 760
Cash and cash equivalents at the end of the year (Note 5)	48 643 482	36 818 699

M. V. Kuzovlev
President



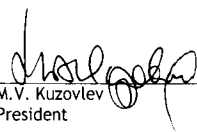
S. E. Bykova
Acting Chief Accountant

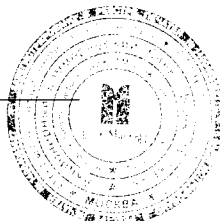
30 September 2011


The notes set out on pages 12 to 61 are an integral part of these condensed interim consolidated financial statements.

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
Condensed Interim Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2010 and 30 June 2011
(in thousands of Russian Roubles)

	Note	Equity attributable to the shareholders of the parent Bank							Non-controlling interest	Total equity
		Share capital	Share premium	Fair value reserve for financial assets available for sale	Revaluation reserve for premises and equipment	Accumulated exchange differences	(Accumulated deficit)/ Retained earnings			
Balance as at 31 December 2009		18 313 544	34 090 420	(4 972)	3 882 551	(39 905)	30 109 149	245 248	86 596 035	
Comprehensive income/(expense) for the reporting period (unaudited)		-	-	7 385	(2 034)	(63 046)	6 032 291	(9 622)	5 964 974	
Change in the non-controlling interest on acquisition / (disposal) of subsidiaries (unaudited)	17	-	-	-	-	-	-	22 467	22 467	
Balance as at 30 June 2010 (unaudited)		18 313 544	34 090 420	2 413	3 880 517	(102 951)	36 141 440	258 093	92 583 476	
Balance as at 31 December 2010		20 476 746	53 624 131	2 605	3 882 551	13 489	(38 143 811)	428 814	40 284 525	
Comprehensive income/(loss) for the reporting period (unaudited)		-	-	1 216	(21 710)	(767 308)	370 404	(30 659)	(448 057)	
Change in the non-controlling interest on acquisition/(disposal) of subsidiaries (unaudited)	17	-	-	-	-	-	-	276 195	276 195	
Balance as at 30 June 2011 (unaudited)		20 476 746	53 624 131	3 821	3 860 841	(753 819)	(37 773 407)	674 350	40 112 663	


M.V. Kuzovlev
President




S.E. Bykova
Acting Chief Accountant

30 September 2011

The notes set out on pages 12 to 61 are an integral part of these condensed interim consolidated financial statements.

1. Principal Activities of the Group

These condensed interim consolidated financial statements comprise the financial statements of Joint-Stock Commercial Bank - Bank of Moscow (open joint stock company) (hereinafter the "Bank" or the "Bank of Moscow") and its subsidiaries. The Bank and its subsidiaries are jointly referred to as the "Group" or "Group of the Bank of Moscow". The list of subsidiaries and associates included in these condensed interim consolidated financial statements is disclosed in Note 3.

The Bank of Moscow is a joint stock commercial bank registered in the Russian Federation. The Bank of Moscow was set up in March 1995 through reorganisation of Moscow Settlement Bank registered in the Russian Federation in 1994.

The Bank operates under General Banking License No. 2748 issued by the Central Bank of the Russian Federation (hereinafter the CBR or the Bank of Russia) on 14 October 2004. The Bank also holds licenses of the professional securities market participant and a license for trading in precious metals.

The principal activity of the Group is commercial banking comprising corporate, investment and retail banking services, asset management, private banking and transactions on financial markets. Provision of services to individuals makes up a considerable portion of the Bank's operations. The Bank is the third largest Russian bank by the volume of customer accounts attracted from individuals.

On 22 February 2011 the Bank of Moscow shares previously held by Moscow City Government (46.48%) and 25% plus one share in OJSC Metropolitan Insurance Group (SSG), which owns 17.3% shares of the Bank of Moscow, were acquired by OJSC VTB Bank. Moscow City Government, which since the establishment of the Bank of Moscow has been directly or indirectly (through SSG) the largest shareholder, ceased to be the owner of the Bank of Moscow.

The Bank is registered at the following address: 8/15, Rozhdestvenka Str., Moscow, Russian Federation.

As at 30 June 2011, the Bank had 380 divisions on the territory of the Russian Federation and 6 subsidiary banks (as at 31 December 2010: 384 divisions on the territory of the Russian Federation and 7 subsidiary banks): in the Russian Federation (Moscow) - OJSC Mosvodokanalbank, Group's interest of 65.87%; (Bryansk) - Commercial Joint Stock Bank Bezhitsa-Bank (OJSC), Group's interest of 100%; in the Republic of Belarus (Minsk) - OJSC Bank Moscow-Minsk, Group's interest of 100%; in the Republic of Estonia (Tallinn) - Estonian Credit Bank (Eesti Krediidipank), Group's interest of 43.79%; in the Republic of Ukraine (Kiev) - BM Bank LLC, Group's interest of 100%, in the Republic of Serbia (Belgrade) - JSC Bank of Moscow - Belgrade, Group's interest of 100%.

The Bank's head office is located in Moscow. The Bank's 140 offices and sub-offices are located in all administrative districts of Moscow and in large towns of Moscow region. The Bank is the financial agent of the Government of the City of Moscow for investment programs and is the authorised dealer for bonds issues of the City of Moscow. The Bank is an active participant of a number of Moscow financial and industrial programs. It provides services to many municipal and commercial organisations participating in the implementation of the Moscow Government programs.

As at 30 June 2011, the Bank of Moscow regional network comprised 48 branches, 24 operating offices and 168 sub-branches located on the territory of the Russian Federation (as at 31 December 2010: 48 branches, 25 operating offices and 171 sub-branches). The subsidiary bank OJSC Mosvodokanalbank has 2 sub-branches on the territory of the Russian Federation (as at 31 December 2010: 2 sub-branches). The subsidiary bank Commercial Joint Stock Bank Bezhitsa-Bank (OJSC) has no branches (as at 31 December 2010: no branches). The subsidiary bank OJSC Bank Moscow-Minsk has 5 branches and 42 sub-branches located on the territory of the Republic of Belarus (as at 31 December 2010: 5 branches and 41 sub-branches). The subsidiary bank BM Bank LLC has 44 sub-branches on the territory of the Republic of Ukraine (as at 31 December 2010: 44 sub-branches). Estonian Credit Bank (Eesti Krediidipank) has 18 branches and 4 sub-branches located on the territory of the Republic of Estonia (as at 31 December 2010: 8 branches and 13 sub-branches). The subsidiary bank JSC Bank of Moscow - Belgrade has 2 branches located on the territory of the Republic of Serbia (as at 31 December 2010: 2 branches).

During the six month period ended 30 June 2011 the average number of the Group employees was 9 736 (during the year ended 31 December 2010: 10 258).

The international rating agency Fitch Ratings affirmed the Bank's ratings as follows: long-term foreign currency IDR at "BBB-", short-term foreign currency IDR at "F3", the national long-term rating at "AA+"(rus), support rating at "2" and individual rating at "D". On 5 July 2011 the agency decreased the individual rating to "F", rating watch outlook was changed to stable.

On 19 January 2011 the rating agency Moody's Investors Service changed the Bank's long-term foreign and local currency deposit ratings from "Baa1" to "Baa2". On 28 June 2011 the long-term deposit rating was changed from "Baa2" to "Ba1" and the financial stability rating was decreased from "D" to "D-". On 8 July 2011 the long-term deposit rating was changed from "Ba1" to "Ba2" and the financial stability rating was decreased from "D-" to "E+". The outlook for the ratings is negative, the short-term foreign currency deposit rating is "Not Prime".

2. Operating Environment of the Group

General

Since the early 1990s the Russian Federation has undergone substantial political, economic and social changes. Though since 2002 the Russian economy has been recognised to be the market economy and a number of main reforms aimed at establishment of banking, judicial, tax and legislative systems have been implemented, the business and legislative framework do not possess the same level of stability as in the countries with more developed economy.

In 2004 the Bank joined the Mandatory Deposit Insurance System. The activities of the Mandatory Deposit Insurance System are provided for by federal laws and regulations. It is managed by the state corporation Deposit Insurance Agency. The limit of coverage of the Bank's liabilities to private customers is up to RUR 700 thousand per each depositor in the event of bankruptcy or withdrawal of the license for banking operations by the Central Bank of Russia.

Currently, the economy of the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include:

- relatively high inflation rates during a number of years;
- low level of liquidity on capital markets;
- inconvertibility of the national currency in most foreign countries.

Inflation

Russia continues to experience relatively high levels of inflation. The inflation indices for the last five years and six months of 2011 are given in the table below:

Period ended	Inflation for the period
30 June 2011	5.0%
31 December 2010	8.8%
31 December 2009	8.8%
31 December 2008	13.3%
31 December 2007	11.9%
31 December 2006	9.0%

Currency transactions and currency control

Foreign currencies, in particular the US dollar and euro, play a significant role in measuring economic parameters of certain business transactions in Russia generally relating to export of raw materials and goods.

The table below shows the exchange rates of USD and EUR relative to RUR:

Date	USD	EUR
30 June 2011	28.0758	40.3870
31 December 2010	30.4769	40.3331
31 December 2009	30.2442	43.3883
31 December 2008	29.3804	41.4411
31 December 2007	24.5462	35.9332
31 December 2006	26.3311	34.6965

Financial market transactions

In 2011 the situation showed signs of improvement due to borrowings and debt refinancing both on the international and domestic capital markets. The volume of direct investments in the Russian economy, as estimated by the CBR, in the first half of the current year has exceeded USD 27 bln approximating the pre-crisis level; in the first half of 2010 this indicator was USD 19.4 bln and approximated similar indicator in the pre-crisis year 2007 USD 29.6 bln.

According to the Federal State Statistics Service (Rosstat RF) estimates, the Russian GDP growth in the first half of 2011 was 3.4%. Based on the projected data stipulated in the federal budget, GDP is expected to increase to 4.2%. In 2010 the GDP growth was 4%.

In the first half of 2011 industrial production in Russia increased by 5.3%.

Overall improvement in the economic situation in the first half of 2011 allowed to maintain liquidity in the banking sector at the level required for the country's economy.

Compared to unstable or negative trends in 2008-2009, the positive dynamic of practically all of the Russian economy indicators from the beginning of 2010 have continued.

The principal problem of the Russian economy in 2011 was still its high dependence on export of raw materials, while this dependence keeps growing steadily.

In spite of a number of existing indicators improving the situation, there is an uncertainty in respect of further economic growth, access capability to capital sources and its value, which in turn is able to affect the Group's financial position, performance and the economic prospects. To the extent that information is available, management of the Group has adequately reflected the revised estimates of expected future cash flows in its impairment assessments.

The started processes of the Bank of Moscow Group merger to the VTB Bank Group considerably affected the Group's ability to raise funds in the world financial markets in 2010. A long-standing uncertainty of the situation and unfriendly actions of the former administration led both to the downgrade of the Bank of Moscow ratings and limitation of the interest of international investors in the Group's placements. These circumstances negatively impacted the Group's ability to raise new funds on terms and conditions applied to similar transactions in the pre-crisis period. In the Group's management opinion, all necessary adequate actions are taken by the Group in order to escape from existing situation and for further assistance of the Group's stable development in current conditions. At the same time, the accompanying condensed interim consolidated financial statements do not include the adjustments associated with the global economic crisis impact on the Group's financial position in the future as a consequence of the impossibility of such incidence assessment nowadays.

3. Basis of Presentation

General principles

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards, including all standards and interpretations adopted previously. The Group maintains its accounting records in accordance with the applicable legislation of the Russian Federation. These condensed interim consolidated financial statements have been prepared on the basis of these accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS.

These condensed interim consolidated financial statements are presented in Russian Roubles being the Group's functional and presentation currency. The subsidiaries, which are residents of foreign countries, have functional currencies other than the Russian Rouble. In this connection, the financial statements of foreign subsidiaries are translated to roubles for the Group's condensed interim consolidated financial statements purposes. These condensed interim consolidated financial statements of the Group are rounded to the nearest thousand.

Estimates and assumptions

The preparation of the condensed interim consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the condensed interim consolidated financial statements, and the reported amounts of income and expenses during the reporting period. Issues that require management's estimate and are most material for the financial statements are disclosed in Notes 7, 8, 9 and 10.

Going concern

These condensed interim consolidated financial statements reflect the Group management's current assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the RF Government and other factors, including regulatory and political developments which are beyond the Group's control. The Group's management cannot predict what impact these factors can have on the Group's financial position in future.

These condensed interim consolidated financial statements were prepared on a going concern assumption.

In 2011, based on the results of the inspections performed by the RF Accounts Chamber and CBR in late 2010 - first half of 2011, the Bank of Moscow received the acts of these supervision authorities describing violations committed by the former management of the Bank of Moscow relating to lending procedures and acceptance of high credit risks. A substantial portfolio of assets was revealed which with a certain level of probability could be related to the funding by Bank of Moscow of the projects which are in the scope of interests of the former Bank of Moscow President A. F. Borodin and other persons. After the resignation of A. F. Borodin the Group faced with the third parties' attempts to sell the assets either acquired with the use of the Group loans, or provided as collateral for loans earlier issued by the Group. The results of the inspections performed by the RF Accounts Chamber, CBR and the new management of the Group, and all other available information at the date of the financial statements preparation were taken into account for the accrual of provisions for impairment of Group's loan portfolio. The Group does not exclude a possibility of further accretion of provisions for impairment of loans upon incurrence of new deals' evidences, involving financing of projects which could be related to the Group's former management. As a result of the above mentioned events, as at 31 December 2010 the Bank committed a violation of statutory ratio of a maximum risk taken on one borrower or a group of interrelated borrowers (H6), which is set up by CBR.

