OJSC “BANK “ST PETERSBURG” Group

Condensed Consolidated Interim Financial Information and Independent Auditors’ Report on Review

30 June 2009

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Independent Auditor's Report

To the Supervisory Board of OJSC "Bank "St Petersburg"

Report on Review of the Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of OJSC "Bank "St Petersburg" (the "Bank") and its subsidiaries (the "Group") as at 30 June 2009, and the related condensed consolidated interim statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended and a summary of selected explanatory notes (the "interim consolidated condensed financial information"). Management is responsible for the preparation and presentation of this interim consolidated condensed financial information in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim consolidated condensed financial information 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 interim consolidated condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated condensed financial information as at 30 June 2009 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

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ZAO KPMG
10 September 2009

(In thousands of Russian Roubles)	Note	30 June 2009	31 December 2008
ASSETS			
Cash and cash equivalents		24 083 983	36 841 326
Mandatory cash balances with the Central Bank of the Russian Federation		517 807	212 921
Trading securities	6	8 893 428	2 692 385
Trading securities pledged under sale and repurchase agreements	7	6 450 523	1 470 526
Amounts receivable under reverse repurchase agreements	8	2 753 007	-
Loans to banks		15 346 482	19 175 864
Loans and advances to customers	9	143 907 337	144 882 501
Investment securities available-for-sale		285 524	53 978
Investment securities held-to-maturity	10	724 648	777 591
Other financial assets		156 849	160 583
Prepaid income tax		212 831	-
Deferred income tax asset		254 078	-
Premises and equipment		7 836 713	6 945 944
Intangible assets		876	974
Other assets		473 299	362 811
Long-term assets held-for-sale		2 137 985	2 137 985
TOTAL ASSETS		**214 035 370**	**215 715 389**
LIABILITIES			
Due to banks		32 116 116	32 320 089
Customer accounts	11	141 597 094	139 824 479
Bonds issued	12	5 702 145	9 933 581
Other debt securities in issue		3 621 421	4 336 891
Other borrowed funds	13	12 067 240	9 598 851
Other financial liabilities		161 017	231 703
Income tax liability		-	1 025
Deferred income tax liability		-	67 125
Other liabilities		162 150	596 896
TOTAL LIABILITIES		**195 427 183**	**196 910 640**
EQUITY			
Share capital	14	3 564 330	3 564 330
Share premium	14	9 725 450	9 725 450
Revaluation reserve for premises		2 072 338	2 209 624
Revaluation reserve for investment securities available-for-sale		22 638	-
Retained earnings		3 223 431	3 305 345
TOTAL EQUITY		**18 608 187**	**18 804 749**
TOTAL LIABILITIES AND EQUITY		**214 035 370**	**215 715 389**

Approved for issue and signed on behalf of the Supervisory Board on 10 September 2009.

A.V. Saveliev
Chairman of the Board

S.E. Lobach
Chief Accountant

The notes set out on pages 5 to 48 form an integral part of this condensed consolidated interim financial information.

(In thousands of Russian Roubles)	Note	6 months ended 30 June 2009	6 months ended 30 June 2008
Interest income	15	12 388 265	7 862 142
Interest expense	15	(7 797 928)	(3 828 000)
Net interest income		**4 590 337**	**4 034 142**
Provision for loan impairment		(5 469 494)	(662 936)
Net interest (loss)/income after provision for loan impairment		**(879 157)**	**3 371 206**
Gains less losses/(losses less gains) arising from trading securities		470 348	(183 578)
Gains less losses from trading in foreign currencies		427 702	250 326
Foreign exchange translation gains less losses/(losses less gains)		703 878	(4 618)
Fee and commission income		946 615	736 237
Fee and commission expense		(246 762)	(210 835)
Provision for investment securities impairment		(8 569)	-
Losses less gains from sale or early redemption of securities		(129 934)	-
Gains from early redemption of liabilities		266 697	-
Other net operating income		82 034	43 883
Administrative and other operating expenses			
- Staff costs		(732 089)	(903 833)
- Costs related to the Group's premises and equipment		(269 348)	(209 061)
- Other administrative and operating expenses		(668 104)	(553 588)
(Loss)/profit before tax		**(36 689)**	**2 336 139**
Income tax expense		(11 977)	(581 068)
(Loss)/profit for the period		**(48 666)**	**1 755 071**
Other comprehensive (loss)/income			
Gains on revaluation of investments available for sale		28 297	-
Revaluation reserve for premises		(171 608)	-
Income tax related to components of other comprehensive income		28 663	-
Total comprehensive (loss)/income for the period		**(163 314)**	**1 755 071**
Basic and diluted earnings per ordinary share (in Russian Roubles per share)	16	**(0.2)**	**6.2**

		Attributable to equity holders of the Bank					
(In thousands of Russian Roubles)	**Note**	**Share capital**	**Share premium**	**Revaluation reserve for premises**	**Revaluation reserve for investment securities available-for-sale**	**Retained earnings**	**Total equity**
Balance as at 1 January 2008		**3 564 330**	**9 725 450**	**1 141 992**	**-**	**573 291**	**15 005 063**
Profit for the period		-	-	-	-	1 755 071	1 755 071
Total comprehensive income for the six months ended 30 June 2008		**-**	**-**	**-**	**-**	**1 755 071**	**1 755 071**
Dividends declared							
- Ordinary shares	17	-	-	-	-	(39 501)	(39 501)
- Preference shares	17	-	-	-	-	(2 211)	(2 211)
Balance as at 30 June 2008		**3 564 330**	**9 725 450**	**1 141 992**	**-**	**2 286 650**	**16 718 422**
Balance as at 1 January 2009		**3 564 330**	**9 725 450**	**2 209 624**	**-**	**3 305 345**	**18 804 749**
Other comprehensive (loss)/ income recognised directly in equity		-	-	(137 286)	22 638	-	(114 648)
Loss for the period		-	-	-	-	(48 666)	(48 666)
Total comprehensive (loss)/income for the six months ended 30 June 2009		**-**	**-**	**(137 286)**	**22 638**	**(48 666)**	**(163 314)**
Dividends declared							
- Ordinary shares	17	-	-	-	-	(31 037)	(31 037)
- Preference shares	17	-	-	-	-	(2 211)	(2 211)
Balance as at 30 June 2009		**3 564 330**	**9 725 450**	**2 072 338**	**22 638**	**3 223 431**	**18 608 187**

(In thousands of Russian Roubles)	**6 months ended 30 June 2009**	**6 months ended 30 June 2008**
Net cash from/(used in) operating activities	**(9 110 048)**	**85 448**
Net cash used in investing activities	**(1 427 190)**	**(955 218)**
Net cash from/(used in) financing activities	**(3 295 656)**	**1 060 183**
Effect of exchange rate changes on cash and cash equivalents	1 075 551	95 945
Net (decrease)/increase in cash and cash equivalents	**(12 757 343)**	**286 358**
Cash and cash equivalents at the beginning of the period	36 841 326	9 612 448
Cash and cash equivalents at the end of the period	**24 083 983**	**9 898 806**

1 Introduction

This condensed consolidated interim financial information for the six months ended 30 June 2009 for OJSC “Bank “St Petersburg” (the “Bank”) and a controlled special purpose entity BSPB Finance plc (together referred to as the “Group” or OJSC “Bank “St Petersburg” Group”) has been prepared in accordance with International Financial Reporting Standards.

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as a result of the privatization process of the former Leningrad regional office of Zhilsotsbank. The Bank is an open joint stock company.

As at 30 June 2009, 29.9% of the ordinary shares of the Bank were controlled by Mr. Saveliev (31 December 2008: 29.9%). The rest of the management of the Bank controls a further 10.7% of the ordinary shares of the Bank (31 December 2008: 10.7%). As at 30 June 2009 18.8% of ordinary shares of the Bank are controlled by the “Systemnye Tehnologii” company (31 December 2008: 14.5%). Mr. Saveliev acquired 19% of the interest in the company “Systemnye Tehnologii” and he has a call option to purchase 81% of the interest in the “Systemnye Tehnologii” company. This option arose in 2007 and was prolonged to 2010 in March 2008 and can be exercised at any time before 1 April 2010. There is no contractual agreement between any members of management team and Mr. Saveliev on joint control of the Bank. There is no ultimate controlling party in the Bank.

Other shareholders of the Bank are: 4.6% (31 December 2008: 4.6%) of the shares are controlled by Mr. Troitskiy and 11.4% (31 December 2008: 11.4%) of the shares are controlled by Mr. Korzhev. The remaining 24.6% (31 December 2008: 28.9%) of the shares are widely held.

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a general banking license issued by the Central Bank of the Russian Federation (“CBRF”) since 1997. The Bank takes part in the state deposit insurance scheme introduced by Federal Law No.177-FZ “Deposits of individuals insurance in the Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 000 thousand in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

As at 30 June 2009 the Bank had 5 branches within the Russian Federation: 3 branches are located in the North-West region of Russia, 1 branch in Moscow and 1 branch in Nizhny Novgorod, the total number of commercial offices is 32 (31 December 2008: the Bank had 4 branches within the Russian Federation: 2 branches were located in the North-West region of Russia, and 1 branch in Moscow, the total number of commercial offices (outlets) was 32).

Special purpose entity BSPB Finance plc is used by the Bank for its Eurobond issues.

Registered address and place of business. The Bank’s registered address and place of business is: 191167, Russian Federation, Saint Petersburg, Nevsky Prospect, 178 A.

Presentation currency. This condensed consolidated interim financial information is presented in thousands of Russian Roubles ("RR thousands").

2 Operating Environment of the Group

Russian Federation. The economy of the Russian Federation displays certain characteristics of an emerging market, including a high rate of inflation, which amounted to 7.4% for the first half of 2009.

According to current estimates of the Ministry of Economic Development and Trade the decrease in the Russian GDP compared to 2008 in real terms amounted to 10.1%. As a result of uncertainty in the financial and primary markets as well as other factors, there has been significant uncertainty in the exchange markets with devaluation of the Russian Rouble against other foreign currencies. The Russian Rouble weakened at the beginning of the year, strengthened during the period from February till May and was relatively stable in June with a slight weakening tendency. The official CBRF exchange rate changed from RR 29.38 for 1 USD as at 31 December 2008 to RR 31.29 for 1 USD as at 30 June 2009.

The international reserves of the Russian Federation decreased from USD 427 080 000 thousand as at 31 December 2008 to USD 412 590 000 thousand as at 30 June 2009.

Events in the financial markets have affected the commodity market. The price for Urals blend oil was USD 50.5 in the first half of 2009, which is half the average price for the first half of 2008.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Russian Banking sector. In the first half of 2009 the average liquidity in the banking sector improved due to the support from the CBRF and the priorities of reducing inflation, increasing the quality of loan portfolios and increasing the banks capitalization levels came to the fore.

Several measures to support the Russian Banking sector were taken including:

- In the first half of 2009 the refinancing rate of the CBRF was reduced from 13% to 11%.
- The minimum requirements for bank’s equity was increased. Starting from 1 January 2010 it will be RR 90 million, and starting from 1 January 2012, RR 180 million. A bank’s license will be withdrawn where its equity does not meet the requirement for 3 consecutive months.
- The CBRF may partially compensate losses arising from commercial banks operations on the money market, if they arise as a result of withdrawal of a correspondent bank’s license.
- Where banks increase their share capital, the CBRF, through Vnesheconombank, will provide subordinated loans in the ratio of three-to-one, to the amounts contributed by the shareholders of the bank.

3 Basis of Preparation and Significant Accounting Policies

Basis of preparation. As permitted by IAS 34 an entity may decide to provide less information at interim dates as compared to its annual financial statements. This condensed consolidated interim financial information has been prepared in accordance with IAS 34. The accounting policies and methods of computations applied in the preparation of this condensed consolidated interim financial information are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2008. These policies have been consistently applied to all the periods presented. The Group’s condensed consolidated interim financial information does not contain all the explanatory notes as required for a full set of financial statements.

The Group maintains its accounting records in accordance with the Russian banking and accounting regulations. This condensed consolidated interim financial information has been prepared from those accounting records and adjusted as necessary in order to be in compliance with IAS 34.

The preparation of this condensed consolidated interim financial information in conformity with IAS 34 required Management to exercise estimates and professional judgement. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this condensed consolidated interim financial information are disclosed in Note 4.