To remove instability of the financial position and restore the appropriate business activity of the Bank, in June 2011 the CBR and the Deposit Insurance Agency developed and approved the Plan of participation of the state corporation Deposit Insurance Agency in prevention of bankruptcy of the Joint Stock Commercial Bank - Bank of Moscow (open joint-stock company) providing for the following major steps:

- to increase the share of VTB group in the share capital of the Bank of Moscow through purchase of the Bank of Moscow shares from its shareholders in amounts allowing to make decisions on all issues relating to the competence of the general shareholders' meeting, including issues of the Bank restructuring and liquidation;
- to obtain from the state corporation Deposit Insurance Agency a secured loan for financial rehabilitation of the Bank in the amount which is up to RUR 295 bln for the term of 10 years at the interest rate of 0.51% per annum;
- to increase the share capital of the Bank through additional issue of the Bank's shares in the amount which is up to RUR 100 bln by 1 January 2013.

By implementing the bankruptcy prevention measures the Group plans to have economic effect of RUR 150 bln, thus allowing to restore the stable financial position of the Group.

Increase in the Bank's share capital by 1 January 2013 will allow to cover equity requirements through the growth of the Group's assets as a result of obtaining loans from the Deposit Insurance Agency in order to meet the capital adequacy ratio (H1) required by the Central Bank of Russia.

At the same time, the Bank of Moscow will comply with all mandatory financial stability requirements set by the CBR and Basel Accord in respect of credit institutions.

Subsidiaries

Subsidiaries, i.e. those entities in which the Group owns over one half of the voting shares or is otherwise able to exercise control over the operations, including special purpose entities (SPE), are consolidated. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Intercompany transactions within the Group, balances and unrealised gains on such transactions are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Acquisition of subsidiaries

The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and costs incurred or liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the date of acquisition, if the business combination of the companies is made by one transaction; and the date of each share purchase if the business combination of the companies occurs in stages by successive share purchases. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

The excess of the cost of the acquisition over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of the acquisition is less than the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the condensed interim consolidated statement of comprehensive income.

Non-controlling interest

Non-controlling interest is the share of the subsidiary that is not owned by the Group. Non-controlling interest at the reporting date is the non-controlling interest's portion of the net fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition and post-acquisition changes in the equity of the subsidiary. Non-controlling interest is recorded within equity.

Losses allocated to non-controlling interest do not exceed the non-controlling interest in the equity of the subsidiary and are allocated to the Group unless there is a binding obligation of the non-controlling interest to fund the losses.

The table below provides the Group's consolidated subsidiaries as at 30 June 2011:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
CJSC Imagine	Russia	Financial services	100.00	1996
CJSC Altruist	Russia	Financial services	100.00	1996
CJSC Press Magnate	Russia	Publishing	100.00	1996
CJSC Vechernyaya Moskva	Russia	Publishing	100.00	1997
BM Holding LTD	Switzerland	Financial services	100.00	1998
OJSC Bank Moscow-Minsk	Belarus	Banking services	100.00	2000
CJSC DOSSOM	Russia	Catering	99.93	2001
CJSC Bank of Moscow management company	Russia	Financial services	100.00	2002
LLC BM Bank	Ukraine	Banking services	100.00	2005
CJSC Stroiporinvest	Russia	Financial services	100.00	2006
BoM Finance Ltd.	British Virgin Islands	Financial services	100.00	2007
BoM Asset Management Ltd.	Cyprus	Financial services	100.00	2007
Crossplanet Ltd.	Cyprus	Financial services	100.00	2007
LLC Mos-Broker	Russia	Brokerage, dealer and depository services	100.00	2008
CJSC Lespromprocessing	Russia	Financial services	100.00	2008
CJSC Spetsstroy-2	Russia	Construction	100.00	2008
JSC Bank Moscow - Belgrade	Serbia	Banking services	100.00	2008
OJSC Bezhitsa-Bank	Russia	Banking services	100.00	2008
LLC Baltekh	Russia	Real estate lease	100.00	2010
Closed-end Unit Investment Fund Tsentralny	Russia	Real estate lease	100.00	2010
LLC Registrator KRC	Russia	Shareholder register maintenance	100.00	2010
CJSC Financial Assistant	Russia	Financial services	99.67	2006
LLC Selkhozstroj	Russia	Machine-building and equipment	99.00	2006
LLC PO Montazh	Russia	Machine-building and equipment	99.00	2006
OJSC Mosvodokanalbank	Russia	Banking services	65.87	1997
CJSC Concern Vechernyaya Moskva	Russia	Publishing	57.35	1997
OJSC International Asset Management Company	Russia	Financial services	50.00	2003
LLC Investplaza	Russia	Financial services	50.00	2010
AS Eesti Krediidipank	Estonia	Banking services	43.79	2005
AS Martinoza	Estonia	Real estate management	43.79	2005
AS Krediidipanga Liising	Estonia	Leasing	43.79	2005

The table below provides the Group's consolidated subsidiaries as at 31 December 2010:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
CJSC Imagine	Russia	Financial services	100.00	1996
CJSC Altruist	Russia	Financial services	100.00	1996
CJSC Press Magnate	Russia	Publishing	100.00	1996
CJSC Vechernyaya Moskva	Russia	Publishing	100.00	1997
BM Holding LTD	Switzerland	Financial services	100.00	1998
OJSC Bank Moscow-Minsk	Belarus	Banking services	100.00	2000
CJSC DOSSOM	Russia	Catering	100.00	2001
CJSC Bank of Moscow management company		Financial services	100.00	2002
LLC BM Bank	Ukraine	Banking services	100.00	2005
CJSC Stroiporinvest	Russia	Financial services	100.00	2006
BoM Finance Ltd.	British Virgin Islands	Financial services	100.00	2007
BoM Asset Management Ltd.	Cyprus	Financial services	100.00	2007
Crossplanet Ltd.	Cyprus	Financial services	100.00	2007
LLC Mos-Broker	Russia	Brokerage, dealer and depository services	100.00	2008
CJSC Lespromprocessing	Russia	Financial services	100.00	2008
CJSC Spetsstroy-2	Russia	Construction	100.00	2008
JSC Bank of Moscow - Belgrade	Serbia	Banking services	100.00	2008
OJSC Bezhitsa-Bank	Russia	Banking services	100.00	2008
LLC Baltekh	Russia	Real estate lease	100.00	2010
Closed-end Unit Investment Fund Tsentralny	Russia	Real estate lease	100.00	2010
AS Latvijas Biznesa Banka	Latvia	Banking services	99.97	2002
SIA Bako Kredits Alfa	Latvia	Real estate business	99.97	2010
SIA LBB ĪPAŠUMI 2	Latvia	Real estate business	99.97	2010
CJSC Financial Assistant	Russia	Financial services	99.67	2006
LLC Selkhozstroj	Russia	Machine-building and equipment	99.00	2006
LLC PO Montazh	Russia	Machine-building and equipment	99.00	2006
AS Eesti Krediidipank	Estonia	Banking services	76.59	2005
AS Martinoza	Estonia	Real estate management	76.59	2005
AS Krediidipanga Liising	Estonia	Leasing	76.59	2005
SIA Radicals Trests	Latvia	Financial services	76.59	2010
OJSC Mosvodokanalbank	Russia	Banking services	65.87	1997
LLC Registrator KRC	Russia	Maintenance of share registers for joint stock companies	58.78	2010
CJSC Concern Vechernyaya Moskva	Russia	Publishing	57.35	1997
OJSC International Asset Management Company	Russia	Financial services	50.00	2003
LLC INVESTPLAZA	Russia	Financial services	50.00	2010
SIA LBB ĪPAŠUMI	Latvia	Real estate business	48.99	2008

Kuznetski Capital S.A. founded in 2004 and registered in Luxemburg and BOM Capital P.L.C founded in 2009 and registered in Ireland were included into these condensed interim consolidated financial statements. Both companies were set up for special purposes for eurobonds issue.

The subsidiaries, which do not have a significant influence on the condensed interim consolidated financial statements of the Group, were not consolidated. The investments in the share capitals of these

companies are recorded within investments in associates and non-consolidated subsidiaries in the condensed interim consolidated statement of financial position.

The table below provides a list of the companies, which were not included into the condensed interim consolidated financial statements as at 30 June 2011:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
CJSC Monolit	Russia	Wholesale trading	99.00	2007
CJSC Stolichnaya Neftyanaya Kompania	Russia	Production	75.00	2005
LLC VM-Open City	Russia	Publishing	57.35	2008
Editorial office of Vechernyaya Moskva, OJSC	Russia	Publishing	57.35	2011
Editorial office of MK-Boulevard magazine, LLC	Russia	Publishing	50.00	2002

The table below provides a list of the companies, which were not included into the consolidated financial statements as at 31 December 2010:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
CJSC Monolit	Russia	Wholesale trading	99.00	2007
CJSC Stolichnaya Neftyanaya Kompania	Russia	Production	75.00	2005
LLC VM-Open City	Russia	Publishing	57.35	2008
Editorial office of MK-Boulevard magazine, LLC	Russia	Publishing	50.00	2002

Associates

Associates are entities in which the Group directly or indirectly owns between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence (for example, through representation in management bodies), but which it does not control. Investments in associates are accounted for under the equity method and are initially recognised at cost. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associates. The Group's share of its associates' profits or losses is recognised in the condensed interim consolidated statement of comprehensive income, and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments on behalf of the associate.

Below is the list of the Group's associates as at 30 June 2011:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
Äigrumäe Kinnisvara AS	Estonia	Financial services	43.79	2007
CJSC Automated Banking Technologies	Russia	Information technologies	25.82	2006
OJSC Metropolitan Insurance Group (SSG)*	Russia	Insurance	24.92	2007
CJSC SMU StroiModule	Russia	Wholesale trading	24.35	2011
OJSC Leasing Company LeasingBusiness	Russia	Leasing	23.90	2010
LLSC Sibneftegas Enterprise	Russia	Other services	19.93	2010
LLC Pension Reserve	Russia	Financial services	19.00	2008

Below is the list of the Group's associates as at 31 December 2010:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
OJSC Leasing Company				
LeasingBusiness	Russia	Leasing	23.90	2010
LLC Sibneftegas Enterprise	Russia	Other services	20.00	2010
Äigrumäe Kinnisvara AS	Estonia	Financial services	38.21	2007
CJSC Automated Banking Technologies	Russia	Information technologies	25.82	2006
OJSC Metropolitan Insurance Group (SSG)	Russia	Insurance	24.92	2007
LLC Pension Reserve	Russia	Financial services	19.00	2008

Changes in Accounting Policies

The accounting policies adopted are generally consistent with those of the previous financial year. Listed below are those effective amended standards and interpretations which are or in the future could be relevant to the Group's operations:

- IAS 24 (amended in 2009) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011). This standard is a revised version of IAS 24 (amended in 2003).
- IFRS 7 "Financial Instruments - Disclosures" (effective for annual periods beginning on or after 1 January 2011). The changes refer to disclosure of qualitative and quantitative information about the nature and size of risks arising from financial instruments.
- IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2011). The main amendments clarify disclosures in the statement of changes in equity.
- IAS 34 "Interim Financial Reporting" (amended in May 2010) (effective for annual periods beginning on or after 1 January 2011). The amendments add 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.
- IFRIC 13 "Customer Loyalty Programs" (effective for annual periods beginning on or after 1 January 2011). This IFRIC addresses measurement of award credits by reference to fair value.
- IFRIC 14 "The Limit on a Defined Benefit Asset(s), Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after 1 January 2011). The main amendments address treatment of prepayments of minimum contributions.

4. Summary of Significant Accounting Policies

The accompanying condensed interim consolidated financial statements were prepared in accordance with the significant accounting policies applied in preparation of the Group's consolidated financial statements for the year ended 31 December 2010.

The income tax expense in the reporting period comprises the amount calculated using the estimated effective income tax rate and the amount of deferred tax. It means that the income tax expense in the six-month period is accrued by using the tax rate which would be applied to the expected total income for the year. The income tax is recognised in full in the condensed interim consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

5. Cash and Cash Equivalents

	30 June 2011 (unaudited)	31 December 2010
Cash on hand	18 262 443	23 835 608
Precious metals	837 223	1 497 576
Cash balances with central banks (other than mandatory reserve deposits)	16 458 640	23 677 858
Correspondent accounts with other banks of:		
- the Russian Federation;	722 510	2 763 008
- other countries	12 362 666	21 254 246
Total cash and cash equivalents	48 643 482	73 028 296

6. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss recorded in the condensed interim consolidated statement of financial position include trading securities and derivative financial instruments. As at the reporting date, the Group does not have other types of financial instruments classified into this category.

	30 June 2011 (unaudited)	31 December 2010
Rouble-denominated securities		
Corporate bonds	20 961 280	45 869 009
Russian Federation bonds (OFZ)	17 484 564	16 532 277
Bonds of RF subjects and local authorities	8 511 281	13 703 778
Equity securities	7 200 241	8 359 367
Corporate promissory notes	6 316 599	4 105 500
Corporate eurobonds	2 206 369	3 083 382
	62 680 334	91 653 313
US dollar denominated securities		
Corporate eurobonds	17 373 078	24 525 374
Eurobonds of the Russian Federation	3 191 416	5 552 338
Bonds of foreign governments	3 472 516	4 704 869
Equity securities	1 594 964	1 522 183
Corporate bonds	-	3 055 705
	25 631 974	39 360 469
EUR denominated securities		
Bonds of foreign governments	1 901 901	1 009 133
Bonds of RF subjects and local authorities	1 059 261	1 036 731
Corporate eurobonds	983 087	2 626 752
	3 944 249	4 672 616
Securities denominated in other currencies		
Equity securities	172 107	-
Corporate eurobonds	-	34 382
	172 107	34 382
Derivative financial instruments in other currencies	2 133 639	677 153
Derivative financial instruments in Russian Roubles	809 810	602 467
Derivative financial instruments in US dollars	45 697	214 258
	2 989 146	1 493 878
Total financial assets at fair value through profit or loss	95 417 810	137 214 658

Corporate bonds are represented by interest-bearing securities denominated in RUR and USD issued by major Russian companies and credit institutions quoted on the Moscow Interbank Currency Exchange (MICEX). As at 30 June 2011, these bonds in the Group's portfolio have maturities from 18 December 2009 to 15 April 2022, coupon rates ranging from 6.3% to 19.00% per annum and yield to maturity ranging from 3.42% to 84.59% per annum, depending on the issue. Corporate bonds with maturity dates before 30 June 2011 are impaired and recognized in the condensed interim consolidated statement of financial position with the fair value equal to zero.

As at 30 June 2011, corporate bonds include mortgage-backed bonds of Moscow Mortgage Agency Bank (OJSC) with the fair value of RUR 3 056 225 thousand, maturing from 23 February 2012 to 1 October 2015, with coupon rates ranging from 7.25% to 10.00% per annum and yield to maturity ranging from 7.45% to 7.58% per annum. Among which, the bonds secured by state guarantees of the City of Moscow amount to RUR 159 622 thousand and have a maturity date of 20 September 2012, coupon rate of 10% per annum and yield to maturity of 5.88% per annum.

OFZ are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 30 June 2011, OFZ in the Group's portfolio have maturity dates from 28 September 2011 to 14 June 2017, coupon rates ranging from 6.85% to 11.30% per annum and yield to maturity from 4.25% to 7.83% per annum, depending on the issue.

Bonds of RF subjects and local authorities are represented by Rouble and Euro-denominated interest-bearing securities quoted on the MICEX and Swiss Exchange (SWX). As at 30 June 2011, these bonds in the Group's portfolio have maturities from 26 October 2011 to 11 June 2022, coupon rates ranging from 5.06% to 15.00% per annum and yield to maturity from 4.70% to 10.71% per annum, depending on the issue.

Equity securities are represented by shares of major Russian companies and credit institutions quoted on the MICEX and Russian Trading System, depository receipts for shares of large Russian entities quoted on the London and New York Stock Exchanges, and investments in unit investment trusts, with the fair value determined on the basis of calculations provided by management companies.

Corporate promissory notes are Rouble and Euro-denominated notes of major Russian credit institutions. As at 30 June 2011, promissory notes in the Group's portfolio have maturities from 19 August 2011 to 24 January 2012 and yield to maturity of 5% per annum.

Corporate eurobonds are represented by interest-bearing securities denominated in RUR, USD, EUR and CHF issued by major Russian companies and credit institutions and quoted on international markets. As at 30 June 2011, corporate eurobonds in the Group's portfolio have maturity dates from 29 November 2011 to 1 March 2022, coupon rates ranging from 0.76% to 9.88% per annum and yield to maturity ranging from 3.80% to 6.82% per annum, depending on the issue.

Eurobonds of the Russian Federation are US dollar denominated securities issued by the Ministry of Finance of the Russian Federation and quoted on international markets. As at 30 June 2011, eurobonds in the Group's portfolio have maturities on 24 June 2028 and 30 March 2030, the coupon rate of 7.5% per annum and 12.75% per annum, and yields to maturity of 4.41% per annum and 5.59% per annum, accordingly.

Bonds of foreign governments are represented by bonds of Germany, the Netherlands, Finland, Austria, Lithuania, Italy and USA.

As at 30 June 2011, financial assets at fair value through profit or loss comprise securities acquired under sale and repurchase agreements (REPO) and sold to third parties. The fair value of these securities is RUR 3 748 682 thousand (2010: RUR 29 338 094 thousand), and the related liabilities are recorded within Due to other banks (Note 13) and Customer accounts (Note 14).

The table below provides information on securities under sale and repurchase agreements (REPO):

	30 June 2011 (unaudited)	31 December 2010
Rouble-denominated securities		
Russian Federation bonds (OFZ)	-	3 293 005
Corporate bonds	74 896	-
Equity securities	1 592 881	297 352
Bonds of RF subjects and local authorities	1 864 126	229 140
	3 531 903	3 819 497
US dollar denominated securities		
Corporate eurobonds	210 283	10 081 848
Bonds of foreign governments	6 496	5 064 453
Eurobonds of the Russian Federation	-	4 644 776
Corporate bonds	-	3 055 705
	216 779	22 846 782
EUR denominated securities		
Corporate eurobonds	-	1 635 084
Bonds of RF subjects and local authorities	-	1 036 731
	-	2 671 815
Total financial assets provided as collateral under sale and repurchase agreements (REPO)	3 748 682	29 338 094

The table below provides information on outstanding transactions in derivative financial instruments. Amounts relating to these transactions are shown on a gross basis, before offsetting by each counterparty, and are short-term in nature.

	30 June 2011 (unaudited)			31 December 2010		
	Contract amount	Fair value		Contract amount	Fair value	
		Asset	Liability		Asset	Liability
Forward transactions		340 784	26		577 484	1 507 964
Foreign currency sale	15 375 490	340 775	-	22 917 355	575 198	-
purchase	11 408	-	26	34 892 673	-	1 507 964
Securities purchase	16 068	9	-	95 408	2 286	-
Swap transactions		2 648 362	249 971		916 394	580 278
Currency and interest rate swaps	37 464 877	2 648 362	249 971	24 653 581	916 394	580 278
Total derivative financial instruments		2 989 146	249 997		1 493 878	2 088 242
Fair value of securities acquired under reverse repo agreements and sold to third parties						
Bonds of foreign governments	-	-	3 146 587	-	-	734 997
Corporate eurobonds	-	-	479 934	-	-	1 941 763
Equity securities	-	-	603 543	-	-	134 709
Bonds of RF subjects and local authorities	-	-	242 914	-	-	-
Eurobonds of the Russian Federation	-	-	144 868	-	-	-
Corporate bonds	-	-	216 457	-	-	-
Total financial liabilities at fair value through profit or loss			5 084 300			4 899 711

The table below shows analysis of financial assets at fair value through profit or loss, less derivative financial instruments, in accordance with the international agencies' ratings as at 30 June 2011:

	Investment rating	Speculative rating	No rating assigned	Total
Corporate eurobonds	2 764 882	1 628 758	16 168 894	20 562 534
Corporate bonds	8 874 451	6 144 210	5 942 619	20 961 280
Russian Federation bonds (OFZ)	17 484 564	-	-	17 484 564
Bonds of RF subjects and local authorities	8 924 405	644 088	2 049	9 570 542
Equity securities	916 148	2 603 557	5 447 607	8 967 312
Bonds of foreign governments	5 374 417	-	-	5 374 417
Eurobonds of the Russian Federation	3 191 416	-	-	3 191 416
Corporate promissory notes	-	6 316 599	-	6 316 599
Total financial assets at fair value through profit or loss, less derivative financial instruments	47 530 283	17 337 212	27 561 169	92 428 664

The table below shows analysis of financial assets at fair value through profit or loss, less derivative financial instruments, in accordance with the international agencies' ratings as at 31 December 2010:

	Investment rating	Speculative rating	No rating assigned	Total
Corporate bonds	32 974 516	11 602 519	4 347 679	48 924 714
Corporate eurobonds	4 706 761	2 848 517	22 714 612	30 269 890
Russian Federation bonds (OFZ)	16 532 277	-	-	16 532 277
Bonds of RF subjects and local authorities	13 771 074	969 435	-	14 740 509
Equity securities	2 715 029	2 149 910	5 016 611	9 881 550
Bonds of foreign governments	5 714 002	-	-	5 714 002
Eurobonds of the Russian Federation	5 552 338	-	-	5 552 338
Corporate promissory notes	-	4 105 500	-	4 105 500
Total financial assets at fair value through profit or loss, less derivative financial instruments	81 965 997	21 675 881	32 078 902	135 720 780

Below is the fair value hierarchy of financial assets at fair value through profit or loss. Level 1 includes financial assets which are traded in an active market, whose fair value is determined on the basis of market quotations. Level 2 includes financial assets whose fair value is determined using different valuation models and assumptions. These models are based on observable market data characterising market conditions and factors that may affect the fair value of a financial asset. Level 3 includes financial assets whose fair value is determined based on judgment.

	30 June 2011 (unaudited)	31 December 2010
Level 1	70 554 716	122 265 157
Level 2	6 316 599	11 497 017
Level 3	18 546 495	3 452 484
Total	95 417 810	137 214 658

7. Due from Other Banks

	30 June 2011 (unaudited)	31 December 2010
Reverse repo agreements with other banks	10 202 317	37 387 865
Loans and deposits with other banks	29 274 666	28 579 861
Deposits with central banks	8 929 213	13 435 451
Overdue placements with other banks	715	715
Less: provision for impairment of due from other banks	(1 229)	(1 331)
Total due from other banks	48 405 682	79 402 561

As at 30 June 2011, the Group had deposits and account balances above 10% of the Group's equity with two banks (as at 31 December 2010: four banks). The aggregate amount of these funds was RUR 20 013 775 thousand (as at 31 December 2010: RUR 33 572 547 thousand) or 41.43% of due from other banks (as at 31 December 2010: 42.28%).

As at 30 June 2011, securities acquired from banks under reverse repo agreements comprise Russian Federation bonds (OFZ) with the fair value of RUR 5 402 576 thousand (as at 31 December 2010: RUR 20 132 306 thousand), bonds of RF subjects and local authorities with the fair value of RUR 825 494 thousand (as at 31 December 2010: RUR 9 986 580 thousand), corporate bonds with the fair value of RUR 2 943 627 thousand (as at 31 December 2010: RUR 8 984 220 thousand), corporate eurobonds with the fair value of RUR 5 163 thousand (as at 31 December 2010: RUR 1 476 110 thousand), bonds of foreign governments with the fair value of RUR 112 075 thousand (as at 31 December 2010: RUR 1 100 119 thousand), equity securities with the fair value of RUR 1 019 030 thousand (as at 31 December 2010: RUR 255 074 thousand). In 2010 securities acquired under reverse repo agreements comprised eurobonds of the Russian Federation with the fair value of RUR 655 230 thousand.

Movements in the provision for impairment of due from other banks are as follows:

	For the six months ended 30 June 2011 (unaudited)	For the six months ended 30 June 2010 (unaudited)
Provision for impairment of due from other banks as at 1 January	1 331	4 709
Recovery of provision for impairment of due from other banks during the six months	(53)	(2 810)
Exchange difference	(49)	54
Provision for impairment of due from other banks as at 30 June	1 229	1 953

Due from other banks, with the exception of "reverse repo" transactions, are not collateralised.

8. Loans to Customers

	30 June 2011 (unaudited)	31 December 2010
Corporate loans	513 449 535	517 183 496
Loans to small and medium business	35 627 692	33 472 874
Loans to government and municipal authorities	1 538 000	4 606 700
Reverse repo agreements	24 084 526	10 907 206
Less: provision for impairment of loans to legal entities	(134 642 246)	(134 075 409)
Total loans to legal entities	440 057 507	432 094 867
Consumer loans	37 507 551	39 755 145
Mortgage loans	23 998 985	26 288 008
Car loans	4 586 155	6 071 571
Credit cards	5 107 046	5 756 157
Scoring loans	1 173 019	1 291 895
Overdrafts	196 841	212 445
Less: provision for impairment of loans to individuals	(15 025 008)	(13 899 293)
Total loans to individuals	57 544 589	65 475 928
Total loans to customers	497 602 096	497 570 795

As at 30 June 2011, accrued interest income on impaired loans amounted to RUR 2 837 295 thousand (as at 31 December 2010: RUR 5 263 839 thousand).

As at 30 June 2011, the Group had 31 borrowers (as at 31 December 2010: 24 borrowers) with the total amount of debt over 10% of the Group's equity. The aggregate amount of these loans was RUR 238 292 678 thousand (as at 31 December 2010: RUR 197 712 968 thousand) or 36.82% of loans to customers (as at 31 December 2010: 30.6%).

As at 30 June 2011, securities acquired under reverse repo agreements comprise equity securities with the fair value of RUR 4 948 847 thousand (as at 31 December 2010: RUR 823 784 thousand), corporate bonds with the fair value of RUR 9 548 201 thousand (as at 31 December 2010: RUR 4 070 303 thousand), bonds of RF subjects and local authorities with the fair value of RUR 965 865 thousand (as at 31 December 2010: RUR 133 998 thousand), corporate eurobonds with the fair value of RUR 276 049 thousand (as at 31 December 2010: RUR 3 047 088 thousand), Russian Federation bonds (OFZ) with the fair value of RUR 6 683 322 thousand (as at 31 December 2010: RUR 5 040 840 thousand), eurobonds of the Russian Federation with the fair value of RUR 3 610 074 thousand (as at 31 December 2010: RUR 41 444 thousand), bonds of foreign governments with the fair value of RUR 815 646 thousand (as at 31 December 2010: RUR 96 928 thousand).

As at 30 June 2011, current loans to customers include loans in the amount of RUR 24 649 665 thousand (as at 31 December 2010: RUR 27 250 327 thousand) that would otherwise be overdue or impaired whose terms were renegotiated. As reflected in more detail in Note 3 "Basis of Presentation", in June 2011 the substantial portfolio of assets was revealed relating to the Bank of Moscow funding of the projects which are in the scope of interests of the former Bank of Moscow President A. F. Borodin and other persons. After the resignation of A. F. Borodin the Group faced with the third parties attempts to sell the assets either acquired with the use of the Group loans, or provided as collateral for loans earlier issued by the Group. The results of the inspections of the RF Accounts Chamber, CBR, and the new management of the Group, and all other available information at the date of the financial statements preparation were taken into account in making provisions for impairment of the Group's loan portfolio. The Group does not exclude a possibility of further accretion of provisions for impairment of loans upon incurrance of new deals' evidences, involving financing of projects relating to the Group's former management.