The Group’s operations are not of a seasonal or cyclical nature.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/- one month, the provision would be approximately RR 93 493 thousand higher or RR 93 493 thousand lower (2008: RR 85 590 thousand higher or RR 85 590 thousand lower).

Tax legislation. The tax legislation of the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

Special Purpose Entities. Judgement is also required to determine whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity is controlled by the Group.

Revaluation of premises. The fair values of premises of the Group are determined by using valuation methods and are based on their market value. Market values of the Group's premises are obtained from the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value was last assessed using the comparison with other premises which were sold or are offered for sale. To the extent that the assessed change in the fair value of the Group's premises differs by 10%, the effect of the revaluation adjustment would be approximately RR 435 000 thousand (before deferred tax) as at 30 June 2009 (31 December 2008: RR 426 935 thousand).

The Group's Management analysed the prices of premises for impairment due to changes in the commercial real estate market that took place after 1 January 2009. As at 30 June 2009 the Group revalued its premises, which resulted in a decrease in the fair value amounting to RR 171 608 thousand. The associated deferred tax benefit was RR 34 322 thousand.

Frequency of revaluation of premises. The premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The Group's management uses judgement for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

Related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2009.

- **IFRS 8 “Operating Segments”** (effective for annual periods beginning on or after 1 January 2009); and
- **IAS 1 “Presentation of Financial Statements”** (revised in September 2007, effective for annual periods beginning on or after 1 January 2009).

IFRS 8 “Operating Segments” (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 specifies how an entity should report information about its operating segments and sets out requirements for related disclosures about products and services, geographical areas and major customers. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. IFRS 8 *“Operating Segments”* replaces IAS 14 *“Segment Reporting”*. The revised statement has not given rise to any material changes. Refer to note 18.

IAS 1 “Presentation of Financial Statements” (revised in September 2007, effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

6 Trading Securities

(In thousands of Russian Roubles)	**30 June 2009**	**31 December 2008**
Corporate bonds	4 413 571	1 094 549
Russian Federation Eurobonds	2 798 994	956 815
Corporate Eurobonds	1 177 523	338 931
Municipal bonds	343 430	1 712
Federal loan bonds (OFZ bonds)	-	266 382
Total debt securities	**8 733 518**	**2 658 389**
Corporate shares	159 910	33 996
Total trading securities	**8 893 428**	**2 692 385**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies, and are tradable in the Russian market. These bonds have maturity dates from 21 August 2009 to 16 May 2019 (31 December 2008: from 26 February 2009 to 12 June 2018), coupon rates of 7.1% to 18.5% p.a. (31 December 2008: from 7.0% to 15.2% p.a.) and yields to maturity from 7.1% to 40.7% p. a. as at 30 June 2009 (31 December 2008: from 6.3% to 34.7% p. a.), depending on the type of bond issue.

Russian Federation Eurobonds are interest bearing securities denominated in USD, issued by the Ministry of Finance of the Russian Federation, and are tradable internationally. These bonds have maturity dates from 31 March 2010 to 31 March 2030 (31 December 2008: 31 March 2030), coupon rates from 7.5% to 8.3% p.a. (31 December 2008: 8.3% p.a.) and yields to maturity from 4.6% to 7.8% p.a. as at 30 June 2009 (31 December 2008: 3.3% p.a.).

Corporate Eurobonds are interest bearing securities denominated in USD issued by Russian companies and are tradable internationally. Corporate Eurobonds have maturity dates from 30 September 2009 to 25 June 2011, coupon rates from 2.7% to 9.3% p.a. and yields to maturity from 5.9% to 16.2% p.a. as at 30 June 2009 (31 December 2008: maturity dates from 15 January 2009 to 22 October 2011, coupon rates of 8.4% to 10.8% p.a. and yields to maturity from 10.3% to 22.5% p.a.).

Federal loan bonds (OFZ bonds) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 30 June 2009 the Bank did not hold OFZ bonds. As at 31 December 2008 the Bank held OFZ bonds with the maturity dates from 20 January 2010 to 2 November 2012, coupon rates of 6.0% to 10.0% p.a and and yields to maturity from 9.9% to 11.7% p.a, depending on the type of bond issue.

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, Moscow Region, Irkutsk and Samara Regions (31 December 2008: municipal administrations of Moscow, Moscow Region, Irkutsk and Samara Regions). These bonds are issued at a discount to nominal value, have maturity dates from 15 March 2010 to 16 April 2014 (31 December 2008: from 21 April 2009 to 16 April 2014), coupon rates of 7.5% to 10.0% p.a. (31 December 2008: 7.6% to 11.0% p.a.) and yields to maturity from 11.1% to 17.8% p.a. as at 30 June 2009 (31 December 2008: from 9.2% to 34.8% p.a.), depending on the type of bond issue.

Corporate shares are shares of Russian companies.

Trading securities are carried at fair value which also reflects the credit risk connected with these securities.

6 Trading Securities (continued)

Analysis by credit quality of debt trading securities outstanding at 30 June 2009 is as follows:

(In thousands of Russian Roubles)	Federal loan bonds	Russian Federation Eurobonds	Municipal bonds	Corporate bonds	Corporate Eurobonds	Total
Not past due and not impaired (at fair value)						
Group A	-	2 798 994	343 030	3 490 454	365 961	6 998 439
Group B	-	-	400	923 111	811 562	1 735 073
Total not past due and not impaired debt trading securities	**-**	**2 798 994**	**343 430**	**4 413 565**	**1 177 523**	**8 733 512**
Past due (at fair value) - overdue more than 30 days and less than 90 days	-	-	-	6	-	6
Total past due debt trading securities	-	-	-	6	-	6
Total debt trading securities	-	**2 798 994**	**343 430**	**4 413 571**	**1 177 523**	**8 733 518**

Analysis by credit quality of debt trading securities outstanding at 31 December 2008 is as follows:

(In thousands of Russian Roubles)	Federal loan bonds	Russian Federation Eurobonds	Municipal bonds	Corporate bonds	Corporate Eurobonds	Total
Group A	266 382	956 815	925	998 489	153 993	2 376 604
Group B	-	-	787	96 060	184 938	281 785
Total debt trading securities	**266 382**	**956 815**	**1 712**	**1 094 549**	**338 931**	**2 658 389**

Debt trading securities of the Group are divided by credit quality types and parameters into the following groups:

Group A – debt financial instruments with rating of at least BBB-.

Group B – other debt instruments.

The Bank is licensed by the Federal Agency of the Russian Federation for Financial Markets for trading in securities.

Currency and maturity analyses of trading securities are disclosed in Note 19.

7 Trading Securities Pledged Under Sale and Repurchase Agreements

(In thousands of Russian Roubles)	30 June 2009	31 December 2008
Corporate bonds	4 080 728	1 364 973
Municipal bonds	2 341 916	105 553
Corporate shares	27 879	-
Total trading securities pledged under sale and repurchase agreements	**6 450 523**	**1 470 526**

7 Trading Securities Pledged Under Sale and Repurchase Agreements (continued)

Trading securities pledged under sale and repurchase agreements are represented by corporate and municipal bonds issued by the municipal administration of Moscow and corporate shares (31 December 2008: by corporate bonds and bonds issued by the municipal administration Moscow).

Municipal bonds are purchased at a discount to nominal value. These bonds have a maturity date from 15 March 2010 to 27 June 2012 (31 December 2008: 18 December 2011), coupon rates from 8.0% to 10.0% p.a. (31 December 2008: 8.0% p.a.) and yields to maturity from 11.9% to 15.0% p.a. as at 30 June 2009 (31 December 2008: 9.2% p.a.). The term of sale and repurchase agreements is 1 day with the effective rate of 5.8% to 9.0% p.a. (31 December 2008: The term of the corresponding sale and repurchase agreements was 12 days with an effective rate of 5.0%).

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies, and are tradable in the Russian market. As at 30 June 2009 these bonds have maturity dates from 22 June 2010 to 12 June 2018, coupon rates of 7.1% to 15.0% p.a. and yields to maturity from 7.2% to 15.6% p.a. depending on the type of bond issue (31 December 2008: maturity dates from 19 March 2009 to 12 June 2018, coupon rates of 7.1% to 9.0% p.a. and yields to maturity from 7.2% to 20.2% p.a., depending on the type of bond issue). The term of the corresponding repurchase agreements is 1 day with an effective rate from 7.0% to 8.0% p.a. (31 December 2008: the term of the corresponding sale and repurchase agreements was 12 days with an effective rate of 9.7% p.a.).

Corporate shares are represented by shares issued by Russian companies. The term of the corresponding sale and repurchase agreements is 1 day, with an effective rate of 7.0% p.a. (31 December 2008: no corporate shares).

Analysis by credit quality of debt trading securities pledged under sale and repurchase agreements outstanding at 30 June 2009 is as follows:

(In thousands of Russian Roubles)	**Municipal bonds**	**Corporate bonds**	**Total**
Group A	2 341 916	3 656 250	5 998 166
Group B	-	424 478	424 478
Total trading securities pledged under sale and repurchase agreements	**2 341 916**	**4 080 728**	**6 422 644**

Analysis by credit quality of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2008 is as follows:

(In thousands of Russian Roubles)	**Municipal bonds**	**Corporate bonds**	**Total**
Group A	105 553	401 809	507 362
Group B	-	963 164	963 164
Total trading securities pledged under sale and repurchase agreements	**105 553**	**1 364 973**	**1 470 526**

As at 30 June 2009 included in due to banks were sale and repurchase agreements with credit organizations in the amount of RR 5 581 747 thousand. Included in customer accounts were sale and repurchase agreements with legal entities in the amount of RR 132 174 thousand (31 December 2008: included in due to banks were sale and repurchase agreements with credit organizations in the amount of RR 1 221 725 thousand. Included in customer accounts were sale and repurchase agreements with credit organizations in the amount of RR 239 895 thousand.) Refer to Note 11.

Currency and maturity analyses of trading securities pledged under sale and repurchase are disclosed in Note 19.

8 Amounts Receivable Under Reverse Repurchase Agreements

(In thousands of Russian Roubles)	30 June 2009	31 December 2008
Amounts receivable under reverse repurchase agreements with clients	1 473 447	-
Amounts receivable under reverse repurchase agreements with banks	1 279 560	-
Total amounts receivable under reverse repurchase agreements	**2 753 007**	**-**

As at 30 June 2009 reverse repurchase agreements were agreements with clients and banks which were secured by Federal loan bonds, corporate bonds and corporate shares. As at 30 June 2009 the fair value of securities pledged as collateral for reverse repurchase agreements was RR 2 857 088 thousand (31 December 2008 the Group didn’t have amounts receivable under reverse repurchase agreements). Of the collateral received, corporate shares with the fair value of RR 478 855 thousand and corporate bonds with the fair value of RR 32 100 thousand were pledged as security under direct repurchase agreements.

Currency and maturity analyses of amounts receivable under reverse repurchase agreements are disclosed in Note 19.

9 Loans and Advances to Customers

(In thousands of Russian Roubles)	30 June 2009	31 December 2008
Corporate loans		
- loans to finance working capital	95 569 104	88 143 276
- investment loans	37 724 853	39 590 339
- loans to entities financed by the government	5 847 841	6 251 258
Loans to individuals		
- mortgage loans	9 020 715	9 495 278
- car loans	1 435 216	1 762 898
- other loans to individuals	5 617 010	5 481 354
Provision for impairment	(11 307 402)	(5 841 902)
Total loans and advances to customers	**143 907 337**	**144 882 501**

As at 30 June 2009 the gross carrying value of securities reclassified to loans and advances to customers amounted to RR 4 311 792 thousand (31 December 2008: RR 5 412 330 thousand).

Securities reclassified to loans and advances to customers were analysed by the Group for indications of significant decrease in future cash flows and where necessary a provision for impairment was accounted for. As at 30 June 2009 the amount of provision for impairment was RR 81 433 thousand (31 December 2008: RR 133 492 thousand). The remaining securities recognised in loans and advances to customers are current.

Securities with a carrying value amounting to RR 1 639 519 thousand are securities pledged under sale and repurchase agreements included in due to banks in the amount of RR 1 310 778 thousand (31 December 2008: RR 2 595 911 thousand).