Movements in the provision for impairment of loans to legal entities during the six months of 2011 are as follows:

	Corporate loans	Loans to small and medium business	Loans to government and municipal authorities	Total
Provision for impairment of loans to legal entities as at 1 January	126 537 096	7 538 313	-	134 075 409
Provision / (Recovery of provision) for impairment during the six months	(4 736 031)	6 175 816	-	1 439 785
Exchange difference	(121 561)	(167 814)	-	(289 375)
Loans written off during the six months as uncollectible	(31)	(185)	-	(216)
Disposal of provision during the sale of loans	(583 357)	-	-	(583 357)
Provision for impairment of loans to legal entities as at 30 June	121 096 116	13 546 130	-	134 642 246

Movements in the provision for impairment of loans to individuals for the six months of 2011 are as follows:

	Consumer loans	Mortgage loans	Car loans	Scoring loans	Credit cards	Over-drafts	Total
Provision for impairment of loans to individuals as at 1 January	8 604 924	1 620 004	1 595 570	696 114	1 356 151	26 530	13 899 293
Provision / (Recovery of provision) for impairment during the six months	1 678 056	(283 483)	(112 446)	17 080	47 670	(10 446)	1 336 431
Exchange difference	(81 096)	(3 921)	(3 745)	(31)	(62 971)	(611)	(152 375)
Loans written off during the six months as uncollectible	(445)	-	(32)	-	(282)	-	(759)
Disposal of provision during the sale of loans	(28 710)	(27 150)	-	-	(1 722)	-	(57 582)
Provision for impairment of loans to individuals as at 30 June	10 172 729	1 305 450	1 479 347	713 163	1 338 846	15 473	15 025 008

Movements in the provision for impairment of loans to legal entities during the six months of 2010 are as follows:

	Corporate loans	Loans to small and medium business	Loans to government and municipal authorities	Total
Provision for impairment of loans to legal entities as at 1 January	21 895 218	7 815 207	9 500	29 719 925
Provision for impairment during the six months	6 927 664	1 026 096	9 095	7 962 855
Exchange difference	(44 309)	847	-	(43 462)
Loans written off during the six months as uncollectible	(338)	(19 066)	-	(19 404)
Provision for impairment of loans to legal entities as at 30 June	28 778 235	8 823 084	18 595	37 619 914

Movements in the provision for impairment of loans to individuals for the six months of 2010 are as follows:

	Consumer loans	Mortgage loans	Car loans	Scoring loans	Credit cards	Over-drafts	Total
Provision for impairment of loans to individuals as at 1 January	8 352 540	1 345 621	1 660 466	838 972	1 368 201	19 863 13	13 585 663
Provision/(Recovery of provision) for impairment during the six months	774 361	214 533	30 836	(20 171)	111 942	6 069	1 117 570
Exchange difference	(875)	(14 174)	1 290	(3 130)	(204)	(125)	(17 218)
Loans written off during the six months as uncollectible	(35 340)	(253)	-	(318)	(36 725)	(73)	(72 709)
Provision for impairment of loans to individuals as at 30 June	9 090 686	1 545 727	1 692 592	815 353	1 443 214	25 734 14	14 613 306

Analysis of the Group's loan portfolio by type of the borrower's ownership structure is as follows:

Type of ownership	30 June 2011 (unaudited)		31 December 2010	
	Amount	%	Amount	%
Loans to non-state entities and organisations	503 545 444	77.8	465 577 395	72.1
Loans to individuals	72 569 597	11.2	79 375 221	12.3
Loans to enterprises in the ownership of the Russian Federation and foreign states	25 588 302	4.0	54 202 146	8.4
Loans to enterprises owned by the Government of the City of Moscow	43 590 792	6.7	40 779 115	6.3
Loans to RF subjects	1 538 000	0.2	4 606 700	0.7
Loans to enterprises in regional (municipal) ownership (other than the Government of the City of Moscow)	437 215	0.1	1 004 920	0.2
Total loans to customers (gross)	647 269 350	100.0	645 545 497	100.0

Economic sector concentrations within the Group's loan portfolio are as follows:

	30 June 2011 (unaudited)		31 December 2010	
	Amount	%	Amount	%
Financial services	319 816 641	49.4	278 644 958	43.2
Individuals	72 569 597	11.2	79 375 221	12.3
Manufacturing	58 030 108	9.0	43 645 557	6.8
Construction	51 731 652	8.0	63 991 824	9.9
Trade	33 104 317	5.1	29 669 664	4.6
Fuel and energy sector	28 970 463	4.5	35 031 191	5.4
Transport and communications	24 615 207	3.8	26 744 311	4.1
Food industry	13 159 140	2.0	13 029 963	2.0
Metallurgy	11 597 578	1.8	38 633 144	6.0
Agriculture and fishing	3 476 492	0.5	3 306 773	0.5
State agencies	1 538 000	0.3	4 606 700	0.7
Other	28 660 155	4.4	28 866 191	4.5
Total loans to customers (gross)	647 269 350	100.0	645 545 497	100.0

Category of "Financial services" includes loans to insurance, lease and investment companies, as well as loans to the borrowers acting as financial agents and performing project management functions.

"Other" category includes loans to woodworking, polygraphic, housing and utility companies and others.

The credit quality analysis of loans to customers as at 30 June 2011 is presented below.

The quality of loans, for which no impairment was identified, is not homogeneous due to variety of industry risks and characteristics of the borrowers' financial position.

For presentation purposes in these condensed interim consolidated financial statements a past due loan means the total amount due from the borrower (including the principal amount and accrued interest and commission income) if at least one of the loan-related payments on any loans to that borrower is past due as at the reporting date.

Below is the analysis of loans to customers and provisions for impairment as at 30 June 2011:

	Individually impaired	Overdue loans with past due payments				Total
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
loans to legal entities individually assessed for impairment						
Corporate loans	165 567 713	65 821 711	71 356 805	5 748 816	5 515 196	314 010 241
Less: provision for impairment of loans to legal entities	(26 544 250)	(35 729 067)	(42 458 464)	(5 204 916)	(5 515 196)	(115 451 893)
Total loans to legal entities individually assessed for impairment	139 023 463	30 092 644	28 898 341	543 900	-	198 558 348

	Current loans	Overdue loans with past due payments				Total
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
Loans to legal entities collectively assessed for impairment						
Corporate loans	196 288 691	560 825	924 981	36 958	1 627 839	199 439 294
Loans to small and medium business	27 289 849	142 591	73 234	400 958	7 721 060	35 627 692
Loans to government and municipal authorities	1 538 000	-	-	-	-	1 538 000
Reverse repo agreements	24 084 526	-	-	-	-	24 084 526
Less: provision for impairment of loans to legal entities	(9 794 315)	(61 547)	(350 680)	(387 914)	(8 595 897)	(19 190 353)
Total loans to legal entities collectively assessed for impairment	239 406 751	641 869	647 535	50 002	753 002	241 499 159
Loans to individuals collectively assessed for impairment						
Consumer loans	26 658 887	532 560	289 365	912 720	9 114 019	37 507 551
Mortgage loans	21 134 780	1 127 885	480 602	261 549	994 169	23 998 985
Car loans	2 924 743	140 132	102 198	80 988	1 338 094	4 586 155
Credit cards	3 714 899	170 735	79 695	54 442	1 087 275	5 107 046
Scoring loans	472 390	15 595	7 182	4 922	672 930	1 173 019
Overdrafts	176 593	5 292	2 754	2 432	9 770	196 841
Less: provision for impairment of loans to individuals	(354 063)	(398 339)	(349 924)	(1 152 681)	(12 770 001)	(15 025 008)
Total loans to individuals	54 728 229	1 593 860	611 872	164 372	446 256	57 544 589

Below is the analysis of loans to customers and provisions for impairment as at 31 December 2010:

	Current loans	Overdue loans with past due payments less than 1 month		Total
Loans to legal entities individually assessed for impairment				
Corporate loans	335 660 009		4 799 044	340 459 053
Less: provision for impairment of loans to legal entities	(116 543 338)		(4 724 375)	(121 267 713)
Total loans to legal entities individually assessed for impairment	219 116 671		74 669	219 191 340

	Current loans	Overdue loans with past due payments				Total
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
Loans to legal entities collectively assessed for impairment						
Corporate loans	170 734 214	288 845	137 217	594 736	4 969 431	176 724 443
Loans to small and medium business	25 096 675	593 116	83 029	629 060	7 070 994	33 472 874
Loans to government and municipal authorities	4 606 700	-	-	-	-	4 606 700
Reverse repo agreements	10 907 206	-	-	-	-	10 907 206
Less: provision for impairment of loans to legal entities	(8 890 672)	(191 619)	(3 842)	(324 433)	(3 397 130)	(12 807 696)
Total loans to legal entities collectively assessed for impairment	202 454 123	690 342	216 404	899 363	8 643 295	212 903 527
Loans to individuals collectively assessed for impairment						
Consumer loans	29 921 051	791 580	418 778	536 979	8 086 757	39 755 145
Mortgage loans	23 230 412	708 074	678 429	311 350	1 359 743	26 288 008
Car loans	4 256 924	194 530	124 617	121 158	1 374 342	6 071 571
Credit cards	4 305 008	156 525	80 270	68 966	1 145 388	5 756 157
Scoring loans	613 300	9 139	4 708	6 220	658 528	1 291 895
Overdrafts	180 547	5 153	4 414	3 297	19 034	212 445
Less: provision for impairment of loans to individuals	(375 319)	(399 441)	(554 002)	(869 203)	(11 701 328)	(13 899 293)
Total loans to individuals	62 131 923	1 465 560	757 214	178 767	942 464	65 475 928

The table below presents information on the collateral as at 30 June 2011:

	Guarantees and sureties	Property	Securities	Total
Corporate loans	548 833 022	227 293 601	187 960 043	964 086 666
Loans to small and medium business	99 344 596	39 708 675	10 122	139 063 393
Reverse repo agreements	-	-	26 848 005	26 848 005
Total collateral against loans to legal entities	648 177 618	267 002 276	214 818 170	1 129 998 064
Consumer loans	12 941 913	5 908 837	109 790	18 960 540
Mortgage loans	9 280 153	26 065 305	6 499 071	41 844 529
Car loans	4 446 641	10 405 390	-	14 852 031
Total collateral against loans to individuals	26 668 707	42 379 532	6 608 861	75 657 100
Total collateral against loans to customers	674 846 325	309 381 808	221 427 031	1 205 655 164

The table below presents information on the collateral as at 31 December 2010:

	Guarantees and sureties	Property	Securities	Total
Corporate loans	550 864 879	237 278 324	170 703 095	958 846 298
Loans to small and medium business	53 648 591	36 043 504	40 013	89 732 108
Reverse repo agreements	-	-	13 254 384	13 254 384
Total collateral against loans to legal entities	604 513 470	273 321 828	183 997 492	1 061 832 790
Consumer loans	13 433 546	4 725 656	111 326	18 270 528
Mortgage loans	9 973 714	26 271 343	6 385 769	42 630 826
Car loans	5 929 424	13 661 844	-	19 591 268
Total collateral against loans to individuals	29 336 684	44 658 843	6 497 095	80 492 622
Total collateral against loans to customers	633 850 154	317 980 671	190 494 587	1 142 325 412

Discounts were used for calculation of the collateral value, depending on its type. The fair value of collateral may differ from the carrying amount in the tables above.

The fair value of collateral provided against loans to legal entities individually assessed for impairment is presented in the table below:

	30 June 2011 (unaudited)	31 December 2010
Guarantees and sureties	135 143 184	254 765 962
Property	54 828 560	151 678 328
Securities	114 059 708	89 009 899
Total collateral provided against loans individually assessed for impairment (Corporate loans)	304 031 452	495 454 189

Total proceeds from sale of collateral may not exceed total collateralized loan debt.

Property received by the Group as collateral against loans includes real estate, equipment and goods for sale.

9. Financial Assets Available for Sale

	30 June 2011 (unaudited)	31 December 2010
Equity securities	18 865 225	15 865 804
Corporate bonds	405 453	366 657
Corporate promissory notes	230 629	285 310
Bonds of foreign governments	212 336	114 217
Russian Federation bonds (OFZ)	144 224	-
Less: provision for impairment of financial assets available for sale	(5 491 077)	(5 479 582)
Total financial assets available for sale	14 366 790	11 152 406

Equity securities mainly represent shares and equity holdings of Moscow enterprises: OJSC Serp & Molot, CJSC Investlesprom, JSC Insurance Group, OJSC Pushkinskaya Ploshchad Polygraphic Company, CJSC Mikoyan, OJSC Tushino Machine Building Plant, OJSC Pechatniki Polygraphic Complex as well as shares of regional banks JSCB Zarechye and JSCB Bank of Khakasia.

The Group made attempts to assess fair value of the above mentioned shares and equity holdings. These attempts demonstrated, that the fair value of these investments cannot be determined reliably. Provision for impairment of financial assets available for sale is the Group's estimate of credit risks related to the above mentioned investments.

Corporate bonds are represented by interest-bearing securities issued by major companies and credit institutions with maturities from 21 March 2012 to 24 August 2017, the coupon rate ranging from 7.0% to 16.5% per annum and yield to maturity ranging from 5.84% to 9.02% per annum.

Corporate promissory notes are Rouble-denominated promissory notes issued by major Russian credit institutions. As at 30 June 2011, the promissory notes in the Group's portfolio have maturities from 18 October 2011 to 26 October 2012 and yield to maturity from 5.76% to 6.67% per annum.

Bonds of foreign governments are represented by interest-bearing securities denominated in UAH. As at 30 June 2011, these bonds in the Group's portfolio have maturities from 20 March 2013 to 4 September 2013, the coupon rate ranging from 12.0% to 15.0% per annum and yield to maturity ranging from 3.9% to 12.92% per annum, depending on the issue.

OFZ are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 30 June 2011, OFZ in the Group's portfolio have maturity dates from 26 November 2014 to 20 January 2016, coupon rate ranging from 7.0% to 8.1% per annum and yield to maturity from 6.67% to 7.32% per annum, depending on the issue.