Securities with a carrying value amounting to RR 39 479 thousand are pledged under sale and repurchase agreements included in customer accounts in the amount of RR 30 847 thousand (31 December 2008: RR 313 572 thousand). Refer to Note 11.

Impaired and overdue loans with the total amount of RR 24 913 969 thousand are secured by collateral with a fair value of RR 35 925 224 thousand (31 December 2008: impaired and overdue loans with the total amount of RR 9 847 101 thousand were secured by collateral with a fair value of RR 23 632 262 thousand). For the remaining impaired loans of RR 147 192 thousand there is no collateral or it is impracticable to determine fair value of collateral (31 December 2008: the remaining impaired loans of RR 29 716 thousand there was no collateral or it was impracticable to determine fair value of collateral).

9 Loans and Advances to Customers (continued)

Movements in the provision for loan impairment during the period of 6 months ended 30 June 2009 are as follows:

(In thousands of Russian Roubles)	Corporate loans	Loans to individuals	Total
Provision for loan impairment at 31 December 2008	**5 362 428**	**479 474**	**5 841 902**
Provision for impairment during the period	5 079 787	405 292	5 485 079
Amounts written off during the period as uncollectible	(18 430)	(1 149)	(19 579)
Provision for loan impairment at 30 June 2009	**10 423 785**	**883 617**	**11 307 402**

Movements in the provision for loan impairment during the period of 6 months ended 30 June 2008 are as follows:

(In thousands of Russian Roubles)	Corporate loans	Loans to individuals	Total
Provision for loan impairment at 31 December 2007	**2 432 381**	**160 439**	**2 592 820**
Provision for impairment during the period	552 408	110 528	662 936
Amounts written off during the period as uncollectible	(96 895)	(12)	(96 907)
Provision for loan impairment at 30 June 2008	**2 887 894**	**270 955**	**3 158 849**

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

In thousands of Russian Roubles	30 June 2009		31 December 2008	
	Amount	%	Amount	%
Heavy machinery and ship-building	29 055 180	18.7	23 055 028	15.3
Construction	18 583 612	12.0	18 762 462	12.4
Trade	18 285 412	11.8	16 860 868	11.2
Real estate	18 221 569	11.7	18 420 612	12.2
Individuals	16 072 941	10.4	16 739 530	11.1
Leasing and financial services	13 908 391	9.0	16 174 120	10.7
Production and food industry	11 366 928	7.3	12 668 474	8.4
Transport	6 148 344	4.0	6 383 059	4.2
Entities financed by the government	5 846 502	3.8	6 249 267	4.1
Chemical industry	2 855 155	1.8	2 348 154	1.6
Telecommunications	2 165 178	1.4	2 271 117	1.5
Energy	1 612 214	1.0	1 511 136	1.0
Other	11 093 313	7.1	9 280 576	6.3
Total gross loans and advances to customers (before impairment)	**155 214 739**	**100.0**	**150 724 403**	**100.0**

As at 30 June 2009, the Group's 20 largest borrowers had aggregated loan amounts of RR 46 506 832 thousand (31 December 2008: RR 41 290 618 thousand), or 30.0% (31 December 2008: 27.4%) of the gross loan portfolio before impairment.

Most of the loans to customers are secured by collateral. Collateral for loans may comprise Bank's deposits, promissory notes issued by the Bank, real estate, property and equipment and other types of collateral.

Mortgage loans are secured by the underlying housing real estate.

Car loans are secured by the underlying car.

9 Loans and Advances to Customers (continued)

The following tables provide information on the loans and advances to customers, their credit quality and the related provisions for impairment as at 30 June 2009:

(In thousands of Russian Roubles)	**Current loans and advances to customers (before provision for impairment)**	**Provision for impairment**	**Total current loans and advances to customers (after provision for impairment)**	**Provision for impairment to current loans, %**
Loans and advances to legal entities:				
Loans collectively assessed for impairment, but not impaired				
Standard loans not past due	110 143 710	(3 818 113)	106 325 597	3.47
Watch list loans not past due	5 244 609	(271 147)	4 973 462	5.17
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	13 366 665	(3 774 660)	9 592 005	28.24
Past due loans				
less than 5 days overdue	2 751 918	(395 396)	2 356 522	14.37
6 to 30 days overdue	1 266 374	(332 213)	934 161	26.23
31 to 60 days overdue	1 463 464	(223 675)	1 239 789	15.28
61 to 90 days overdue	2 103 091	(478 586)	1 624 505	22.76
91 to 180 days overdue	1 908 940	(308 255)	1 600 685	16.15
more than 181 days overdue	142 069	(70 782)	71 287	49.82
Uncollectible loans	750 958	(750 958)	-	100.00
Total loans and advances to legal entities	**139 141 798**	**(10 423 785)**	**128 718 013**	**7.49**
Loans and advances to individuals:				
- mortgage loans	9 020 715	(471 650)	8 549 065	5.23
- car loans	1 435 216	(122 957)	1 312 259	8.57
- other loans to individuals	5 617 010	(289 010)	5 328 000	5.15
Total loans and advances to individuals	**16 072 941**	**(883 617)**	**15 189 324**	**5.50**
Total loans and advances to customers	**155 214 739**	**(11 307 402)**	**143 907 337**	**7.29**

9 Loans and Advances to Customers (continued)

(In thousands of Russian Roubles)	**Mortgage loans**	**Car loans**	**Other loans to individuals**	**Total loans and advances to individuals**
Loans to individuals				
Standard loans not past due	8 583 153	1 303 852	4 878 254	14 765 259
Not past due individually assessed loans, for which specific indications of impairment have been identified	5 093	12 155	1 046	18 294
Past due loans				
less than 5 days overdue	8 274	9 444	348 924	366 642
6 to 30 days overdue	80 592	26 812	6 970	114 374
31 to 60 days overdue	56 525	8 381	51 217	116 123
61 to 90 days overdue	54 850	10 715	3 210	68 775
91 to 180 days overdue	138 145	25 536	184 539	348 220
181 to 365 days overdue	92 265	28 796	137 685	258 746
more than 365 days overdue	1 818	9 525	5 165	16 508
Total loans and advances to individuals	**9 020 715**	**1 435 216**	**5 617 010**	**16 072 941**
Provision for impairment	**(471 650)**	**(122 957)**	**(289 010)**	**(883 617)**
Total loans and advances to individuals	**8 549 065**	**1 312 259**	**5 328 000**	**15 189 324**

9 Loans and Advances to Customers (continued)

The following tables provide information on the loans and advances to customers, their credit quality and the related provisions for impairment as at 31 December 2008:

In thousands of Russian Roubles	**Current loans and advances to customers (before provision for impairment)**	**Provision for impairment**	**Total current loans and advances to customers (after provision for impairment)**	**Provision for impairment to current loans, %**
Loans and advances to legal entities:				
Loans collectively assessed for impairment, but not impaired				
Standard loans not past due	111 445 023	(3 078 998)	108 366 025	2.76
Watch list loans not past due	13 017 112	(849 398)	12 167 714	6.53
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	8 775 165	(1 056 507)	7 718 658	12.04
6 to 30 days overdue	214 489	(19 661)	194 828	9.17
31 to 60 days overdue	47 116	(18 211)	28 905	38.65
61 to 90 days overdue	48 749	(22 348)	26 401	45.84
91 to 180 days overdue	239 827	(119 913)	119 914	50.00
Uncollectible loans	197 392	(197 392)	-	100.00
Total loans and advances to legal entities	**133 984 873**	**(5 362 428)**	**128 622 445**	**4.00**
Loans and advances to individuals:				
Loans collectively assessed for impairment				
- mortgage loans	9 495 278	(251 174)	9 244 104	2.65
- car loans	1 762 898	(79 791)	1 683 107	4.53
- other individual loans	5 481 354	(148 509)	5 332 845	2.71
Total loans and advances to individuals	**16 739 530**	**(479 474)**	**16 260 056**	**2.86**
Total loans and advances to customers	**150 724 403**	**(5 841 902)**	**144 882 501**	**3.88**

9 Loans and Advances to Customers (continued)

In thousands of Russian Roubles	**Mortgage loans**	**Car loans**	**Other loans to individuals**	**Total loans and advances to individuals**
Loans to individuals				
Standard loans not past due	9 267 854	1 674 170	5 443 427	16 385 451
less than 5 days overdue	30 950	14 655	8 568	54 173
6 to 30 days overdue	144 051	37 186	2 918	184 155
31 to 60 days overdue	16 413	9 783	15 054	41 250
61 to 90 days overdue	21 546	6 352	1 053	28 951
91 to 180 days overdue	14 464	10 506	4 864	29 834
181 to 365 days overdue	-	7 701	4 377	12 078
more than 365 days overdue	-	2 545	1 093	3 638
Total loans and advances to individuals	**9 495 278**	**1 762 898**	**5 481 354**	**16 739 530**
Provision for impairment	(251 174)	(79 791)	(148 509)	(479 474)
Total loans and advances to individuals	**9 244 104**	**1 683 107**	**5 332 845**	**16 260 056**

The Bank has estimated loan impairment for loans to legal entities based on an analysis of the expected future cash flows for impaired loans which was based primarily on collateral. The principal collateral taken into account in the estimation of future cash flows comprises real estate. Valuations for real estate have been discounted by 30 - 50 percent to reflect current market conditions.

For portfolios of loans for which no indications of impairment have been identified, in determining the portfolio impairment allowance the Bank has adjusted historic loss rates to factor in the deterioration of the loan portfolio, as evidenced by the rate of increase in the level of impaired and overdue loans, arising from current market conditions. The portfolio allowance reflects management's estimate of the losses in the portfolio as at 30 June 2009.

The Bank estimated loan impairment for loans to individuals based on its past historical loss experience adjusted for current economic conditions.

During the 6 months period ended 30 June 2009 the Bank renegotiated commercial loans that would otherwise be past due or impaired of RR 10 181 559 thousand (31 December 2008: RR 9 835 197 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. This amount does not include those loans for which prolongation was included in the initial conditions of credit agreement.

Loans and advances to customers are classified in the group "Standard loans not past due" when they do not have any overdue payments as at reporting date and the management of the Group does not have any information about existence of any factors which can influence the possibility of the borrower to repay the loan in full and in time.

Loans and advances to customers are classified in the group "Watch list loans not past due" when they have moderate credit risk. The Bank's analysis of operating and financial position of the borrower and other information, including external environment, indicate the stable position of the borrower, however the analysis of the borrower indicates some negative tendencies, which could impact the ability of the borrower to repay its loan in the future on a timely basis.

9 Loans and Advances to Customers (continued)

The primary factors that the Group considers when deciding whether a loan is individually impaired is its overdue status and/or occurrence of any factors which may make it doubtful whether the borrowers are able to repay the full amounts owed to the Group on a timely basis.

Currency and maturity analyses of loans and advances to customers are disclosed in Note 19. Information on related party balances is disclosed in Note 21.

10 Investment Securities Held-to-Maturity

In thousands of Russian Roubles	**30 June 2009**	**31 December 2008**
Corporate bonds	751 795	797 431
Provision for impairment	(27 147)	(19 840)
Total held-to-maturity investment securities	**724 648**	**777 591**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies, and are tradable in the Russian market. These bonds have maturity dates from 21 July 2009 to 21 March 2010, coupon rates from 7.5% to 16.5% p.a. and yields to maturity from 2.1% to 42.2% p.a. (31 December 2008: maturity dates were from 24 February 2009 to 2 March 2010, coupon rates of 7.5% to 13.8% p.a. and yields to maturity from 2.1% to 42.2% p.a.).

Movements in the held-to-maturity investment securities portfolio are as follows:

In thousands of Russian Roubles	**Note**	**30 June 2009**	**31 December 2008**
Carrying value as of 1 January		**797 431**	-
Transfer from trading securities		-	797 019
Losses from early redemption of securities		(63 006)	-
Accrued interest income		55 572	31 648
Interest received		(38 202)	(31 236)
Carrying value as of 30 June		**751 795**	**797 431**

Analysis of movements in the provision for impairment of held-to maturity investment securities during the 6 months period ended 30 June 2009 is as follows:

In thousands of Russian Roubles	
Provision for impairment at 1 January	**19 840**
Provision for impairment during the period	7 307
Provision for impairment at 30 June	**27 147**

As at 30 June 2008 the Bank had no held-to-maturity investment securities.