Movements in financial assets available for sale are as follows:

Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Financial assets available for sale		
as at 1 January (gross)	16 631 988	14 091 048
Gains less losses from revaluation at fair value	1 722	9 546
Accrued interest income	19 39 058	52 030
Interest received	(41 951)	(498)
Acquisitions	4 317 539	2 838 124
Sale	(863 604)	(705 053)
Redemption	(158 390)	(1 290)
Reclassification from investments held to maturity	(58 551)	-
Transfer to subsidiaries	-	(16 940)
Reclassification to investments in associates	(3)	-
Financial assets acquired with the subsidiary	-	9
Exchange difference	(9 941)	3 754
Financial assets available for sale		
as at 30 June (gross)	19 857 867	16 270 730

Movements in the provision for impairment of financial assets available for sale are as follows:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Provision for impairment of financial assets available for sale as at 1 January	5 479 582	353 022
Provision for impairment of financial assets available for sale during the six months	15 397	13 178
Exchange difference	(3 902)	4 585
Provision for impairment of financial assets available for sale as at 30 June	5 491 077	370 785

The table below provides the credit quality analysis of financial assets available for sale in accordance with the international agencies' ratings as at 30 June 2011:

	Investment rating	Speculative rating	No ratings assigned	Total
Equity securities	-	-	18 865 225	18 865 225
Corporate bonds	97 181	191 797	116 475	405 453
Corporate promissory notes	175 241	55 098	290	230 629
Bonds of foreign governments	-	212 336	-	212 336
Russian Federation bonds (OFZ)	144 224	-	-	144 224
Financial assets available for sale (gross)	416 646	459 231	18 981 990	19 857 867

The table below provides the credit quality analysis of financial assets available for sale in accordance with the international agencies' ratings as at 31 December 2010:

	Investment rating	Speculative rating	No ratings assigned	Total
Equity securities	-	-	15 865 804	15 865 804
Bonds of foreign governments	96 751	215 080	54 826	366 657
Corporate bonds	230 196	55 114	-	285 310
Bonds of RF subjects and local authorities	-	114 217	-	114 217
Financial assets available for sale (gross)	326 947	384 411	15 920 630	16 631 988

Below is the fair value hierarchy of financial assets available for sale. Level 1 includes financial assets traded in an active market, whose fair value is determined on the basis of market quotations. Level 2 includes financial assets whose fair value is determined using different valuation models. These models are based on observable market data characterising market conditions and factors that may affect the fair value of a financial asset. Level 3 includes financial assets whose fair value is determined using judgment.

	30 June 2011 (unaudited)	31 December 2010
Level 1	549 677	366 657
Level 2	230 629	285 310
Level 3	19 077 561	15 980 021
Total	19 857 867	16 631 988

10. Investments Held to Maturity

	30 June 2011 (unaudited)	31 December 2010
Corporate bonds	153 473	141 037
Russian Federation bonds (OFZ)	118 375	45 541
Corporate eurobonds	89 896	184 214
Bonds of foreign governments	31 920	52 720
Less: provision for impairment of investments held to maturity	-	(5 151)
Total investments held to maturity	393 664	418 361

Corporate bonds are represented by interest-bearing securities denominated in BYR. As at 30 June 2011, these bonds in the Group's portfolio have maturities from 10 August 2011 to 15 June 2014, coupon rates ranging from 6.75% to 14.5% and yield to maturity ranging from 12% to 13%.

Russian Federation bonds (OFZ) are Rouble-denominated interest-bearing government securities issued by the Ministry of Finance of the Russian Federation and quoted on the Moscow Interbank Currency Exchange (MICEX). As at 30 June 2011, OFZ in the Group's portfolio have maturity date on 20 August 2014, coupon rate of 12.0% and yield to maturity of 6.31%.

Corporate eurobonds are represented by USD and EUR-denominated interest-bearing securities issued by major Russian companies and large Russian and Latvian credit institutions, quoted on international markets. As at 30 June 2011, corporate eurobonds in the Group's portfolio have maturity dates from 22 May 2012 to 5 March 2014, coupon rates ranging from 5.67% to 7.50% per annum and yield to maturity ranging from 2.97% to 3.41% per annum, depending on the issue.

Bonds of foreign governments are represented by interest-bearing securities denominated in LVL and EUR, freely tradable on the Riga and Vilnius Stock Exchanges. As at 30 June 2011, these bonds in the Group's portfolio have maturity date on 14 February 2013, coupon rate 5.13% per annum and yield to maturity 2.21% per annum.

Movements in the provision for impairment of investments held to maturity are presented below:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Provision for impairment of investments held to maturity as at 1 January	5 151	5 394
(Recovery of provision)/provision for impairment of investments held to maturity	-	(368)
Disposal of provision on disposal of subsidiary	(5 151)	-
Exchange difference	-	202
Provision for impairment of investments held to maturity as at 30 June	-	5 228

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
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(in thousands of Russian Roubles)

Below is the credit quality analysis of investments held to maturity as at 30 June 2011 in accordance with the international agencies' ratings:

	Investment rating	Speculative rating	No ratings assigned	Total
Corporate bonds	-	75 136	78 337	153 473
Russian Federation bonds (OFZ)	118 375	-	-	118 375
Corporate eurobonds	75 910	13 986	-	89 896
Bonds of foreign governments	31 920	-	-	31 920
Total investments held to maturity (gross)	226 205	89 122	78 337	393 664

Below is the credit quality analysis of investments held to maturity as at 31 December 2010 in accordance with the international agencies' ratings:

	Investment rating	Speculative rating	No ratings assigned	Total
Corporate eurobonds	82 709	35 779	65 726	184 214
Corporate bonds	-	-	141 037	141 037
Bonds of foreign governments	52 720	-	-	52 720
Russian Federation bonds (OFZ)	45 541	-	-	45 541
Total investments held to maturity (gross)	180 970	35 779	206 763	423 512

11. Investments in Associates and Non-Consolidated Subsidiaries

	30 June 2011 (unaudited)	31 December 2010
Investments in associates	2 768 076	3 247 780
Investments in non-consolidated subsidiaries	41	34
Total investments in associates and non-consolidated subsidiaries	2 768 117	3 247 814

Movements in the carrying value of investments in associates are as follows:

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Carrying value as at 1 January		3 247 780	3 820 837
Increase in the share capital of the associates through additional issue			2 707 422
Share in the net profit/(loss) of the associates		(479 707)	54 216
Transfer from financial assets available for sale	9	3	-
Exchange difference		-	86
Carrying value as at 30 June		2 768 076	6 582 561

The table below provides the list of investments in associates:

Name	30 June 2011 (unaudited)		31 December 2010	
	Amount of investment	Ownership interest, %	Amount of investment	Ownership interest, %
OJSC Metropolitan Insurance Group (SSG)	2 654 381	24.9	3 119 614	24.9
LLC Pension Reserve	48 031	19.0	46 317	19.0
OJSC Leasing Company LeasingBusiness	36 523	23.9	51 168	23.9
CJSC Automated Banking Technologies	29 141	25.8	30 681	25.8
CJSC SMU Stroimodule*	-	24.4	-	-
Åigrumæe Kinnisvara AS*	-	43.8	-	38.2
LLC Sibneftegas Enterprise*	-	20.0	-	20.0
Total investments in associates	2 768 076		3 247 780	

CJSC SMU Stroimodule is transferred from financial assets available for sale (Note 9) in the reporting period.

* The fair value of investments in the company equals zero due to impairment of the investments.

Below is a list of investments in non-consolidated subsidiaries:

Name	30 June 2011 (unaudited)		31 December 2010	
	Amount of investment	Ownership interest, %	Amount of investment	Ownership interest, %
Editorial office of Vechernyaya Moskva, OJSC *	31	100	-	-
LLC VM - Open City	10	100	10	100.0
CJSC Monolit **	-	99	24	99.0
CJSC Stolichnaya Neftyanaya Kompania **	-	75	-	75.0
Editorial office of MK-Boulevard magazine, LLC **	-	50	-	50.0
Total investments in non-consolidated subsidiaries	41		34	

* The company was set up in the reporting period.

** The fair value of investments in the company equals zero due to impairment of the investments.

Financial statements of the above subsidiaries were not included in the Group's condensed interim consolidated financial statements, as they would not have a material effect on the condensed interim consolidated financial statements (less than 0.1% of total assets and net profit of the Group for the six months ended 30 June 2011).

12. Other Assets

	30 June 2011 (unaudited)	31 December 2010
Receivables	5 106 801	3 470 831
Advance payments	1 847 337	1 757 780
Property transferred to the Group as debt repayment	508 782	763 140
Prepaid expenses	230 175	318 475
Taxes receivable (other than income tax)	52 879	240 105
Plastic card receivables	35 155	45 640
Insurance claims	34 129	1 111 219
Other	300 784	135 321
Less: provision for impairment of other assets	(3 127 624)	(1 909 792)
Total other assets	4 988 418	5 932 719

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As at 30 June 2011, advance payments include prepayments in the total amount of RUR 1 163 112 thousand in respect of the administrative building under construction in Moscow (2010: RUR 1 035 154 thousand).

Property transferred to the Group as loan repayment represents real estate received by the Group in settlement of overdue loans. The Group intends to sell these assets in the foreseeable future. The assets are not classified as held for sale in accordance with IFRS 5, as the Group has not started active marketing of these assets to sell them. These assets were initially recognized at fair value on acquisition.

The insurance claims of the Group are claims filed to the Deposit Insurance Agency to compensate payments made to the individual depositors of the banks with a recalled license. The insurance claims for the year 2010 were generated mostly from the compensations refunded to individual depositors of LLC Mezhprombank Plus.

The table below shows the analysis of changes in the provision for impairment of other assets:

	Receivables	Prepayments	Total
Provision for impairment of other assets as at 1 January 2010	657 941	119 133	777 074
Provision for impairment of other assets during the six months	527 707	31 071	558 778
Provision on acquisition of the subsidiary	686	-	686
Assets written off against the provision	(16 844)	-	(16 844)
Exchange difference	2 344	-	2 344
Provision for impairment of other assets as at 30 June 2010	1 171 834	150 204	1 322 038
Provision for impairment of other assets as at 1 January 2011	1 765 601	144 191	1 909 792
Provision for impairment during the six months	1 237 942	14 254	1 252 196
Assets written off against the provision	(21 751)	-	(21 751)
Exchange difference	(12 613)	-	(12 613)
Provision for impairment of other assets as at 30 June 2011	2 969 179	158 445	3 127 624

Receivables are not secured by collateral.

The credit quality analysis of other financial assets as at 30 June 2011 is shown below:

	Current		Overdue			Total
		Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	
Receivables	2 586 600	456 562	548 426	325 488	1 189 725	5 106 801
Plastic card receivables	35 155	-	-	-	-	35 155
Insurance claims	34 129	-	-	-	-	34 129
Less: provision for impairment of other financial assets	(865 520)	(1 536)	(136 274)	(162 757)	(1 189 725)	(2 355 812)
Total other financial assets	1 790 364	455 026	412 152	162 731	-	2 820 273

The credit quality analysis of other financial assets as at 31 December 2010 is shown below

	Current		Overdue			Total
		Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	
Receivables	1 701 150	99 266	373 204	374 425	922 786	3 470 831
Insurance claims	1 111 219	-	-	-	-	1 111 219
Plastic card receivables	45 640	-	-	-	-	45 640
Less: provision for impairment of other financial assets	(559 251)	(69)	(93 831)	(189 664)	(922 786)	(1 765 601)

Total other financial assets	2 298 758	99 197	279 373	184 761	-	2 862 089
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13. Due to Other Banks

	30 June 2011 (unaudited)	31 December 2010
Term deposits and loans of other banks	46 819 052	83 298 995
Syndicated loans of foreign banks	14 857 811	15 723 059
Subordinated loans	13 893 890	14 132 352
Repo agreements with other banks	4 689 667	34 737 638
Correspondent accounts of other banks	3 548 177	11 438 562
Total due to other banks	83 808 597	159 330 606

As at 30 June 2011, the Group raised funds over 10% of the Group's capital from three banks (as at 31 December 2010: two banks). The aggregate amount of these funds was RUR 27 326 868 thousand (as at 31 December 2010: RUR 68 617 650 thousand) or 32.61% of due to other banks (as at 31 December 2010: 43.1%).

As at 30 June 2011, the Group raised funds from other banks against the collateral in the form of securities sold under REPO agreements. The securities comprise bonds of foreign governments with the fair value of RUR 6 496 thousand (as at 31 December 2010: RUR 5 064 453 thousand), corporate eurobonds with the fair value of RUR 209 022 thousand (as at 31 December 2010: RUR 12 753 663 thousand), equity securities with the fair value of RUR 640 172 thousand (as at 31 December 2010: RUR 8 043 thousand). In 2010 securities sold under REPO agreements comprised Russian Federation bonds (OFZ) with the fair value of RUR 3 293 005 thousand, eurobonds of the Russian Federation with the fair value of RUR 4 644 776 thousand, bonds of RF subjects and local governments and corporate bonds with the fair value of RUR 225 903 thousand and RUR 3 055 705 thousand, accordingly (Note 6).

As at 30 June 2011, the Group raised syndicated loans from foreign banks:

Description	Interest rate	Payment schedule	Date of origination	Maturity date	Nominal value, '000	Carrying amount, RUR'000
I	LIBOR+1.5%	quarterly	20.01.2009	20.07.2011	\$30 000	844 496
II	LIBOR+3.2%	quarterly	23.12.2009	23.12.2011	\$350 000	9 753 063
Total syndicated loans in USD					\$380 000	10 597 559
I	EURIBOR+1.5%	quarterly	20.01.2009	20.07.2011	€ 105 000	4 260 252
Total syndicated loans in EUR					€ 105 000	4 260 252
Total syndicated loans						14 857 811

As at 31 December 2010, the Group raised syndicated loans from foreign banks:

Description	Interest rate	Payment schedule	Date of origination	Maturity date	Nominal value, '000	Carrying amount, RUR'000
I	LIBOR+1.5%	quarterly	20.01.2009	20.07.2011	\$30 000	916 305
II	LIBOR+3.2%	quarterly	23.12.2009	23.12.2011	\$350 000	10 559 038
Total syndicated loans in USD					\$380 000	11 475 343
I	EURIBOR+1.5%	quarterly	20.01.2009	20.07.2011	€105 000	4 247 716
Total syndicated loans in EUR					€105 000	4 247 716
Total syndicated loans						15 723 059

In 2009 the Group raised a loan from Barclays Bank PLC Wholesale, London, in the amount of USD 70 000 thousand (or RUR 1 965 306 thousand) maturing on 10 December 2011.

In 2009 the Group raised a subordinated loan from the state corporation "The Bank for Development and Foreign Economic Affairs" (Vnesheconombank) in the amount of RUR 11 107 970 thousand, at the rate of 6.5% per annum, maturing on 18 December 2019.