The Group analyses and monitors impairment indicators. As at 30 June 2009 the provision for impairment of held-to-maturity investment securities was RR 27 147 thousand (31 December 2008: RR 19 840 thousand). The Group holds one overdue held-to-maturity investment security.

10 Investment Securities Held-to-Maturity (continued)

Analysis by credit quality of held-to maturity investment securities outstanding at 30 June 2009 is as follows:

In thousands of Russian Roubles	**Corporate bonds**	**Total**
Not past due and not impaired debt securities		
Group B	699 526	699 526
Total not past due and not impaired investment securities held-to-maturity, before impairment	**699 526**	**699 526**
Individually assessed debt securities for which specific indications of impairment have been identified		
31 to 60 days overdue	52 269	52 269
Total individually assessed debt securities for which specific indications of impairment have been identified, before impairment	**52 269**	**52 269**
Total held-to-maturity investment securities, before impairment	**751 795**	**751 795**

Analysis by credit quality of held-to maturity investment securities outstanding at 31 December 2008 is as follows:

In thousands of Russian Roubles	**Corporate bonds**	**Total**
Group B	797 431	797 431
Total held-to-maturity investment securities, before impairment	**797 431**	**797 431**

Currency and maturity analyses of held-to-maturity investment securities are disclosed in Note 19.

11 Customer Accounts

(In thousands of Russian Roubles)	**30 June 2009**	**31 December 2008**
State and public organisations		
- Current/settlement accounts	1 281 707	3 471 690
- Term deposits	6 072 440	1 314 564
Other legal entities		
- Current/settlement accounts	26 893 108	27 843 057
- Term deposits	51 995 081	57 921 513
- Sale and repurchase agreements	192 915	239 895
Individuals		
- Current/demand accounts	10 234 816	10 125 643
- Term deposits	44 927 027	38 908 117
Total customer accounts	**141 597 094**	**139 824 479**

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

	30 June 2009		**31 December 2008**	
(In thousands of Russian Roubles)	**Amount**	**%**	**Amount**	**%**
Individuals	55 161 843	39.0	49 033 760	35.1
Financial services	22 109 990	15.6	26 865 688	19.1
Trade	12 308 365	8.7	12 520 440	9.0
Construction	12 221 081	8.6	14 369 467	10.3
Production	10 123 437	7.1	10 123 534	7.2
Cities and municipalities	7 102 903	5.0	4 767 666	3.4
Transport	4 962 843	3.5	5 248 759	3.8
Art, science and education	3 620 203	2.6	2 505 641	1.8
Real estate	3 614 562	2.6	4 309 603	3.1
Public utilities	2 816 810	2.0	2 677 793	1.9
Energy	522 077	0.4	1 190 419	0.9
Medical institutions	283 983	0.2	361 566	0.3
Communications	188 015	0.1	2 116 467	1.5
Other	6 560 982	4.6	3 733 676	2.6
Total customer accounts	**141 597 094**	**100.0**	**139 824 479**	**100.0**

As at 30 June 2009, included in customer accounts were sale and repurchase agreements with legal entities in the amount of RR 132 174 thousand (31 December 2008: no sale and repurchase agreements with legal entities were included in customer accounts). Securities pledged under these sale and repurchase agreements are corporate bonds with the fair value of RR 124 560 thousand. Refer to Note 7.

As at 30 June 2009, included in customer accounts were sale and repurchase agreements with legal entities in the amount of RR 30 847 thousand in respect of securities reclassified to loans and advances to customers (31 December 2008: RR 239 895 thousand). Securities pledged under these sale and repurchase agreements are municipal bonds reclassified to loans and advances to customers with the carrying value before provision of RR 39 479 thousand and fair value of RR 36 570 thousand respectively (31 December 2008: municipal bonds reclassified to loans and advances to customers with the carrying value before provision of RR 313 572 thousand and fair value of RR 290 084 thousand respectively).

11 Customer Accounts (continued)

As at 30 June 2009, included in customer accounts were sale and repurchase agreements with legal entities in the amount of RR 29 894 thousand in respect of securities reclassified to due from banks (31 December 2008: no sale and repurchase agreements with legal entities in respect of securities reclassified to due from banks were included in customer accounts). Securities pledged under these sale and repurchase agreements are corporate bonds reclassified to due from banks with the carrying value before provision of RR 28 105 thousand and fair value of RR 28 172 thousand respectively.

As at 30 June 2009, included in customer accounts are deposits of RR 2 913 060 thousand held as collateral for irrevocable commitments under import letters of credit (31 December 2008: RR 2 091 303 thousand).

Currency and maturity analyses of customer accounts are disclosed in Note 19. The information on related party balances is disclosed in Note 21.

12 Bonds Issued

In thousands of Russian Roubles	**30 June 2009**	**31 December 2008**
Subordinated Eurobonds	3 218 307	3 021 061
Eurobonds	2 483 838	5 911 152
Bonds	-	1 001 368
Total bonds issued	**5 702 145**	**9 933 581**

In July 2007 the Group placed 1 000 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 100 000). The issue was arranged by J.P. Morgan and UBS. The issue was registered on the Irish Stock Exchange. As at 30 June 2009, the carrying value of these bonds was USD 102 853 thousand, the equivalent of RR 3 218 307 thousand (31 December 2008: USD 102 826 thousand, the equivalent of RR 3 021 061 thousand). These subordinated Eurobonds have a maturity of 25 July 2017 with an early redemption option at nominal value on 25 July 2012, nominal coupon rate of 10.5% p.a. and effective interest rate of 11.1% p.a.

In November 2006, the Group placed 1 250 interest-bearing US Dollar-denominated Eurobonds (one bond – USD 100 000). The issue was arranged by ABN AMRO Bank N.V. and Dresdner Bank AG. The issue was registered on the Irish Stock Exchange. In the first half of 2009 the Group repurchased its bonds with the total nominal amount of USD 46 462 thousand, including those with subsequent cancellation from the listing with the total nominal amount of USD 40 182 thousand. As at 30 June 2009, the carrying value of the outstanding bonds was USD 79 380 thousand, the equivalent of RR 2 483 838 thousand (31 December 2008: the carrying value of these bonds was USD 125 239 thousand, the equivalent of RR 3 679 561 thousand). These Eurobonds have a maturity of 25 November 2009, nominal coupon rate of 9.501% p.a. and effective interest rate of 10.3% p.a.

12 Bonds Issued (continued)

In February 2009 the Group repurchased the entire issue of an interest-bearing Eurobond (with subsequent cancellation from the listing) with the total nominal amount of USD 75 000 thousand Eurobonds (one bond – USD 100 000, total amount of bonds - 750). As at 31 December 2008, the carrying value of these bonds was USD 75 955 thousand, the equivalent of RR 2 231 591 thousand. These Eurobonds had a maturity of 16 April 2010, nominal coupon rate of 9.975% p.a. and effective interest rate of 10.9% p.a. The issue was arranged by Dresdner Bank AG. The issue was registered on the Irish Stock Exchange.

In the event of liquidation of the Bank, the claims of repayment of subordinated Eurobonds are subordinated to the claims of all other creditors and depositors of the Bank.

On 22 June 2009, the Group repaid 1 000 000 Russian Rouble denominated interest-bearing bonds issued on 14 June 2006 (one bond – RR 1 000). As at 31 December 2008, the carrying value of these bonds was RR 1 001 368 thousand. For the coupon periods starting from 20 June 2008 the coupon rate was 10.5% p.a.

The Group should observe certain covenants, relating to the Eurobond issues. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. As at 30 June 2009 and 31 December 2008 the Group fully meets all covenants of the loan agreements. The Group's management believes that the Group meets all covenants of the loan agreements as at 30 June 2009 and 31 December 2008.

Currency and maturity analyses of bonds issued are disclosed in Note 19.

13 Other Borrowed Funds

In thousands of Russian Roubles	**30 June 2009**	**31 December 2008**
Subordinated loans	5 495 015	2 985 422
Syndicated funds attracted	3 149 267	3 682 375
Funds attracted from KFW IPEX-Bank Gmbh	1 140 915	1 070 158
Funds attracted from Nordic Investment Bank	904 670	849 147
Funds attracted from EBRD	756 069	830 955
Funds attracted from VTB (Deutshland)	621 304	-
Funds attracted from Bank of New York, NY	-	151 097
Funds attracted from Unicreditbank	-	29 697
Total other borrowed funds	**12 067 240**	**9 598 851**

In June 2009 the Group attracted a subordinated loan in the amount of USD 75 000 thousand arranged by European Bank for Reconstruction and Development (EBRD). The loan was granted for ten years and six months. The interest rate under the agreement is 13.4% p.a. for the first five years and thereafter LIBOR + 9.7% p.a. As at 30 June 2009, the carrying value of this loan was USD 74 356 thousand, the equivalent of RR 2 326 621 thousand.

In December 2008, the Group attracted a subordinated loan from the Bank's shareholder in the amount of EUR 36 690 thousand with maturity in December 2014. As at 30 June 2009, the carrying value of this subordinated loan was EUR 36 690 thousand, the equivalent of RR 1 607 723 thousand (31 December 2008: the carrying value of this subordinated loan was EUR 36 690 thousand, the equivalent of RR 1 520 474 thousand). This subordinated loan was attracted at a fixed interest rate of 14.5% p.a.

13 Other Borrowed Funds (continued)

In December 2006, the Group attracted a subordinated loan in the amount of USD 50 000 thousand with maturity in March 2012 financed by issuing credit linked notes. The provider of this subordinated loan was Investment bank TRUST. As at 30 June 2009, the carrying value of this subordinated loan was USD 49 877 thousand, the equivalent of RR 1 560 671 thousand (31 December 2008: USD 49 861 thousand, the equivalent of RR 1 464 948 thousand). This subordinated loan was attracted at the fixed interest rate of 11.0% p.a.

In the event of liquidation of the Bank, the claims of repayment of subordinated loans are subordinated to the claims of all other creditors and depositors of the Bank.

On 26 June 2008 the Group attracted a syndicated loan in the amount of USD 100 000 thousand arranged by (European Bank of Reconstruction and Development) EBRD in 2 tranches. The first tranche of USD 25 000 thousand has the maturity date of 23 June 2012 and interest rate of LIBOR + 3.45% p.a. The second tranche of USD 75 000 thousand has the maturity date of 23 December 2009 and interest rate of LIBOR + 2.75% p.a. The participants of the loan are 14 non-resident banks. As at 30 June 2009 the carrying value of this loan was USD 100 647 thousand, the equivalent of RR 3 149 267 thousand (31 December 2008: the carrying value of this loan was USD 99 898 thousand, the equivalent of RR 2 935 042 thousand). The interest rate on this loan is 4.6% for the first tranche and 3.9% for the second tranche as at 30 June 2009.

As at 30 June 2009 the Group repaid a syndicated loan attracted on 29 November 2007 in the amount of USD 70 000 thousand in 2 tranches. The first tranche of USD 44 500 thousand had a maturity date of 21 November 2008 and was repaid during 2008. The second tranche of USD 25 500 thousand had a maturity date of 26 May 2009. The loan is arranged by Commerzbank Aktiengesellschaft, ICICI Bank Hong Kong branch and UniCredit Group, acting through Bank Austria Creditanstalt AG. The participants of the loan are 15 non-resident banks and 3 resident banks. As at 31 December 2008 the carrying value of this loan was USD 25 436 thousand, the equivalent of RR 747 333 thousand.

On 16 July 2008 the Group attracted a loan arranged by KFW IPEX-Bank Gmbh in the amount of USD 35 000 thousand with maturity in July 2013. The interest rate on this loan is LIBOR + 6.12%. As at 30 June 2009 the carrying value of this loan was USD 36 462 thousand, the equivalent of RR 1 140 915 thousand. The interest rate on this loan is 9.987% p.a. (31 December 2008: USD 36 424 thousand, the equivalent of RR 1 070 158 thousand).

On 6 September 2007 and on 20 November 2007 the Group attracted four tranches of the credit facility provided by Nordic Investment Bank. The Group allocated the raised amounts for funding certain projects. As at 30 June 2009 the carrying value of this loan was USD 28 911 thousand, the equivalent of RR 904 670 thousand (31 December 2008: USD 28 902 thousand, the equivalent of RR 849 147 thousand). The loan maturity date of these credit facilities is on 3 October 2015. The interest rate on the loan ranges from LIBOR+2.6% p.a. to LIBOR+2.95% p.a., depending on maturity dates of the tranches. As at 30 June 2009 the interest rate on the loan was from 4.3% to 4.7% p.a.

On 25 October 2006, 26 February 2007 and 27 June 2007 the Group attracted three tranches of the loan provided by (European Bank of Reconstruction and Development) EBRD in the amount of USD 10 000 thousand each, which should be repaid before November 2011. This loan was issued for the purposes of funding small and medium businesses. Starting from November 2008 the Group started repayment of the loan and as at 30 June 2009 USD 6 000 thousand of principal amount was repaid. As at 30 June 2009 the carrying value of this loan was USD 24 163 thousand, the equivalent of RR 756 069 thousand (31 December 2008: USD 28 283 thousand, the equivalent of RR 830 955 thousand).The interest rate on the loan is LIBOR + 2.8% p.a. As at 30 June 2009 the interest rate on the loan was 4.4% p.a.

On 26 May 2009 the Group attracted a loan in the amount of USD 20 000 thousand arranged by VTB Bank (Deutschland) AG to finance trade contracts of the Group's clients. The loan maturity date is on 26 November 2010. The interest rate on the loan is LIBOR+7% p.a. As at 30 June 2009 the carrying value of this loan was USD 19 856 thousand, the equivalent of RR 621 304 thousand. As at 30 June 2009 the interest rate on the loan was 8.2% p.a.

13 Other Borrowed Funds (continued)

As at 30 June 2009 the Group repaid a loan attracted on 4 April 2008 in the amount of USD 5 000 thousand provided by the Bank of New York, NY to refinance export contracts of the Group's clients. This loan has an interest rate of LIBOR + 1.5% p.a. As at 31 December 2008 the carrying value of the loan was USD 5 143 thousand, the equivalent of RR 151 097 thousand.

As at 30 June 2009 the Group repaid two loans attracted on 9 October 2007 from the UniCredit Bank in the amount of USD 1 000 thousand and USD 2 000 thousand (repaid during 2008). The tranches have maturity dates of 6 April 2009 and 6 October 2008 accordingly. As at 31 December 2008, the carrying value of this loan was USD 1 012 thousand, the equivalent of RR 29 697 thousand.

The Group should observe certain covenants relating to attraction of syndicated loans, subordinated loans and funds from EBRD, KFW IPEX-Bank Gmbh, Nordic Investment Bank, VTB Bank (Deutschland) AG. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's management believes that the Group meets all covenants of the loan agreements as at 30 June 2009 and 31 December 2008.

Currency and maturity analyses of other borrowed funds are disclosed in Note 19. The information on related party balances is disclosed in Note 21.

14 Share Capital

In thousands of Russian Roubles	**Number of outstanding ordinary shares (thousand)**	**Number of outstanding preference shares (thousand)**	**Ordinary shares**	**Share premium**	**Preference shares**	**Total**
As at 1 January 2008	**282 150**	**20 100**	**3 386 879**	**9 725 450**	**177 451**	**13 289 780**
New shares issued	-	-	-	-	-	-
As at 31 December 2008	**282 150**	**20 100**	**3 386 879**	**9 725 450**	**177 451**	**13 289 780**
New shares issued	-	-	-	-	-	-
As at 30 June 2009	**282 150**	**20 100**	**3 386 879**	**9 725 450**	**177 451**	**13 289 780**

As at 30 June 2009 the nominal registered amount of the Group's issued share capital prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002 is RR 302 250 thousand (31 December 2008: RR 302 250 thousand). At 30 June 2009, all of the Group's outstanding shares were authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 1 per share (31 December 2008: RR 1 per share). Each share carries one vote.

The preference shares have a nominal value of RR 1 (31 December 2008: RR 1) and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. The preference shares are not redeemable. Preference share dividends are set at 11% p.a. and rank above ordinary dividends. If preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time that the dividend is paid. Dividend payments on preference shares for the periods where preference shares were given the right to vote are not subsequently compensated from future profit of the Bank.

Share premium represents the excess of contributions received over the nominal value of shares issued.

15 Interest Income and Expense

In thousands of Russian Roubles	**6 months ended 30 June 2009**	**6 months ended 30 June 2008**
Interest income		
Loans and advances to customers	11 363 138	7 151 593
Due from banks	488 487	89 770
Trading securities	358 312	371 515
Sale and repurchase agreements on securities	108 426	246 348
Investment securities held-to-maturity	60 823	-
Correspondent accounts with other banks	9 079	2 916
Total interest income	**12 388 265**	**7 862 142**
Interest expense		
Term deposits of legal entities	2 940 636	1 452 574
Term deposits of individuals	2 052 955	1 299 496
Due to banks	1 734 044	145 300
Other borrowed funds	460 077	280 986
Bonds issued	421 902	353 731
Other debt securities in issue	143 269	267 510
Current/settlement accounts	45 045	28 403
Total interest expense	**7 797 928**	**3 828 000**
Net interest income	**4 590 337**	**4 034 142**

16 Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period less treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

In thousands of Russian Roubles	Note	6 months ended 30 June 2009	6 months ended 30 June 2008
(Loss)/profit attributable to the Bank's shareholders		(48 666)	1 755 071
Less: preference dividends	17	(2 211)	(2 211)
(Loss)/profit attributable to the Bank's ordinary shareholders		(50 877)	1 752 860
Weighted average number of ordinary shares in issue (thousands)	14	282 150	282 150
Basic and diluted earnings per share (expressed in RR per share)		**(0.2)**	**6.2**

17 Dividends

	6 months ended 30 June 2009		6 months ended 30 June 2008	
In thousands of Russian Roubles	Ordinary	Preference	Ordinary	Preference
Dividends payable as at 1 January	**2 626**	**-**	**1 511**	**-**
Dividends declared during the period	31 037	2 211	39 501	2 211
Dividends paid during the period	(27 933)	(2 211)	(37 896)	(2 211)
Dividends payable as at 30 June	**5 730**	**-**	**3 116**	**-**
Dividends per share declared during the period (RR per share)	**0.11**	**0.11**	**0.14**	**0.11**

All dividends are declared and paid in Russian Roubles.

18 Segment Analysis

Segment information for the main reportable business segments of the Group for the 6 months ended 30 June 2009 and 30 June 2008 is set out below:

In thousands of Russian Roubles	**Corporate banking**	**Operations on financial markets**	**Retail banking**	**Eliminations**	**Total**
6 months ended 30 June 2009					
External revenues	11 018 435	1 204 414	1 460 762	-	**13 683 611**
Revenues from other segments	3 519 589	7 715 475	2 890 492	(14 125 556)	-
Total revenues	**14 538 024**	**8 919 889**	**4 351 254**	**(14 125 556)**	**13 683 611**
Total revenues comprise:					
- Interest income	13 733 663	8 660 494	4 119 664	(14 125 556)	12 388 265
- Fee and commission income	711 958	5 779	228 878	-	946 615
- Other operating income	92 403	253 616	2 712	-	348 731
Segment results	**(697 466)**	**667 202**	**802 396**	**-**	**772 132**
Unallocated costs					**(808 821)**
Loss before tax					**(36 689)**
Income tax expense					(11 977)
Loss for the period					**(48 666)**

In thousands of Russian Roubles	**Corporate banking**	**Operations on financial markets**	**Retail banking**	**Eliminations**	**Total**
6 months ended 30 June 2008					
External revenues	7 168 717	541 951	931 594	-	**8 642 262**
Revenues from other segments	2 575 886	6 199 635	2 348 983	(11 124 504)	-
Total revenues	**9 744 603**	**6 741 586**	**3 280 577**	**(11 124 504)**	**8 642 262**
Total revenues comprise:					
- Interest income	9 173 976	6 729 054	3 083 616	(11 124 504)	7 862 142
- Fee and commission income	528 373	12 532	195 332	-	736 237
- Other operating income	42 254	-	1 629	-	43 883
Segment results	**1 527 048**	**667 440**	**976 854**	**-**	**3 171 342**
Unallocated costs					(835 203)
Profit before tax					**2 336 139**
Income tax expense					(581 068)
Profit for the period					**1 755 071**

19 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks.

The primary objectives of the financial risk management function are to establish risk limits and other risk restrictions and then ensure that exposure to risks stays within these limits and restrictions. Geographical risk management consists in making decisions about opening new branches and supplementary offices and setting limits for operations with counterparties – residents of countries with different level of economic development with due consideration of geographical risk factors. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

The Group risk management function includes establishment, implementation and monitoring of financial risk management policies and procedures to be further updated depending on changes in the macroeconomic situation, current conditions of banking system of RF, economic conditions of Group's clients and regulatory changes.

The Group's main bodies performing the financial risk management functions are the Supervisory Board, Management Board, Assets and Liability Management Committee, Big Credit committee and Small Credit Committee.

The Supervisory Board is responsible for consideration of risk at the strategic level, i.e. it determines the level of risk the Bank may accept to achieve the desired level of profit. Accordingly, the Supervisory Board establishes benchmarks which determine the Bank's risk limits (in particular, the maximum concentration of assets by industry etc.). The Strategic plan of the Bank's development for 2009 factor in the stress scenario of potential increases in provisions for loans (the potential impairment of loan portfolio of the Bank) and determined measures for ensuring adequate capital due to general increase in risk levels. The Supervisory Board reviews on a monthly basis the reports submitted by the Bank's management on implementation of the Bank's Strategic development plan together with the report on implementation of business indicators of the Bank's Corporate plan for the current year. Reports on the Bank's lending operations, which contain information on the credit risk as the Bank's main financial risk are also reviewed by the Supervisory Board on a monthly basis. The Audit Committee established under the Supervisory Board reviews on a regularly basis (at least quarterly) reports of heads of Internal Control and the Department of the Banking Risks. Accordingly, the Audit Committee monitors the efficiency of risk management system functioning in the Bank.

The Management Board is responsible for exercising general control over the Bank's financial risk management. The Management Board has approved the Risk Management Policy, the compliance with which is supervised by reviews and approvals of quarterly risk management reports. The mentioned reports are prepared by the Department of Banking Risks and contain the description of the Group's risk position, both at the consolidated level and exposure to specific risks and suggest further improvements of financial risk management system of the Group and measures of ensuring its compliance with the current economic situation. The Bank's Management Board makes decisions on the risks that may be accepted by the Group or on arrangements to maintain the Group as a going concern in case of emergency when the decision-making process is beyond the scope of the Asset and Liability Management Committee and the Big Credit Committee. The Management Board of the Bank approved risk level limits included in the Strategic plan of the Bank's development for 2009.

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for the credit risk). Weekly, the Asset and Liability Management Committee adopts resolutions on management of the Group's balance sheet structure and the related liquidity risks, on determining and changing market risk and interest rate risk limits. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for the credit risk) and has the right to make decisions on financial risk management in case of emergency. The Asset and Liability Management Committee is involved in the geographic risk management and maintains business development beyond Saint-Petersburg. It approves decisions on opening new branches of the Bank and establishes the operating model for regional offices located in Saint-Petersburg and in the regional branches.

The Bank's Technical Policy Committee reviews the issues of management of operational risks, associated with information technologies and IT infrastructure of the Bank.

19 Financial Risk Management (Continued)

The Department of Banking Risks is responsible for the compliance with the Risk Management Policy, monitoring of the level of Bank's exposure to risks, initiating the development of methods of assessment of current risk levels of the Bank, management procedures for these risks, compliance by the Bank divisions with existing procedures and limits restricting the level of these risks. The Department of Banking Risks coordinates the management of operational and legal risks and manages market risks.

The Bank's Management Board, Big Credit Committee and Small Credit Committees of the Bank's branch subdivisions are responsible for making decisions on management of the Bank's credit risks. The Bank's Management Board approves the Credit Policy on an annually basis (the document containing guidelines on principles and procedures of credit risk management in the Bank and determining authority of the Bank's Big Credit Committee and Small Credit Committees). The Bank's Big Credit Committee and Small Credit Committees of the branches and the head office adopt resolutions on separate credit risk-related transactions or determine credit risk limits for certain borrowers (within the scope established by the Management Board in the Credit policy). Whenever decisions on certain loans are out of the scope of Small Credit Committees, these decisions are made by the Big Credit Committee (within its powers) or the Bank's Management Board.