In 2008 the Group raised a loan from Sumitomo Mitsui Banking Corporation Europe LTD in the amount of JPY 5 500 000 thousand maturing on 11 July 2011. As at 31 December 2010, the outstanding loan balance was JPY 1 088 950 thousand (or RUR 377 191 thousand).

In 2006 the Group raised a subordinated loan from ABN Amro Bank in the amount of USD 100 000 thousand (or RUR 2 807 580 thousand) maturing on 21 December 2016.

14. Customer Accounts

	30 June 2011 (unaudited)	31 December 2010
Federal and regional budgets and funds		
- Current/settlement accounts	12 108 757	39 873 431
- Term deposits	191 742 653	101 879 880
State-owned organisations		
- Current/settlement accounts	26 066 521	24 264 918
- Term deposits	9 400 607	15 113 504
Other legal entities		
- Current/settlement accounts	83 613 428	99 490 530
- Term deposits	47 895 769	80 898 728
Individuals		
- Current/settlement accounts	32 731 357	38 095 961
- Term deposits	128 735 365	143 523 328
Total customer accounts	532 294 457	543 140 280

According to the Russian Civil Code, the Bank is obliged to repay deposits to individual depositors at short notice. If a fixed-term deposit is withdrawn by the depositor ahead of term, interest is payable at the rate applied to the Bank's demand deposits.

As at 30 June 2011, the Group raised funds over 10% of the Group's capital from 10 clients (as at 31 December 2010: 11 clients). The aggregate amount of these funds was RUR 269 545 712 thousand (as at 31 December 2010: RUR 236 930 006 thousand) or 50.64% of customer accounts (as at 31 December 2010: 43.6%).

As at 30 June 2011, the Group raised funds from customers in the amount of RUR 2 982 122 thousand against the collateral in the form of securities sold under REPO agreements. The securities comprise equity securities with the fair value of RUR 952 709 thousand (as at 31 December 2010: RUR 289 309 thousand), bonds of RF subjects and local governments with the fair value of RUR 1 864 126 thousand (as at 31 December 2010: RUR 3 237 thousand), corporate eurobonds with the fair value of RUR 1 261 thousand (as at 31 December 2010: none), corporate bonds with the fair value of RUR 74 896 thousand (as at 31 December 2010: none) (Note 6).

15. Debt Securities Issued

	30 June 2011 (unaudited)	31 December 2010
Eurobonds	70 693 922	78 649 419
Bonds	17 956 623	18 483 148
Promissory notes	8 054 796	5 039 815
Total debt securities issued	96 705 341	102 172 382

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As at 30 June 2011, eurobonds comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying amount, RUR'000	Market price, %
\$300 000/ subordinated	25.11.2005	25.11.2015	US Treasury plus 4.567%, semi-annually	8 259 812	98.6
\$500 000	13.05.2006	13.05.2013	7.335%, semi-annually	14 091 272	104.41
\$400 000/ subordinated	10.05.2007	10.05.2017	6.807 %, semi-annually during the first 5 years, then the rate equals US Treasury plus 5.25%	11 261 288	98.54
\$750 000	11.03.2010	11.03.2015	6.699 %, semi-annually	21 412 999	103.78
SGD 150 000	01.02.2011	01.02.2013	4.25 %, semi-annually	3 452 895	100.21
CHF 350 000	10.09.2010	10.09.2013	4.50%, annually	12 215 656	98.53
Total eurobonds				70 693 922	

As at 31 December 2010, eurobonds comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying amount, RUR'000	Market price, %
\$300 000 / subordinated	25.11.2005	25.11.2015	7.5 %, semi-annually during the first 5 years, then the rate equals US Treasury plus 4.567%	8 843 592	96.51
\$500 000	13.05.2006	13.05.2013	7.335%, semi-annually	15 262 431	106.45
\$400 000 / subordinated	10.05.2007	10.05.2017	6.807 %, semi-annually during the first 5 years, then the rate equals US Treasury plus 5.25%	12 224 712	99.28
CHF 250 000	04.03.2008	04.03.2011	6.253%, annually	7 619 002	100.50
\$750 000	11.03.2010	11.03.2015	6.699%, semi-annually	23 241 965	102.65
CHF 350 000	10.09.2010	10.09.2013	4.50%, annually	11 457 717	102.00
Total eurobonds				78 649 419	

As at 30 June 2011, bonds comprised:

Series/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
MMD11	7.5% quarterly	24.01.2011	24.01.2013	USD 10 000	283 364	-
Total bonds in US-dollars					283 364	
MM10	19%, monthly	01.12.2010	30.11.2011	BYR 5 000 000	28 188	-
MM12	26%, monthly	12.05.2011	31.05.2012	BYR 60 000 000	338 263	-
Total bonds in foreign currency					366 451	
402027488	7.50%, semi-annually	08.02.2008	01.02.2013	RUR 10 000 000	10 301 388	100.10
401027488	6.45%, semi-annually	01.08.2008	29.07.2011	RUR 6 919 000	7 005 420	100.05
Total bonds in RUR					17 306 808	
Total bonds					17 956 623	

As at 31 December 2010, bonds comprised:

Series/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
MM4B	6%, monthly	07.06.2010	31.05.2011	USD 3 000	91 440	-
Total bonds in USD					91 440	
MM7	11.5%, monthly	07.06.2010	31.05.2011	BYR 20 000 000	203 112	-
MM6	16.0%, quarterly	17.05.2010	12.05.2011	BYR 20 000 000	207 855	-
MM9	15.5%, quarterly	02.08.2010	29.07.2011	BYR 50 000 000	520 934	-
MM10	11.5%, monthly	02.08.2010	29.07.2011	BYR 15 000 000	152 334	-
Total bonds in foreign currency					1 084 235	
40202748B	7.50%, semi-annually	08.02.2008	01.02.2013	RUR 10 000 000	10 301 254	100.20
40102748B*	6.45%, semi-annually	01.08.2008	29.07.2011	RUR 6 918 983	7 006 219	100.00
Total bonds in RUR					17 307 473	
Total bonds					18 483 148	

* In 2009 bonds with nominal value of RUR 3 894 006 thousand were presented for redemption under the terms of the offer. In 2010 part of the above bonds presented for redemption under this offer were resold at the nominal value of RUR 960 000 thousand. Bonds with nominal value of RUR 147 011 thousand were presented for redemption under the terms of the offer

16. Other Liabilities

Note	30 June 2011 (unaudited)	31 December 2010
Payables	997 412	1 265 945
Remuneration to employees payable	273 552	2 446 809
Taxes payable other than income tax	160 105	129 308
Settlements relating to plastic cards	48 659	59 965
Deferred income	22 313	72 188
Dividends payable	23 38	46
Other	875 447	234 183
Total other liabilities	2 377 526	4 208 444

17. Non-controlling Interest

Movements in the non-controlling interest of the Group are as follows:

	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Non-controlling interest as at 1 January	428 814	245 248
Share in net profit	(21 581)	(4 879)
Acquisition of subsidiaries /Increase of interest in subsidiaries	276 195	22 467
Exchange difference	(9 078)	(4 743)
Non-controlling interest as at 30 June	674 350	258 093

18. Share Capital

Authorised, issued and fully paid share capital comprises:

	30 June 2011 (unaudited)		31 December 2010	
	Number of shares	Nominal value, RUR'000	Number of shares	Nominal value, RUR'000
Ordinary shares	180 000 000	18 000 000	180 000 000	18 000 000
Restatement of share capital prior to	-	2 476 746	-	2 476 746

31 December 2002 under IAS 29

Total share capital	180 000 000	20 476 746	180 000 000	20 476 746
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The nominal value of each ordinary share is 100 roubles. Each share gives the right of one vote.

In autumn 2010 VTB Bank announced that it was interested in gaining control over the Bank of Moscow. On 22 February 2011 the Bank of Moscow shares previously held by Moscow City Government (46.48%) and 25% plus one share in OJSC Metropolitan Insurance Group (SSG), which owns 17.3% shares of the Bank of Moscow, were acquired by VTB Bank. Moscow City Government, which since the establishment of the Bank of Moscow has been directly or indirectly (through SSG) the largest shareholder, ceased to be the owner of the Bank of Moscow.

On 26 July 2010, the CBR registered the 14th issue of the Bank of Moscow ordinary voting shares in the amount of 21 632 017 at the nominal value of RUR 100. The shares were offered at the following prices: RUR 1 003 per share under the pre-emptive rights offer and RUR 1 003 per share under open subscription, totalling RUR 21 696 913 thousand, including share premium of RUR 19 533 711 thousand.

The share capital structure is as follows:

	30 June 2011 (unaudited)	31 December 2010
OJSC VTB Bank**	46.48%	-
LOSANP TRADE LIMITED	19.91%	-
Group of subsidiaries of OJSC Metropolitan Insurance Group:		
OJSC Insurance Group MSK	8.13%	10.47%
LLC TBIH Russian Funds	3.39%	5.12%
DURLAND INVESTMENTS LIMITED	6.86%	-
OJSC Metropolitan Insurance Group*	5.80%	1.72%
PLENIUM INVEST LTD	4.51%	-
Government of the City of Moscow *	-	46.48%
LLC Plastoinstrument	-	4.12%
LLC Stroyelektromontazh	-	3.58%
LLC NPO Pharmatsevtika	-	3.25%
LLC Gazdorstroy ***	-	3.21%
LLC Centrottransport ***	-	3.16%
LLC Khimpromexport ***	-	3.04%
LLC GCM	-	3.25%
LLC GCM Investments	-	3.16%
Other shareholders with less than 5% in the share capital	4.92%	9.44%
Total share capital	100.00%	100.00%

* As at 30 June 2011, the Russian Federation is the ultimate beneficiary with 85.5%.

** On 22 February 2011 the shareholdings of the Bank of Moscow earlier held by the Moscow Government (46.48%) and the 25% + 1 share in OJSC Metropolitan Insurance Group owning 17.3% of the Bank of Moscow shares were transferred into the ownership of OJSC VTB Bank. The shares of the Bank of Moscow were initially contributed by the Moscow Government to the share capital of OJSC Central Fuel Company as an additional share issue payment. Subsequently, the company sold the entire shareholding to OJSC VTB Bank.

*** As at 31 December 2010, the ultimate beneficiaries in the proportion of 80/20 are Mr. A.F. Borodin, President of the Bank, and Mr.L.F. Alaluev, Deputy Chairman of the Board of Directors.

19. Interest Income and Expense

Note	For the six months ended 30 June 2011 (unaudited)	For the six months ended 30 June 2010 (unaudited)
Interest income		
Loans to customers	22 943 723	32 225 357
Financial assets at fair value through profit or loss	4 276 517	6 238 363
Due from other banks	1 173 062	568 044
Financial assets available for sale	39 058	52 030
Investments held to maturity	19 363	10 771
Total interest income	28 451 723	39 094 565
Interest expense		
Current accounts and term deposits of customers	12 836 357	13 034 715
Term deposits of banks	1 232 450	3 371 139
Debt securities issued	2 498 143	2 519 930
Total interest expense	16 566 950	18 925 784
Net interest income	11 884 773	20 168 781

20. Fee and Commission Income and Expense

	For the six months ended 30 June 2011 (unaudited)	For the six months ended 30 June 2010 (unaudited)
Fee and commission income		
Commission on settlement and cash transactions	2 476 717	2 071 875
Commission on operations with plastic cards	714 172	608 599
Commission on guarantees issued	341 297	223 311
Commission on cash collection	132 789	141 477
Commission on transactions in securities	29 020	78 397
Commissions under fiduciary activities	-	102 580
Other	153 577	8 700
Total fee and commission income	3 847 572	3 234 939
Commission on cash collection	369 163	341 165
Commission on operations with plastic cards	304 913	250 713
Commission on settlement and cash transactions	122 165	73 515
Commission on transactions in securities	92 776	30 765
Commission on guarantees received	1 132	5 169
Other	54 756	63 633
Total fee and commission expense	944 905	764 960
Net fee and commission income	2 902 667	2 469 979

21. General and Administrative Expenses

	For the six months ended 30 June 2011 (unaudited)	For the six months ended 30 June 2010 (unaudited)
Staff costs	4 327 590	3 399 390
Rent	1 300 939	992 158
Professional services (security, communications and other)	621 445	561 361
Taxes other than income tax	607 439	586 540
Depreciation and amortization	525 729	552 664
Expenses related to premises and equipment	413 883	629 077
Advertising and marketing	322 293	134 691
Administrative expenses	243 267	236 959
Charity	16 091	32 294
Other	100 191	22 706
Total general and administrative expenses	8 478 867	7 147 840

Staff costs include remuneration to employees and insurance contributions.

22. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares during the period less the average number of ordinary shares bought out by the Group from its shareholders.

The Bank has no potentially dilutive ordinary shares. Therefore, diluted earnings per share equal basic earnings per share.

	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Net profit attributable to shareholders of the parent Bank (in thousands of RUR)	370 404	6 032 291
Weighted average number of ordinary shares in issue (in thousands)	180 000	158 368
Basic earnings per share (RUR per share)	2.06	38.09

23. Dividends

	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Dividends payable as at 1 January	46	47
Dividends paid during the six months	(8)	(1)
Dividends payable as at 30 June (Note 16)	38	46

There were no dividends declared for the years 2009 and 2010.

24. Acquisitions and Disposals

Acquisition of subsidiaries

LLC Registrator KRC

In January 2011 the Group increased its interest in the share capital of LLC Registrator KRC from 58.78% to 100%. The increased interest was recognized as net gain on acquisition and sale of subsidiaries and associates in the condensed interim consolidated statement of comprehensive income at the time of acquisition in the amount of RUR 16 891 thousand.

Sold assets and liabilities and financial result from disposal are presented in the table below:

	At the date of acquisition 31 January 2011
Cash and cash equivalents	93 189
Loans to customers	6 000
Financial assets available for sale	9
Premises and equipment	17 573
Other assets	8 549
Current tax assets	3 953
Other liabilities	(3 298)
Total net assets	125 975
Acquired share in the net assets	51 931
The excess of the cost of acquisition over the Group's share in the fair value of the net assets acquired	(16 891)
Consideration paid (gross)	35 040

Disposal of subsidiaries

AS Eesti Krediidipank

On 16 February 2011 the Group sold its shareholding of AS Eesti Krediidipank (32.80% of the share capital). The Group recorded profit on disposal of AS Eesti Krediidipank in the amount of RUR 5 065 thousand within net gain on acquisition and sale of subsidiaries and associates in the condensed interim consolidated statement of comprehensive income.