Since credit risks are the main financial risks of the Group, the current management of the Group's credit risk is mostly performed by its specialized subdivision, the Credit Division, exercising operational control over the credit risk level.

Credit risk. The Group takes on exposure to credit risk which is the risk that a borrower will be unable to pay amounts of the principal debt or interest in full or on time in accordance with the terms of the loan agreement.

The Group considers both assets which are subject to credit risks and all the financial assets recognized in the consolidated balance sheet other then assets placed with the CBRF. Netting of the Bank's claims to the borrowers and the Bank's liabilities to these borrowers are also considered. The main business where netting is applicable is repo transactions when the Bank performs repo and reverse repo transactions with the same counterparty. These repo transactions with counterparties are short term and the financial position of these counterparties is monitored. Exposures under repo transactions are secured by highly liquid securities of issuers whose credit risk is also reviewed by the Bank. The Bank believes that the credit risk on these assets are lower than other financial assets of the Bank.

The Group's overall approach to credit risk management is defined in the Credit Policy. The Bank's credit policy reflects the general approach to the Group's credit risk management, credit risk management policy, the respective functions of the Bank's subdivisions, particular aspects of credit risk management for one borrower or a group of related borrowers, and the industry limits in lending operations.

Risk Management Tools

To maintain credit risks at an appropriate level the Group uses the following *risk management tools*:

For separate borrowers:

- Establishing limits and control over their implementation for separate borrowers and groups of related borrowers;
- Assessment of the borrowers' financial position at the moment of the loan application and during the period of monitoring of the loan;
- Evaluation of the market value of the collateral for a loan, evaluation of financial position of guarantors;

19 Financial Risk Management (Continued)

- Control over availability and safety of the pledge, both preliminary (before the pledge agreement is concluded) and subsequent control within the agreement term;
- Control over timely performance of the borrower’s obligations to the Bank;
- Defining the credit quality category of the loan, which conforms to the credit risk level.

For the loan portfolio in general:

- Development of uniform procedures and methods of issue of loans and subsequent monitoring of the borrowers, as well as obtaining timely information on the borrowers;
- Setting and control over the limits (ultimate restrictions) for large credit risks (risks for group of borrowers having the most significant liabilities to the Bank), credit risk concentration in certain industries, amount of possible losses of loan portfolio.
- Control over compliance by the Bank’s subdivisions with resolutions adopted by the Bank’s competent authorities and internal documents (such as credit policy, internal limits, etc).

For credit committees:

- Setting and control over the limits on powers of the Big Credit Committee and Small credit committees determined in the Credit policy.

Risk Reports

The Group management controls credit risks and the loan portfolio quality based on the following *reporting forms*:

Daily reports which form the basis for management decisions and are submitted to the Credit Director and the Deputy Chairman of the Management Board, responsible for lending operations:

- Changes in the quality categories of loans in the loan portfolio;
- Calculation of credit risk exposure per one borrower or a group of related borrowers.

Weekly and monthly reports submitted for the purposes of meetings conducted by the Bank’s Big Credit Committee, Asset and Liability Management Committee, Bank’s Management Board and Supervisory Board:

- Calculation of covenants (industry risks, credit exposure of large customers, loans granted to related borrowers, calculation of cumulative loans granted to the Bank’s 20 largest borrowers).
- General structure of the loans issued by the Bank by branches and additional offices;
- Movement of loans (broken down by the loans issued, rolled-over, overdue or repaid);
- Performance of the Bank’s branches/additional offices in terms of the amount of the loans granted, borrowers’ industries, etc;
- Performance of the Bank in terms of credit products issued to individual and corporate customers.

19 Financial Risk Management (Continued)

Decision to grant loans

For credit risk management purposes the Bank adopts a collegial decision-making system for granting loans (except for common loans granted to individuals under the Bank's target programs). The branches and the head office have Small Credit Committees which grant loans within the established limits. The limits of authority of the Small Credit Committees in branches, additional offices and head office are determined on the basis of their credit performance in the previous year, the structure and quality of their loan portfolios and qualifications of the employees by subdivision. The specific limits are determined in the Bank's Credit Policy.

Decisions on loans beyond the limits of authority of Small Credit Committees are taken by the Big Credit Committee (preliminary approval of granting the loan with the Small Credit Committee is obligatory). Decisions on loans beyond the limits of authority of Big Credit Committee, which authority is limited only by the amount of cumulative debt liability of borrowers, are taken by the Bank's Management Board (preliminary approval of granting the relevant loan with the Small Credit Committee and Big Credit Committee is obligatory).

The loans to the borrowers related to the Group are granted with prior consent of the Bank's Supervisory Board.

Limits established by the Group for credit risk management purposes:

1. Limits for separate borrowers and for a group of related borrowers.

When establishing limits for groups of borrowers, the Group takes into account both the requirements of Russian regulatory authorities and those of global financial institutions, which are the Group's creditors.

The Group establishes individual limits in respect of borrowers and groups of related borrowers. When establishing a limit the Bank takes into account all the information available to the Group. When establishing an individual limit, the Group performs analysis of the financial statements, cash flows, available credit history of each borrower in a group of related borrowers, the credit resource requirements of groups of related borrowers, as well as availability of funds for redemption of the loan. Also the Group takes into account the property pledged as collateral for a loan. The Group has established the following priority of collateral based on the results of assessment of liquidity of collateral and opportunity to cover credit risks of the Bank by the collateral:

   1. deposits with the Bank and promissory notes issued by the Bank;
   2. real estate;
   3. guarantees and sureties of legal entities;
   4. fixed assets;
   5. other assets.

2. Overall loan portfolio limits.

- Cumulative credit risk exposure to a separate borrower or a group of related borrowers (not exceeding 25% of the Bank's equity estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision in April 1998 (Basel I));
- Amount of loans and advances to borrowers related to the Bank (not exceeding 20% of the Bank's equity estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I));

19 Financial Risk Management (Continued)

- Cumulative amount of loans, bank guarantees and sureties provided by the Bank to its shareholders (having the right to 5 and more percent of the Bank's voting stock) - not exceeding 50% of the Bank's equity estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I));

- Amount of overdue loans in the loan portfolio – not exceeding 10%;

- Ratio of the maximum aggregate risk in the real estate and construction sector to the cumulative loan portfolio - less than 23%;

- Ratio of the maximum risk in any economic sector to the cumulative loan portfolio - 20%.

The Group uses the unified credit policy both for balance sheet financial instruments and off-balance sheet financial instruments. The Credit Policy establishes the unified procedures for approval of transactions, setting limits reducing the risk and the monitoring procedures. The borrower is entitled to use any of the Bank's offered products assuming availability of off-balance sheet liabilities of the Bank in relation to its lending activities (guarantees, unsecured letters of credit, credit line commitments and etc.) within the established limit.

The Bank uses the system of limits restricting the maximum debt of counterparty banks when conducting transactions on the interbank lending market and performing purchase and sale of financial assets, including term currency operations when the counterparty bears the credit risk in settlements. The respective limits are established for each financial institution on the basis of a credit quality analysis performed by the Bank's competent collegial bodies (Big Credit Committee, within its powers, and the Management Board). The limits established for resident banks are subject to review at least each quarter. The limits established for non-resident banks are subject to review at least semi-annually.

The Bank has continued to take a number of measures, aimed at reducing exposure to credit risks arising on granting and servicing of loans to legal entities and individuals as well as at diversification of loan portfolio by sectors and significant credit exposures, including:

1. Amendments to the Bank's Credit Policy aimed at tightening the underwriting requirements and limiting authority of Small Credit Committees, supplementary offices and branches of the Bank in taking decisions. These are as follows:

- The list of collateral which is subject to compulsory insurance was expanded;

- Restriction of Small Credit Committees' authority to:

  - grant loans/guaranties to legal entities without collateral (with the exception of tender participation loans);

  - grant secured loans, which do not belong to the 1 and 2 categories of quality of collateral, determined in accordance with the guideline of CBRF №254-P dated 26 March 2004 "On the formation of reserves against possible losses on loans, credit and equivalent debt by credit organizations".

  - set limits on powers of Small Credit Committees to change initial terms of loan and pledge agreements, as well as of release of collateral.

- In addition, certain measures were taken to improve collateral on existing facilities and to bring it in line with new policies.

19 Financial Risk Management (Continued)

2. Changes in the Bank's lending programs for individual borrowers are as follows:

Car loans:

- increase of initial contribution up to 30%;
- removal of the possibility to include comprehensive and collision car insurance payments as a part of the loan;
- tightening of requirements in respect of documentation requirements (employment history, earnings certificate only by 2-NDFL, 3-NDFL).

Mortgage loans:

- increase of initial contribution up to 25% for apartments and up to 30% for dwelling-houses and land properties;
- removal of the possibility to grant a concurrent loan to cover initial contribution;
- removal of the possibility to grant a loan to improve housing conditions;
- removal of the possibility to grant a loan to borrowers paying (at the expense of own cash funds) more than 50% of value of acquired real estate property out of proceeds of the mortgage loan, the loan without the analysis of their creditworthiness.

Geographical risk. The geographical risk is primarily that of the Russian Federation. The Group's exposure to geographical risk of other countries is limited since assets and liabilities of the Group are mainly concentrated in the Russian Federation. During the period from 1 January 2009 to 1 July 2009 the CBRF made recommendations for commercial banks not to increase foreign assets (assets of the banks placed outside of the Russian Federation). The Group was in compliance with these recommendations and didn't increase amount of assets placed outside of the Russian Federation.

Saint-Petersburg is a large city having a diversified economy (it doesn't depend on economic position of any group of related major entities). As a result, management believes that the historic specialization of the Bank's business in servicing of legal entities and individuals in Saint-Petersburg is an advantage for the Group in the current economic conditions. A number of cities and regions in the Russian Federation are dependent on the economic strength of an entity or group of related entities and accordingly currently have economic difficulties due to economic deterioration in business of these entities forming the economic base of such cities.

Market risks. The Group takes on exposure to the market risks arising from open positions in interest rate, currency and equity products that are exposed to general and specific market movements.

- currency risk (risk of losses due to exchange rate fluctuations);
- interest rate risk (risk of losses due to fluctuations in the levels of market interest rates);
- other price (equity) risk (risk of losses due to movements in quotations of the equity instrument).

19 Financial Risk Management (Continued)

The Department of the Banking Risks is responsible for developing methods of appraisal of the current level of market risks (with the exception of interest risk), management procedures for these risks, and for identification and analysis of the current risk level. The management procedure for currency and other price (equity) risk was significantly updated in May 2008 when the Bank's Management Board approved "Regulation of management of risks, arising from operations with financial market instruments". The Department of the Banking Risks reports to the Group's management on a regular basis. The review of the main risks is communicated to the Asset and Liability Management Committee and the Bank's management Board within the General risk management report.

The Treasury Department is responsible for development of methods for evaluation and procedures of operational management of interest risk.

Market risk management is defined as a method of limitation of possible losses which can be incurred by the Group within a set period of time due to movements in exchange rates, securities quotations and interest rates by way of establishing a system of limits on transactions, as well as stop-loss limits (maximum loss limits, in case of violation of which the position is closed) and monitoring their further compliance.

In autumn 2008 due to decrease in prices in the equity market and further high volatility of the equity instrument prices, the Bank took measures to decrease the equity price risk accepted by the Bank. Particularly, the Bank sharply reduced amount of limits or closed limits on operations with securities, decreased amount of repo transactions, and ensured that the securities portfolio included mainly high quality securities. In the first half of 2009 the Bank implemented a relatively conservative policy in the area of management of other price (equity) risk. The Bank maintained its equity portfolio at the minimum level and the Bank mainly performed repo transactions. In respect of repo transactions the Bank significantly increased discounts used to determine the amount of reverse repo transactions compared to the collateral.

Currency risk. Currency risk is the risk of changes in income or carrying value of the Group's financial instrument portfolio due to exchange rate fluctuations.