Sold assets and liabilities and financial result from disposal are presented in the table below:

	At the date of disposal 16 February 2011
Cash and cash equivalents	3 493 916
Financial assets at fair value through profit or loss	1 408 351
Due from other banks	3 234 859
Loans to customers	4 320 036
Financial assets available for sale	2 033
Investments in associates	145 087
Premises and equipment	442 433
Other assets	426 235
Due to other banks	(470 064)
Customer accounts	(11 910 349)
Financial liabilities at fair value through profit or loss	(20 722)
Current tax liabilities	(6 695)
Other liabilities	(65 101)
Total net assets	1 000 019
Sold share in the net assets	328 047
The excess of revenues from sale over the Group's share in the fair	5 065

value of net assets sold	
Revenues from sale	333 112

AS Latvijas Biznesa Banka

On 28 February 2011 the Group sold its shareholding of AS Latvijas Biznesa Banka (99.97% of the share capital). The Group recorded profit on disposal of AS Latvijas Biznesa Banka in the amount of RUR 131 437 thousand within net gain on acquisition and sale of subsidiaries and associates.

Sold assets and liabilities and the financial result from disposal are presented in the table below:

	At the date of disposal 28 February 2011
Cash and cash equivalents	220 255
Premises and equipment	71 104
Other assets	231
Current tax liabilities	(642)
Other liabilities	(2 102)
Total net assets	288 846
Sold share in the net assets	288 759
The excess of revenues from sale over the Group's share in the fair value of net assets sold	131 437
Revenues from sale	420 196

SIA Radicals Trests

On 15 February 2011 the Group sold its 76.59% interest in the share capital of SIA Radical Trests.

Sold assets and the financial result from disposal are presented in the table below:

	At the date of disposal 15 February 2011
Cash and cash equivalents	112
Total net assets	112
Sold share in the net assets	112
The excess of revenues from sale over the Group's share in the fair value of net assets sold	-
Revenues from sale	112

25. Segment Reporting

Segment information is regularly presented to the Group management within financial statements. The Group's main business segments are as follows:

Treasury business is the business segment that includes trading in financial instruments, transactions with securities and derivatives, including REPO deals, foreign currency transactions, raising and origination of loans on interbank loan markets, interest rate arbitrage on SWAP transactions. Besides, the treasury function includes the Group's short-term asset management and the Group's position in foreign currencies, i.e. currency risk management.

Corporate business is the business segment that includes services associated with servicing settlement and current accounts of legal entities, acceptance of deposits from corporate clients, extension of credit lines in the form of overdrafts, issuance of loans and other types of financing, rendering of investment banking services, trade financing of corporate clients, rendering of structured financing, consulting services on mergers and acquisitions.

Retail business is the business segment that covers rendering of banking services to individuals - opening and maintaining accounts, acceptance of deposits from individuals, fiduciary services, accumulation of investments, servicing debit and credit cards, consumer and mortgage lending.

The Group transactions that are not included in the above business segments are disclosed separately.

Transactions between business segments are conducted on an arm's length basis. In the ordinary course of business the Group's financial resources are reallocated between business segments. As a result, intersegment allocations are reflected within assets/liabilities of a business segment and the cost of reallocated financial resources is included in the business segment income/expenses.

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Segment information on main business segments of the Group for the six months ended 30 June 2011 is given in the table below:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and cash equivalents	3 248 601	26 411 082	18 262 356	721 443	-	48 643 482
Financial assets at fair value through profit or loss	78 795 279	15 453 249	-	1 169 282	-	95 417 810
Due from other banks	30 910 523	-	-	-	-	30 910 523
Other assets	-	-	35 155	858 893	4 094 370	4 988 418
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	112 954 403	41 864 331	18 297 511	2 749 618	4 094 370	179 960 233
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	5 997 296	2 628 699	-	-	8 625 995
Due from other banks	17 495 159	-	-	-	-	17 495 159
Loans to customers	-	439 831 675	57 595 406	175 015	-	497 602 096
Financial assets available for sale	992 642	-	-	106 333	13 267 815	14 366 790
Investments held to maturity	-	393 664	-	-	-	393 664
Investment property	-	-	-	3 662 939	251 956	3 914 895
Investments in associates and non-consolidated subsidiaries	-	-	-	2 720 086	48 031	2 768 117
Premises and equipment, and intangible assets	-	-	-	3 180 311	11 080 317	14 260 628
Current tax assets	-	-	-	7 890	5 598 802	5 606 692
Deferred tax assets	-	-	-	1 122 991	15 273 250	16 396 241
Total assets maturing in more than 1 month and part of assets with no stated maturity	18 487 801	446 222 635	60 224 105	10 975 565	45 520 171	581 430 277
Total assets	131 442 204	488 086 966	78 521 616	13 725 183	49 614 541	761 390 510

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	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to other banks	25 495 502	-	322 603	-	-	25 818 105
Customer accounts	-	121 788 141	32 688 863	-	-	154 477 004
Financial liabilities at fair value through profit or loss	4 850 280	-	234 020	-	-	5 084 300
Other liabilities	-	-	-	648 717	-	648 717
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	30 345 782	121 788 141	33 245 486	648 717	-	186 028 126
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to other banks	-	43 880 855	14 109 637	-	-	57 990 492
Customer accounts	2 504 261	246 496 325	128 735 365	81 502	-	377 817 453
Debt securities issued	-	80 990 848	12 215 656	3 498 837	-	96 705 341
Other liabilities	-	-	-	-	1 728 809	1 728 809
Current tax liabilities	-	-	-	11 803	29 615	41 418
Deferred tax liabilities	-	-	-	132 595	833 613	966 208
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	2 504 261	371 368 028	155 060 658	3 724 737	2 592 037	535 249 721
Total liabilities	32 850 043	493 156 169	188 306 144	4 373 454	2 592 037	721 277 847
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity	(82 608 621)	79 923 810	14 947 975	(2 100 901)	(4 094 370)	6 067 893
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	82 608 621	(49 363 135)	(33 245 486)	-	-	-
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	(15 983 540)	(74 854 607)	94 836 553	(7 250 828)	(42 928 134)	(46 180 556)
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	-	76 539 042	(76 539 042)	-	-	-
Equity financing	15 983 540	(32 245 110)	-	9 351 729	47 022 504	40 112 663
Net uncovered deficit/unallocated surplus on financing	-	-	-	-	-	-

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Segment information on main business segments of the Group for the year ended 31 December 2010 is given in the table below:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and cash equivalents	2 136 377	46 741 504	23 835 563	314 852	-	73 028 296
Financial assets at fair value through profit or loss	111 685 394	24 297 456	-	1 231 808	-	137 214 658
Due from other banks	71 371 905	-	-	252 336	-	71 624 241
Other assets	-	-	45 640	690 217	5 196 862	5 932 719
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	185 193 676	71 038 960	23 881 203	2 489 213	5 196 862	287 799 914
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	3 719 401	1 869 422	-	-	5 588 823
Due from other banks	7 778 320	-	-	-	-	7 778 320
Loans to customers	-	431 981 292	65 475 928	113 575	-	497 570 795
Financial assets available for sale	114 217	203 559	-	121 738	10 712 892	11 152 406
Investments held to maturity	-	418 361	-	-	-	418 361
Investments in associates and non-consolidated subsidiaries	-	-	-	3 201 497	46 317	3 247 814
Premises and equipment and intangible assets	-	-	-	3 141 984	11 599 282	14 741 266
Investment property	-	-	-	3 637 994	-	3 637 994
Current tax assets	-	-	-	4 768	3 666 835	3 671 603
Deferred tax assets	-	-	-	499 069	18 103 998	18 603 067
Total assets maturing in more than 1 month and part of assets with no stated maturity	7 892 537	436 322 613	67 345 350	10 720 625	44 129 324	566 410 449
Total assets	193 086 213	507 361 573	91 226 553	13 209 838	49 326 186	854 210 363

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	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to other banks	41 296 247	-	389 155	-	-	41 685 402
Customer accounts	-	163 628 516	38 056 741	-	-	201 685 257
Financial liabilities at fair value through profit or loss	4 324 288	-	575 423	-	-	4 899 711
Other liabilities	-	-	59 965	904 938	-	964 903
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	45 620 535	163 628 516	39 081 284	904 938	-	249 235 273
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to other banks	-	105 659 201	11 986 003	-	-	117 645 204
Customer accounts	212 293	197 643 206	143 523 328	76 196	-	341 455 023
Debt securities issued	-	80 577 524	19 076 719	2 518 139	-	102 172 382
Other liabilities	-	-	-	-	3 243 541	3 243 541
Current tax liabilities	-	-	-	2 731	36 715	39 446
Deferred tax liabilities	-	-	-	133 496	1 473	134 969
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	212 293	383 879 931	174 586 050	2 730 562	3 281 729	564 690 565
Total liabilities	45 832 828	547 508 447	213 667 334	3 635 500	3 281 729	813 925 838
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	(139 573 141)	92 589 556	15 200 081	(1 584 275)	(5 196 862)	(38 564 641)
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	(7 680 244)	(52 442 682)	107 240 700	(7 990 063)	(40 847 595)	(1 719 884)
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	-	83 359 497	(83 359 497)	-	-	-
Equity financing	7 680 244	(23 014 514)	-	9 574 338	46 044 457	40 284 525
Total uncovered deficit/unallocated surplus on financing	-	-	-	-	-	-

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The table below shows a breakdown of the condensed interim consolidated statement of comprehensive income of the Group for the six months ended 30 June 2011 by business segments:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Interest income	5 619 049	18 243 739	4 534 658	54 277	-	28 451 723
Interest expense	(358 448)	(11 299 046)	(4 786 412)	(123 044)	-	(16 566 950)
Gains less losses arising from financial assets at fair value through profit or loss	(401 544)	-	-	1 254 736	-	853 192
Gains less losses arising from financial liabilities at fair value through profit or loss	(175 502)	-	-	-	-	(175 502)
Gains less losses arising from financial assets available for sale	2 083	-	-	-	-	2 083
Gains less losses from dealing in foreign currency and precious metals and revaluation of foreign currency and precious metals	456 306	-	127 704	(112 116)	-	471 894
Net operating result on banking assets and liabilities	5 141 944	6 944 693	(124 050)	1 073 853	-	13 036 440
Income/(expense) on re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	(886 463)	597 893	288 570	-	-	-
Income/(expense) on re-allocation of funds maturing in more than 1 month and with no stated maturity	-	(3 750 446)	3 750 446	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	4 255 481	3 792 140	3 914 966	1 073 853	-	13 036 440
Fee and commission income	36 753	3 132 432	604 308	74 079	-	3 847 572
Fee and commission expense	(119 352)	(514 639)	(304 913)	(6 001)	-	(944 905)
Provisions for impairment of due from other banks and loans to customers	53	(1 455 753)	(1 336 431)	15 968	-	(2 776 163)
General and administrative expenses	(137 726)	(2 373 943)	(2 961 385)	(284 840)	(2 720 973)	(8 478 867)
Other income/(expense)	-	245 748	(33 443)	(1 453 392)	199 634	(1 041 453)
Profit before taxation	4 035 209	2 825 985	(116 898)	(580 333)	(2 521 339)	3 642 624
Income tax expense	-	-	-	595 332	(3 889 133)	(3 293 801)
Profit after taxation	4 035 209	2 825 985	(116 898)	14 999	(6 410 472)	348 823
Non-controlling interest	-	-	-	-	21 581	21 581
Net profit	4 035 209	2 825 985	(116 898)	14 999	(6 388 891)	370 404

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The table below shows a breakdown of the condensed interim consolidated statement of comprehensive income of the Group for the six months ended 30 June 2010 by business segments:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Interest income	3 287 228	30 732 782	4 975 339	99 216	-	39 094 565
Interest expense	(855 889)	(11 816 327)	(6 138 382)	(115 186)	-	(18 925 784)
Gains less losses arising from financial assets at fair value through profit or loss	1 605 402	-	-	284 507	-	1 889 909
Gains less losses arising from financial liabilities at fair value through profit or loss	469 604	-	-	-	-	469 604
Gains less losses arising from financial assets available for sale	4 702	-	-	42 215	-	46 917
Gains less losses from dealing in foreign currency and precious metals and revaluation of foreign currency and precious metals	(432 306)	-	217 571	25 756	-	(188 979)
Net operating result on banking assets and liabilities	4 078 741	18 916 455	(945 472)	336 508	-	22 386 232
Income/(expense) on re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	(1 422 820)	1 037 496	385 324	-	-	-
Income/(expense) on re-allocation of funds maturing in more than 1 month and with no stated maturity	-	(3 125 871)	3 125 871	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	2 655 921	16 828 080	2 565 723	336 508	-	22 386 232
Fee and commission income	75 913	1 929 672	1 156 634	72 720	-	3 234 939
Fee and commission expense	(27 606)	(483 246)	(250 784)	(3 324)	-	(764 960)
Provisions for impairment of due from other banks and loans to customers	2 810	(7 983 263)	(1 117 570)	20 408	-	(9 077 615)
General and administrative expenses	(106 199)	(1 835 057)	(2 289 068)	(218 216)	(2 699 300)	(7 147 840)
Other income/(expense)	-	120 256	77 227	290 883	(669 144)	(180 778)
Profit before taxation	2 600 839	8 576 442	142 162	498 979	(3 368 444)	8 449 978
Income tax expense	-	-	-	(17 276)	(2 405 290)	(2 422 566)
Profit after taxation	2 600 839	8 576 442	142 162	481 703	(5 773 734)	6 027 412
Non-controlling interest	-	-	-	-	4 879	4 879
Net profit	2 600 839	8 576 442	142 162	481 703	(5 768 855)	6 032 291

26. Contingent Liabilities

Insurance. The insurance market in the Russian Federation is still in the phase of development, so many forms of insurance protection applied in other countries are not available in the Russian Federation yet. The Group has not obtained full insurance coverage for premises and equipment, against discontinuance of operations or third party liability with respect to property or ecological damage arising due to malfunction of banking equipment or in connection with the main operations of the Group.

However, the Group has obtained insurance coverage for the most significant assets, including premises, motor vehicles, ATM and other items against damage due to accidents and unlawful actions of third parties.

Legal issues. In the ordinary course of business, the Group undergoes legal actions and complaints. Management believes that the probable obligations, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Group.

Taxation legislation. The tax system of the Russian Federation is characterised by a large number of taxes and frequently changing legal acts that may have the retroactive effect and often contain ambiguous and sometimes contradictory statements open for interpretation. Different opinions often exist among various regulatory bodies in respect of the same regulation. Accuracy of tax computations is subject to review and investigation by fiscal authorities, who are enabled by law to impose significant fines, penalties and interest charges. These facts create tax risks in the Russian Federation, which are substantially more significant than the risks typically found in other countries.

As at 30 June 2011, the management believes that the Group's interpretation of the respective legislation is appropriate, and the Group's tax, currency and customs positions will be sustained by controlling bodies.

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

	30 June 2011 (unaudited)	31 December 2010
Less than 1 year	1 840 236	1 289 228
From 1 to 5 years	3 037 694	2 661 462
More than 5 years	8 257 191	8 311 291
Total operating lease commitments	13 135 121	12 261 981

Operating lease represents lease of immovable property and banking equipment.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, 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 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 lending.

Commitments to extend credit represent unused portions of authorisations to extend 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.

Credit related commitments of the Group are as follows:

	30 June 2011 (unaudited)	31 December 2010
Guarantees issued	77 796 035	65 298 895
Commitments to extend credit	32 238 043	36 638 499
Letters of credit	6 448 480	4 661 179
Total credit related commitments	116 482 558	106 598 573

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater level of credit risk than shorter-term commitments.

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

The Group management estimates possibility of losses in connection with credit related commitments as immaterial. As at 30 June 2011 and 31 December 2010, the Group did not set up provisions for the related commitments.

27. Fair Value of Financial Instruments

The fair value is defined as the amount at which the instrument could be exchanged in a current transaction between independent knowledgeable willing parties on market conditions, other than in a forced sale or liquidation. Quoted prices in active markets provide the best evidence of the financial instrument's fair value. As there is no readily available market for a major part of the Group's financial instruments, the fair value should be determined on the basis of current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts that the Group could realise in a market exchange from the sale of its full holdings of a particular instrument.

The table below provides the estimated fair value of the Group's financial instruments as at 30 June 2011 and 31 December 2010:

	30 June 2011 (unaudited)		31 December 2010	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	48 643 482	48 643 482	73 028 296	73 028 296
Financial assets at fair value through profit or loss	95 417 810	95 417 810	137 214 658	137 214 658
Due from other banks	48 405 682	48 405 682	79 402 561	79 402 561
Loans to customers	497 602 096	497 602 096	497 570 795	497 570 795
Financial assets available for sale	14 366 790	14 366 790	11 152 406	11 152 406
Investments held to maturity	393 664	400 784	418 361	373 934
Financial liabilities				
Due to other banks	83 808 597	83 808 597	159 330 606	159 330 606
Customer accounts	532 294 457	532 294 457	543 140 280	543 140 280
Financial liabilities at fair value through profit or loss	5 084 300	5 084 300	4 899 711	4 899 711
Debt securities issued	96 705 341	97 849 166	102 172 382	103 884 306

Financial instruments carried at fair value. Cash and cash equivalents, financial assets and liabilities at fair value through profit or loss and financial assets available for sale are carried in the condensed interim consolidated statement of financial position at their fair value (Notes 5, 6, 9). Some financial assets available for sale have no independent market quotations. The fair value of these assets was determined by the Group based on the results of recent sale of equity interests in the investees to unrelated third parties, analysis of other information, such as discounted cash flows and financial information about investees, as well as using other valuation methods.

Due from other banks. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. In the opinion of the Group, the fair values of due from other banks as at 30 June 2011 and 31 December 2010 do not materially differ from respective carrying amounts (Note 7). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Loans to customers. Loans to customers are reported net of provisions for impairment. The estimated fair value of loans to customers represent the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. In the opinion of the Group, fair values of loans to customers as at 30 June 2011 and 31 December 2010 do not materially differ from respective carrying amounts (Note 8). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Investments held to maturity. The fair value of investments held to maturity is based on market quotations.

Borrowings. The estimated fair value of borrowings with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing borrowings and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar maturity. The Group believes that fair values of borrowings as at 30 June 2011 and 31 December 2010 do not materially differ from respective carrying amounts (Notes 13, 14). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Debt securities issued. The fair value of debt securities issued is based on market quotations. The fair value of securities without market quotations is determined using the discounted cash flows model (Note 15).

28. Related Party Transactions

In the normal course of business the Group enters into transactions with its main shareholders, directors and other related parties. For the purposes of these condensed interim consolidated financial statements, 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 and if the parties are under common control 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. These transactions include settlements, issuance of loans, deposit taking, guarantees, trade finance and foreign currency transactions. According to the Group's policy, the terms of related party transactions are equivalent to those that prevail in arm's length transactions.

The outstanding balances at the end of the reporting period and asset transactions with related parties for the six months ended 30 June 2011 and 30 June 2010 are as follows:

	Shareholders		Directors and key management personnel		Associates and other related parties	
	For the six months ended 30 June 2011	For the six months ended 30 June 2010	For the six months ended 30 June 2011	For the six months ended 30 June 2010	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Financial assets at fair value through profit or loss						
Financial assets at fair value through profit or loss as at 1 January	-	-	-	-	16 864 285	12 166 430
Financial assets at fair value through profit or loss acquired during the reporting period	16 544 837	-	-	-	548 624 523	71 794 481
Financial assets at fair value through profit or loss sold or repaid during the reporting period	(15 489 285)	-	-	-	(531 173 169)	(67 444 619)
Financial assets at fair value through profit or loss as at 30 June	1 055 552	-	-	-	34 315 639	16 516 292
Due from other banks						
Due from other banks as at 1 January (gross)	-	-	-	-	-	-
Due from other banks placed during the reporting period	35 543 283	-	-	-	-	2 951 578
Due from other banks repaid during the reporting period	(20 543 283)	-	-	-	-	(2 904 710)
Due from other banks as at 30 June (gross)	15 000 000	-	-	-	-	46 868
Loans to customers						
Loans to customers as at 1 January (gross)	11 817 027	7 252 203	77 687	391 243	28 962 087	6 517 921
Loans to customers issued during the reporting period	12 335 040	7 173 501	91 658	342 452	44 429 258	26 400 340
Loans to customers repaid during the reporting period	(7 173 615)	(4 766 526)	(161 287)	(254 217)	(19 776 082)	(6 365 354)
Loans to customers as at 30 June (gross)	16 978 452	9 659 178	8 058	479 478	53 615 263	26 552 907
Provision for impairment of loans to customers						
Provision for impairment of loans to customers as at 1 January	222 059	10 593	727	3 913	5 780 094	1 923 355
Provision for impairment of loans to customers during the reporting period	3 579 788	48 097	-	882	7 547 116	3 571 959
Recovery of provision for impairment of loans to customers during the reporting period	(1 618 768)	(13 102)	(646)	-	(4 642 381)	(4 262 093)
Provision for impairment of loans to customers as at 30 June	2 183 079	45 588	81	4 795	8 684 829	1 233 221
Loans to customers as at 1 January (less provision for impairment)	11 594 968	7 241 610	76 960	387 330	23 181 993	4 594 566
Loans to customers as at 30 June (less provision for impairment)	14 795 373	9 613 590	7 977	474 683	44 930 434	25 319 686
Interest received on loans to customers and due from other banks	330 367	249 410	1 253	3 571	1 307 964	613 209

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The outstanding balances and liability transactions with related parties for the six months ended 30 June 2011 and 30 June 2010 are as follows:

	Shareholders		Directors and key management personnel		Associates and other related parties	
	For the six months ended 30 June 2011	For the six months ended 30 June 2010	For the six months ended 30 June 2011	For the six months ended 30 June 2010	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Due to other banks						
Due to other banks as at 1 January	-	-	-	-	805 331	154 118
Due to other banks received during the reporting period	32 125 341	-	-	-	2 119 026	17 394 175
Due to other banks repaid during the reporting period	(27 154 884)	-	-	-	(2 921 608)	(17 338 898)
Due to other banks as at 30 June	4 970 457	-	-	-	2 749	209 395
Customer accounts						
Customer accounts as at 1 January	101 387 922	62 805 472	905 319	975 159	34 155 939	33 354 094
Amounts deposited during the reporting period	36 744 595	216 215 398	2 063 268	1 014 642	836 293 999	425 958 104
Amounts withdrawn during the reporting period	(135 003 489)	(209 190 566)	(2 174 400)	(984 808)	(630 852 322)	(419 931 698)
Customer accounts as at 30 June	3 129 028	69 830 304	794 187	1 004 993	239 597 616	39 380 500
Interest expense on deposits	1 197	2 081 787	25 126	38 365	4 745 193	16 719
Fee and commission income for the reporting period	406 758	7 735	-	-	479 269	321 539
Guarantees and sureties issued by the Group at the end of the reporting period	60 581	-	-	-	2 870 514	14 0502
Guarantees and sureties received by the Group at the end of the reporting period	4 389 203	-	-	-	60 281 067	39 481 252

Operations with structural divisions and enterprises owned by the Government of the City of Moscow account for a substantial share of transactions with shareholders and other related parties.

In June 2011 the substantial portfolio of assets was revealed relating to the Bank of Moscow funds financing of the projects which are in the scope of interests of the former Bank of Moscow President A. F. Borodin and other persons. After the resignation of A. F. Borodin, the Bank of Moscow faced with the third parties attempts to sell the assets either acquired with the use of the Group loans, or provided as collateral for loans earlier issued by the Group. The above mentioned assets were not considered as related party transactions in a view of impossibility of reliable estimation of the direct relationship between the specified assets and the former management of the Group.

Remuneration to members of the Executive Board for the six months ended 30 June 2011 amounted to RUR 311 873 thousand (for the six months ended 30 June 2010: RUR 201 169 thousand).

29. Capital Adequacy

Capital Management

The Group's capital management has the following objectives: to observe the capital requirements established by the Central Bank of the Russian Federation; to ensure the Group's ability to operate as a going concern and maintain capital base at the level required to sustain the capital adequacy ratio at 8% recommended by the Basel Accord.

The control over the Bank's compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is exercised daily based on the calculation of the amount of its equity and risk weighted assets. The calculation of the Bank's mandatory economic ratios is submitted to the Central Bank of the Russian Federation every month.

The Group's compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is controlled on the basis of quarterly reports that are verified and signed by the Bank's management.

In accordance with the current capital requirements set by the CBR, the banks should maintain the ratio of capital to risk weighted assets (capital adequacy ratio) above the prescribed minimum level which equals 10%. As at 30 June 2011, the Group's capital adequacy ratio was 10.4 % (as at 31 December 2010: 10.4%).

The Group and the Bank are also obliged to comply with minimum capital requirements stipulated in loan agreements, including capital adequacy ratio, calculated on the basis of the Basel Capital Accord, as defined in "International Convergence of Capital Management and Capital Standards" (revised in April 1998) and in the Supplement to the Basel Capital Accord (usually called Basel I) which introduced consideration of market risks (revised in November 2005).

During the six months of 2011 and 2010 the Group and the Bank complied with all external capital requirements.

The structure of the Group's capital calculated in accordance with the Basel Capital Accord is given below:

	30 June 2011 (unaudited)	31 December 2010
Core capital (Tier 1 capital)	36 327 470	35 957 066
Secondary capital (Tier 2 capital)	21 274 578	21 877 178
Total equity (capital)	57 602 048	57 834 244
Risk-weighted assets	666 594 028	666 021 004
Capital adequacy ratio	8.6%	8.7%
Core capital adequacy ratio	5.4%	5.4%
Minimum capital adequacy ratio	8.0%	8.0%
Minimum core capital adequacy ratio	4.0%	4.0%

30. Subsequent Events

On 16 August 2011 the Group established a management company LLC BM-Directorate with the Group's shareholding of 100%.

In September 2011 the Group's borrowers repaid a number of large loans in the total amount of RUR 33.4 bln.

To remove instability indicators of the financial position and restore the appropriate business activity of the Bank, in June 2011 the CBR and the Deposit Insurance Agency developed and approved the Plan of participation of the state corporation Deposit Insurance Agency (hereinafter - the Plan) in prevention of bankruptcy of the Bank of Moscow.

Within the framework of the Plan implementation, on 20 July 2011 OJSC VTB Bank, CJSC VTB Debt Centre, LLC VTB Pensions Administrator, the Bank of Moscow and the Deposit Insurance Agency signed a General Agreement, which determines the terms and conditions of the parties' interaction in implementing the above Plan.

In accordance with General Agreement for financial assistance to the Bank of Moscow, in September 2011 VTB Group increased its interest in the share capital of the credit institution to 80.57%. CJSC VTB Debt Centre acquired additional shareholdings from minority shareholders of the Bank of Moscow.

Pursuant to the Loan Agreement signed between the Bank and the Deposit Insurance Agency, on 29 September 2011 the Bank of Moscow received a loan in the amount of RUR 294 811 000 thousand for the term of 10 years at preferential rate.

On 16 August 2011 the Group decided to cancel its participation in CJSC Bank of Moscow Management Company by selling 100% shares of CJSC Bank of Moscow Management Company to LLC VTB Capital Investment Management.

On 30 September 2011 the Bank of Moscow acquired federal loan bonds with amortization of debt (OFZ-AD) with the nominal value of RUR 295 000 000 000. These bonds were placed on 30 September 2011 by the Ministry of Finance of the Russian Federation under a closed subscription.