The Department of Financial Markets Operations currently manages the open currency position within the limits set by the Asset and Liability Management Committee (the Department of the Banking Risks prepares estimates for these limits). The Operational Department (back-office) currently monitors the Bank's compliance with the limits set.

For currency management purposes the Group uses the system of mandatory limits established by the CBRF, including limits on open position of the Bank in a foreign currency (up to 10% of the equity estimated in compliance with the CBRF) and the limit on the open position in all foreign currencies (up to 20% of the equity estimated in compliance with the CBRF).

The Group follows a conservative currency risk management policy and opens currency positions primarily in the currencies most frequently used in the Russian Federation (US Dollars and Euros) below the currency exposure limits established by the CBRF.

During the period from 1 January 2009 to 1 July 2009 the CBRF made recommendations for commercial banks not to increase their long net balance sheet open currency positions.The Group was in compliance with these recommendations and did not increase total long open currency positions.

19 Financial Risk Management (Continued)

The Group monitors changes in currency volatility levels by means of preparation and passing of recommendations on changes of level of internal currency risk limits to the Asset and Liability Management Committee. In the first half of 2009 levels of internal currency risk limits were reviewed by the Asset and Liability Management Committee three times.

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 30 June 2009. The Group does not apply the presented currency risk analysis for management purposes.

In thousands of Russian Roubles	RR	US Dollars	Euro	Other	Total
Assets					
Cash and cash equivalents	6 977 580	6 599 221	10 439 959	67 223	24 083 983
Mandatory cash balances with the Central Bank of the Russian Federation	517 807	-	-	-	517 807
Trading securities	4 965 377	3 928 051	-	-	8 893 428
Trading securities pledged under sale and repurchase agreements	6 450 523	-	-	-	6 450 523
Amounts receivable under reverse repurchase agreements	2 753 007	-	-	-	2 753 007
Loans to banks	10 557 401	590 242	4 198 839	-	15 346 482
Loans and advances to customers	100 779 883	37 862 238	5 265 216	-	143 907 337
Investment securities available for sale	81 118	204 406	-	-	285 524
Investment securities held-to-maturity	724 648	-	-	-	724 648
Other financial assets	154 461	1 815	573	-	156 849
Prepaid Income tax	212 831	-	-	-	212 831
Deferred income tax asset	254 078	-	-	-	254 078
Premises and equipment	7 836 713	-	-	-	7 836 713
Intangible assets	876	-	-	-	876
Other assets	460 593	5 603	7 103	-	473 299
Long-term assets held-for-sale	2 137 985	-	-	-	2 137 985
Total assets	**144 864 881**	**49 191 576**	**19 911 690**	**67 223**	**214 035 370**
Liabilities					
Due to banks	28 492 023	2 873 630	749 979	484	32 116 116
Customer accounts	88 311 668	29 438 619	23 834 640	12 167	141 597 094
Bonds issued	-	5 702 145	-	-	5 702 145
Other debt securities in issue	2 883 754	465 064	272 603	-	3 621 421
Other borrowed funds	-	10 459 517	1 607 723	-	12 067 240
Other financial liabilities	131 105	3 662	26 250	-	161 017
Other liabilities	160 162	1 852	136	-	162 150
Total liabilities	**119 978 712**	**48 944 489**	**26 491 331**	**12 651**	**195 427 183**
Less fair value of currency derivatives	24 295	-	-	-	24 295
Net balance sheet position, excluding currency derivatives	**24 910 464**	**247 087**	**(6 579 641)**	**54 572**	**18 632 482**
Currency derivatives	**(3 029 893)**	**(3 050 202)**	**6 055 800**	**-**	**(24 295)**
Net position, including currency derivatives	**21 880 571**	**(2 803 115)**	**(523 841)**	**54 572**	**18 608 187**

19 Financial Risk Management (Continued)

The table below summarises the Group’s exposure to foreign currency exchange rate risk as at 31 December 2008. The Group does not apply the presented currency risk analysis for management purposes.

In thousands of Russian Roubles	**RR**	**US Dollars**	**Euro**	**Other**	**Total**
Assets					
Cash and cash equivalents	13 022 590	14 442 415	9 340 213	36 108	36 841 326
Mandatory cash balances with the Central Bank of the Russian Federation	212 921	-	-	-	212 921
Trading securities	1 396 639	1 295 746	-	-	2 692 385
Trading securities pledged under sale and repurchase agreements	1 470 526	-	-	-	1 470 526
Loans to banks	4 428 663	774 845	13 972 356	-	19 175 864
Loans and advances to customers	114 536 137	26 222 624	4 123 740	-	144 882 501
Investment securities available for sale	53 978	-	-	-	53 978
Investment securities held-to-maturity	777 591	-	-	-	777 591
Other financial assets	129 643	14 544	16 396	-	160 583
Premises and equipment	6 945 944	-	-	-	6 945 944
Intangible assets	974	-	-	-	974
Other assets	347 213	14 771	827	-	362 811
Long-term assets held-for-sale	2 137 985	-	-	-	2 137 985
Total assets	**145 460 804**	**42 764 945**	**27 453 532**	**36 108**	**215 715 389**
Liabilities					
Due to banks	31 631 760	669 958	17 913	458	32 320 089
Customer accounts	97 200 435	24 475 408	18 128 629	20 007	139 824 479
Bonds issued	1 001 368	8 932 213	-	-	9 933 581
Other debt securities in issue	3 717 881	396 583	222 427	-	4 336 891
Other borrowed funds	-	8 078 377	1 520 474	-	9 598 851
Other financial liabilities	209 056	1 730	20 917	-	231 703
Income tax liability	1 025	-	-	-	1 025
Deferred income tax liability	67 125	-	-	-	67 125
Other liabilities	563 179	33 654	63	-	596 896
Total liabilities	**134 391 829**	**42 587 923**	**19 910 423**	**20 465**	**196 910 640**
Less fair value of currency derivatives	119 424	-	-	-	119 424
Net balance sheet position, excluding currency derivatives	**11 188 399**	**177 022**	**7 543 109**	**15 643**	**18 924 173**
Currency derivatives	**8 419 723**	**(1 344 940)**	**(7 194 207)**	**-**	**(119 424)**
Net position, including currency derivatives	**19 608 122**	**(1 167 918)**	**348 902**	**15 643**	**18 804 749**

19 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Group’s management believes that matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities of the Group by categories and maturities which will enable the Group to ensure timely payments of its obligations and meeting demands of the Group’s customers.

The Group seeks to maintain a diversified and stable structure of liabilities, which comprise primarily issued debt securities, long-term and short-term deposits of banks, corporate and retail customer deposits. The Group invests the funds in order to increase and diversify the portfolio of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customers accounts provide a long-term and stable source of funding for the Group.

The Group has established a multi-level liquidity management system. On a daily basis the Treasury Department controls the Group’s liquidity position. The long-term liquidity is forecasted by the Asset and Liability Management Committee. In some cases decisions on liquidity may be made by the Management and Supervisory Boards who also control the general liquidity of the Group.

Liquidity management requires maintaining sufficient amount of liquid assets to be used in case of unforeseen circumstances. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in the Group’s activity the management may demand higher amounts of liquidity, if required. In the third quarter of 2008 the Group’s management decided to raise the requirements in respect of liquid assets, which allowed the Bank to maintain sufficient liquid assets for timely performance of obligations and maintaining adequate liquidity ratio during the financial crisis in the third and fourth quarter of 2008 and during six months period ended 30 June 2009.

The Group’s management applies the following main instruments of liquidity management:

- In the short term the most effective way to manage liquidity is to manage the volume and structure of liquid assets. The management of the Group maintains a portfolio of liquid assets (including trading securities) which can be used for prompt and loss-free repayment of the Bank’s debt;

- In certain cases the management may impose restrictions on some transactions to regulate the Group’s balance sheet structure. The restrictions are set when other instruments of liquidity management are insufficient to maintain liquidity;

- Raising long-term funds. During the six months period ended 30 June 2009 and 2008, the Group raised funds on the global long-term debt and equity markets. Refer to Notes 12 and 13.

19 Financial Risk Management (Continued)

The Group's liquidity management policy includes the following:

- Daily forecasts of cash flows by currencies;
- Management of concentration and structure of borrowed funds;
- Development of liquidity maintenance plans;
- Diversification of the funding sources;
- Control over compliance of the Group with the statutory liquidity requirements;
- Setting interest rates for raising/granting funds by instruments and periods.

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis and includes daily estimates of the level of liquid assets necessary to settle obligations of the Bank to customers and counterparties in full as they fall due. It is implemented based on statistical and chronological analysis of the balances on customers' current accounts, forecasted customer deposits in correspondent accounts, movement of funds on accounts, analysis and processing of the information on the Bank's obligations and requirements under term contracts in short-term periods. The received analytical data serves as a basis for management of the Bank's liquidity position and replenishment of the payment cycle of the Bank and its customers with funds from liquid assets.

Medium-term liquidity (for the period of up to 3 months) monitoring ensures creation of the asset portfolio which may fully cover (with a certain emergency reserve) all needs of the current liquidity management within the planned time horizon.

Long-term liquidity (over 3 months) monitoring is based on analysis of the Group's liquidity gaps. The Group developed an analytical form to evaluate the liquidity gap through comparison of assets and liabilities by their terms. When attributing assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity. For example, for current accounts of customers the Group uses the statistical data on sustainability, and for securities – possible periods of selling portfolios without losses. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. The management analyses the net liquidity gap and cumulative liquidity gap.

19 Financial Risk Management (Continued)

The following tables are based on the above principles and show distribution of assets and liabilities as at 30 June 2009 and 31 December 2008 by expected maturity periods. This table is prepared by the Group for management purposes on the basis of accounting data prepared under the Russian Accounting Principles.

As at 30 June 2009:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets	67 443 904	40 318 198	62 159 892	53 998 097	223 920 091
Liabilities and equity	75 408 551	59 511 968	37 724 055	51 275 517	223 920 091
Net liquidity gap	(7 964 647)	(19 193 770)	24 435 837	2 722 580	
Cumulative liquidity gap	(7 964 647)	(27 158 417)	(2 722 580)		

As at 31 December 2008:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets	75 481 917	57 999 468	46 385 449	39 028 913	218 895 747
Liabilities and equity	69 713 884	57 692 886	24 279 756	67 209 221	218 895 747
Net liquidity gap	5 768 033	306 582	22 105 693	(28 180 308)	
Cumulative liquidity gap	5 768 033	6 074 615	28 180 308		

When performing its operating activity the Bank also focuses on compliance with the requirements of the CBRF on maintaining the liquidity ratios. These ratios are:

- Instant liquidity ratio (N2) which is calculated as the ratio of highly-liquid assets to liabilities payable on demand;
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days;
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year.

According to the Group's management view based on daily calculations of the Treasury Department, during six months period ended 30 June 2009 and 2008 the Bank complied with the liquidity ratios established by the CBRF.

19 Financial Risk Management (Continued)

The tables below shows assets and liabilities as at 30 June 2009 and 31 December 2008 by their remaining contractual maturity unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates in which case the expected date of settlement is used. Some of the assets and liabilities, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have a longer term duration. Overdue assets are allocated based on their expected maturity. The entire portfolio of trading securities is classified within demand and less than one month as the portfolio is of a trading nature and based on management's view that it is a reasonable fairer portrayal of the Group's liquidity position. Mandatory cash balances with the CBRF are included within demand and less than one month as the majority of the respective liabilities are also included within this category.

The liquidity position of the Group at 30 June 2009 prepared under IFRS is set out below. The Group does not use the presented analysis by contractual maturity for liquidity management purposes.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Assets						
Cash and cash equivalents	24 083 983	-	-	-	-	24 083 983
Mandatory cash balances with the Central Bank of the Russian Federation	517 807	-	-	-	-	517 807
Trading securities	8 893 428	-	-	-	-	8 893 428
Trading securities pledged under sale and repurchase agreements	6 450 523	-	-	-	-	6 450 523
Amounts receivable under reverse repurchase agreements	2 753 007	-	-	-	-	2 753 007
Loans to banks	13 416 558	716 968	1 124 821	88 135	-	15 346 482
Loans and advances to customers	13 312 851	37 414 318	61 672 477	23 457 702	8 049 989	143 907 337
Investment securities available for sale	-	204 406	-	-	81 118	285 524
Investment securities held-to-maturity	215 284	392 715	116 649	-	-	724 648
Other financial assets	156 849	-	-	-	-	156 849
Prepaid Income tax	-	212 831	-	-	-	212 831
Deferred income tax asset	-	-	-	254 078	-	254 078
Premises and equipment	-	-	-	-	7 836 713	7 836 713
Intangible assets	-	-	-	-	876	876
Other assets	224 605	53 272	15 965	84 606	94 851	473 299
Long-term assets held-for-sale	-	2 137 985	-	-	-	2 137 985
Total assets	**70 024 895**	**41 132 495**	**62 929 912**	**23 884 521**	**16 063 547**	**214 035 370**
Liabilities						
Due to banks	20 572 083	7 623 656	3 920 377	-	-	32 116 116
Customer accounts	64 656 506	48 214 774	23 466 131	5 219 026	40 657	141 597 094
Bonds issued	-	2 483 838	-	-	3 218 307	5 702 145
Other debt securities in issue	955 596	2 027 229	341 557	297 039	-	3 621 421
Other borrowed funds	-	2 664 664	445 618	4 869 087	4 087 871	12 067 240
Other financial liabilities	113 837	3 668	7 628	30 479	5 405	161 017
Other liabilities	94 305	63 967	3 866	12	-	162 150
Total liabilities	**86 392 327**	**63 081 796**	**28 185 177**	**10 415 643**	**7 352 240**	**195 427 183**
Net liquidity gap	**(16 367 432)**	**(21 949 301)**	**34 744 735**	**13 468 878**	**8 711 307**	**18 608 187**
Cumulative liquidity gap as at 30 June 2009	**(16 367 432)**	**(38 316 733)**	**(3 571 998)**	**9 896 880**	**18 608 187**	

19 Financial Risk Management (Continued)

The liquidity position of the Group at 31 December 2008 prepared under IFRS is set out below. The Group does not use the presented analysis by contractual maturity for liquidity management purposes.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	36 841 326	-	-	-	-	36 841 326
Mandatory cash balances with the Central Bank of the Russian Federation	212 921	-	-	-	-	212 921
Trading securities	2 692 385	-	-	-	-	2 692 385
Trading securities pledged under sale and repurchase agreements	1 470 526	-	-	-	-	1 470 526
Loans to banks	16 289 612	1 993 181	277 576	600 619	14 876	19 175 864
Loans and advances to customers	8 880 603	54 840 163	45 890 167	25 871 524	9 400 044	144 882 501
Investment securities available for sale	-	-	-	-	53 978	53 978
Investment securities held-to-maturity	-	235 386	441 293	100 912	-	777 591
Other financial assets	66 551	94 032	-	-	-	160 583
Premises and equipment	-	-	-	-	6 945 944	6 945 944
Intangible assets	-	-	-	-	974	974
Other assets	135 485	69 739	13 322	72 634	71 631	362 811
Long-term assets held-for-sale	-	-	2 137 985	-	-	2 137 985
Total assets	**66 589 409**	**57 232 501**	**48 760 343**	**26 645 689**	**16 487 447**	**215 715 389**
Liabilities						
Due to banks	14 952 490	17 367 599	-	-	-	32 320 089
Customer accounts	58 840 493	51 712 552	27 097 496	2 107 848	66 090	139 824 479
Bonds issued	-	1 001 368	3 679 561	2 231 591	3 021 061	9 933 581
Other debt securities in issue	1 385 777	1 579 854	1 135 566	235 694	-	4 336 891
Other borrowed funds	-	1 047 725	2 481 956	4 353 701	1 715 469	9 598 851
Other financial liabilities	209 004	1 210	721	15 161	5 607	231 703
Income tax liability	-	1 025	-	-	-	1 025
Deferred income tax liability	-	-	-	67 125	-	67 125
Other liabilities	197 026	398 693	1 177	-	-	596 896
Total liabilities	**75 584 790**	**73 110 026**	**34 396 477**	**9 011 120**	**4 808 227**	**196 910 640**
Net liquidity gap	**(8 995 381)**	**(15 877 525)**	**14 363 866**	**17 634 569**	**11 679 220**	**18 804 749**
Cumulative liquidity gap as at 31 December 2008	**(8 995 381)**	**(24 872 906)**	**(10 509 040)**	**7 125 529**	**18 804 749**	

According to current legislation individuals can withdraw their deposits placed before contractual maturity, in this case the interest rate on their deposits will equal interest rate on demand deposits effective on the date of withdrawal.

Management of the Group believes that the committed unused credit lines it has available, as well as the stability of customer accounts will fully cover the liquidity gap in the tables above.

19 Financial Risk Management (Continued)

The main differences between the liquidity tables prepared under IFRS by contractual maturity and the above tables prepared by the Group for management purposes are as follows:

1. The total balance sheet value differs by the provision for loan impairment of loans and advances to customers recorded by the Group as these are grossed up for management purposes whereas for the purposes of IFRS financial statements the amount of loans and advances to customers is reduced by the provision;

2. For management purposes the Group accounts for mandatory cash balances with the CBRF as an asset, retiring in more than one year since the Group may not use these resources to cover the creditors' demands;

3. For management purposes the loans and advances to customers are recorded by final maturity of the total loan amounts when they fall due, whereas for the purposes of IFRS financial statements the loans are broken down by tranches, which is specifically relevant for the loans granted to individuals and repaid by equal monthly installments;

4. The Bank applies internal methods to determine the maturity of current accounts and deposits on demand since these deposits are considered to be a long-term source of funding of the Group's transactions. Therefore, the current accounts of legal entities and individuals have longer maturity periods in calculating liquidity for Group management purposes.

20 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 8% based on the Basel Prudential Requirements for Banks amended in April 1998 (Basel I).

(i) Under the current capital requirements set by the Central Bank of Russia banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above 10%. The table below shows regulatory capital and statutory capital ratio based on the Bank's reports prepared under Russian statutory accounting standards and comprises:

In thousands of Russian Roubles	**30 June 2009**	**31 December 2008**
Total capital	26 174 914	23 743 006
Statutory capital ratio	13.8%	13.0%

Compliance with the capital adequacy ratio set by the CBRF is monitored monthly with reports containing its calculation reviewed and signed by the Bank's Deputy Chairman of the Management Board and Chief Accountant, as well as with daily calculations of the Treasury Department.

The Group's management believes that during 2008 and six months of 2009 the capital adequacy ratio was not below the set minimum level.

(ii) Arrangements to safeguard the Group's ability to continue as a going concern are performed under the Bank's Strategic Development Plan and divided into long-term and short-term capital management.

In the long-term the Bank is planning its business scope under strategic and financial plans developed along with identification of the risks and corresponding capital requirements for three years and one year, respectively. When the required amount of capital is defined the Bank determines the sources of its increase: borrowings on capital markets, share issue and the scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase are approved by the following collegial management bodies in order of the established priority: the Asset and Liability Management Committee, Management Board, Supervisory Board of the Bank.

In the short-term, with due account of the necessity to comply with the CBRF requirements, the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan of increasing or decreasing of assets. In some cases the management uses administrative measures to influence the balance sheet structure through setting limits for certain active transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

(iii) According to the loan agreements with its creditors the Bank has a commitment to maintain the minimum capital adequacy ratio of at least 10%, which is calculated under the requirements of Basel I (refer to Note 13).

20 Management of Capital (Continued)

This ratio is calculated on a quarterly basis; the forecasted amount of capital and capital adequacy are defined by the Bank's Strategic Development Plan which takes into account compliance with the capital adequacy requirements.

The calculation of amount of capital of the Bank and capital adequacy in accordance with Basel I is as follows:

In thousands of Russian Roubles	**30 June 2009**	**31 December 2008**
Capital	**26 385 106**	**24 225 253**
Tier 1	**16 513 211**	**16 595 125**
Paid-in share capital	3 564 330	3 564 330
Reserves and profit	12 948 881	13 030 795
including		
- Share premium	9 725 450	9 725 450
- Retained earnings	3 223 431	3 305 345
Tier 2	**9 871 895**	**7 630 128**
Revaluation reserve for premises	2 072 338	2 209 624
Revaluation reserve for investment securities available for sale	22 638	-
Subordinated loans	7 776 919	5 420 504
Risk weighted assets	**191 373 908**	**171 203 414**
Risk weighted balance sheet assets	161 273 670	162 035 478
Risk weighted trade assets	20 748 150	5 203 563
Risk weighted off-balance-sheet assets	9 352 088	3 964 373
Total capital adequacy ratio	**13.79%**	**14.15%**
Total tier 1 capital	**8.63%**	**9.69%**

The Group's management believes that during 2008 and the six months period ended 30 June 2009 the capital adequacy ratio set under Basel I requirements was not below the minimum level agreed on with the creditors of the Bank.

Due to the development of financial crisis and subsequent wider economic crisis in the Russian Federation in the fourth quarter of 2008 the Group changed its approach to capital planning for 2009. In developing the basic scenario of the Group's development in the altered macroeconomic environment it has factored in increased provisions for losses on loan receivables. This has resulted in the necessity to increase the Group's capital. In December 2008 the Group decided to attract a subordinated loan from one of the Group's shareholders. In June 2009 the Group attracted a subordinated loan arranged by EBRD. For further information refer to Note 13.

21 Related Party Transactions

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

Transactions are entered in the normal course of business with shareholders, management and companies controlled by the Group’s shareholders and management.

At 30 June 2009, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Other related parties**
Loans and advances to customers (contractual interest rates: 9.0% – 23.3%)	-	73 199	1 305 797
Impairment provision for loans and advances to customers	-	(3 413)	(38 948)
Customer accounts (contractual interest rates: 4.2% - 15.0%)	547 270	252 007	628 896
Other borrowed funds (contractual interest rates: 14.5%)	1 607 723	-	-

Other borrowed funds include subordinated debt. Refer to Note 13.

The income and expense items with related parties for the six-month period ended 30 June 2009 were as follows:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Other related parties**
Interest income	8	7 866	62 611
Interest expense	(137 117)	(11 123)	(38 779)
Recovery/(provision) for loan impairment	1	(463)	(31 720)
Fee and commission income	988	189	9 097

21 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by related parties during six-months period ended 30 June 2009 were:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Other related parties**
Amounts lent to related parties during the period	771	10 265	1 215 236
Amounts repaid by related parties during the period	826	53 040	102 508

At 31 December 2008, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Other related parties**
Loans and advances to customers (contractual interest rates: 6.0%-23.3%)	55	115 974	193 069
Impairment provision for loans and advances to customers	(1)	(2 950)	(7 228)
Customer accounts (contractual interest rates: 1.3%-13.5%)	711 606	253 059	783 447
Other borrowed funds (contractual interest rates: 14.5%)	1 520 474	-	-

Other borrowed funds include subordinated debt. Refer to Note 13.

The income and expense items with related parties for the six-month period ended 30 June 2008 were as follows:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Other related parties**
Interest income	2 581	4 195	5 795
Interest expense	(40 593)	(12 852)	(40 753)
Provision for loan impairment	(1 070)	(116)	(5 867)
Fee and commission income	3 735	439	7 066

21 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by related parties during six-months period ended 30 June 2008 were:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Other related parties**
Amounts lent to related parties during the period	666 678	21 365	756 041
Amounts repaid by related parties during the period	619 438	21 545	150 045

During the 6 months ended 30 June 2009, remuneration to members of the Supervisory Board and Management Board of the Bank including pension contributions and discretionary bonuses amounted to RR 32 386 thousand (6 months ended 30 June 2008: RR 38 473 thousand).

22 Subsequent Events

On 21 August 2009 Vnesheconombank granted a subordinated loan in the amount of RR 1 466 000 thousand to the Bank. This loan has interest rate of 8% p.a. and a maturity date of 16 December 2014.

On 28 July 2009 the general meeting of shareholders made a decision to increase the Bank’s share capital by placing 73 950 000 of A type preference shares with a nominal value of RR 1. In accordance with the terms of issuance, the A type preference shares will be converted to ordinary shares on 15 May 2013 in the proportion 1:1. The amount of dividend on the A type preference share is the Rouble equivalent of 13.5 % of the value of placement of one A type preference share fixed in US Dollars. The placement has not yet taken place and is expected to be by year end.