Bank of Moscow
(Open Joint Stock Company)

Interim condensed consolidated financial statements

30 June 2012

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Notes to the consolidated financial statements

Ernst & Young

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Report on review of the interim condensed consolidated financial statements

To the Shareholders and Board of Directors of Joint Stock Commercial Bank – Bank of Moscow (Open Joint-Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint-Stock Commercial Bank – Bank of Moscow (Open Joint Stock Company) (hereinafter, the "Bank") and its subsidiaries (together the "Group") as at 30 June 2012, comprising of the interim condensed consolidated statement of financial position as at 30 June 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Basis for qualified conclusion

1. We were not able to obtain sufficient appropriate audit evidence about the amount of allowance for impairment on loans and advances to customers of RUR 148,533.9 million as at 31 December 2010 and impairment loss on loans and advances to customers of RUR 127,796.8 million for the six-month period ended 30 June 2011 and the related income tax, because the Group's management had no possibility to reliably estimate the possible retrospective effect of the circumstances disclosed in Note 2 "Going concern" to the accompanying interim condensed consolidated financial statements. We were unable to determine whether adjustments to the results of operations might be necessary for the six-month period ended 30 June 2011. Our conclusion on the interim condensed consolidated financial statements for the six-month period ended 30 June 2012 is qualified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.

2. We were not able to obtain sufficient appropriate audit evidence about the carrying amount of equity investment securities available for sale of RUR 14,005.3 million as at 31 December 2010, the related impairment loss of RUR 9,662.8 million for the six-month period ended 30 June 2011 and the related income tax, because the Group's management had no possibility to reliably estimate the possible retrospective effect of the circumstances disclosed in Note 2 "Going concern" to the accompanying interim condensed consolidated financial statements. We were unable to determine whether adjustments to the results of operations might be necessary for the six-month period ended 30 June 2011. Our conclusion on the interim condensed consolidated financial statements for the six-month period ended 30 June 2012 is qualified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.

3. We were not able to obtain sufficient appropriate audit evidence about the completeness of disclosures of the Group's operations with related parties presented in Note 29 "Related party transactions" to the accompanying interim condensed consolidated financial statements in respect of results of operations for the six-month period ended 30 June 2011 because the Group's management does not have complete information about companies related to the Group during the period through 12 April 2011 when the authorities held by the Bank's former President – Chairman of the Board were suspended. Our conclusion on the interim condensed consolidated financial statements for the period ended 30 June 2012 is qualified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.

Qualified conclusion

Based on our review, except for the possible effects on the comparative information of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2011 were reviewed by another auditor who expressed a qualified conclusion on those statements dated 30 September 2011, which contains qualifications in respect of allowance for impairment on loans and advances to customers and related party disclosures.

Ernst & Young Vneshaudit ZAO

17 September 2012

(in millions of Russian roubles)

	Note	30 June 2012 (unaudited)	31 December 2011
Assets			
Cash and cash equivalents	5	50,413.8	62,851.3
Obligatory reserve deposits with central banks		6,402.2	9,753.7
Financial assets held for trading	6	34,536.1	33,434.7
Financial assets pledged under repurchase agreements	7	204,469.5	185,247.3
Due from other banks	8	150,944.4	158,825.9
Loans and advances to customers	9	590,577.6	533,735.5
Financial assets available for sale	10	17,844.9	18,258.3
Investment securities held to maturity	11	484.6	324.0
Investments in associates	12	3,022.7	3,121.9
Premises and equipment and intangible assets		26,093.5	20,457.8
Investment property		5,705.3	3,785.1
Current income tax assets		5,687.6	5,602.4
Deferred income tax assets		8,817.8	9,204.6
Other assets		8,212.6	5,076.8
Assets of disposal group held for sale	13	9,599.6	10,330.0
Total assets		**1,122,812.2**	**1,060,009.3**
Liabilities			
Due to other banks	14	56,081.9	44,001.5
Customer deposits	15	436,956.2	418,688.5
Debt securities issued	16	72,445.6	73,616.0
Subordinated debt	17	36,317.9	35,821.5
Deposit received from State Corporation Deposit Insurance Agency (SC DIA)	18	148,492.3	144,386.8
Due to the Central Bank of the Russian Federation (CBR)	19	184,993.5	159,745.6
Current income tax liabilities		323.6	224.6
Deferred income tax liabilities		538.1	613.6
Other liabilities		9,931.5	11,533.5
Liabilities of disposal group held for sale	13	8,423.3	8,502.2
Total liabilities		**954,503.9**	**897,133.8**
Equity			
Share capital	20	29,651.3	29,651.3
Share premium		146,449.6	146,449.6
Fair value reserve for financial assets available for sale		60.8	142.2
Premises revaluation reserve		3,799.7	3,882.6
Currency translation difference		(98.0)	(528.6)
Accumulated deficit		(11,760.1)	(16,965.1)
Equity attributable to shareholders		**168,103.3**	**162,632.0**
Non-controlling interests		205.0	243.5
Total equity		**168,308.3**	**162,875.5**
Total liabilities and equity		**1,122,812.2**	**1,060,009.3**

M. V. Kuzovlev
President – Chairman of the Management Board

14 September 2012

[illegible]. Yu. Berezov,
Chief Financial Officer, Deputy President – Chairman of the Management Board

(in millions of Russian roubles)

	Note	*For the six months ended 30 June 2012 (unaudited)*	*For the six months ended 30 June 2011 (unaudited) (restated)*
Interest income	21	39,585.6	27,149.8
Interest expense	21	(22,815.4)	(16,695.7)
Net interest income		**16,770.2**	**10,454.1**
Provision release/(charge) for impairment of due from other banks and loans and advances to customers	22	3,876.8	(127,796.8)
Net interest income/(loss) after provision for impairment		**20,647.0**	**(117,342.7)**
Gain from initial recognition of deposit received from SC Deposit Insurance Agency	18	–	152,002.0
Losses arising from early repayment of deposit received from SC Deposit Insurance Agency	18	(780.1)	–
Loss on initial recognition and restructuring of financial instruments		(469.8)	–
Gains less losses arising from financial instruments held for trading		(179.5)	626.9
Unrealized gains less losses from financial assets available for sale	10	(1,064.7)	(9,662.8)
Gains less losses arising from dealing in foreign currency and precious metals		3,402.1	4,682.0
Foreign exchange translation (losses net of gains)		(1,222.6)	(4,210.1)
Fee and commission income	23	3,918.9	3,847.6
Fee and commission expense	23	(993.8)	(945.0)
Investment property revaluation		(210.0)	
Other impairment and provisions		(342.0)	(1,393.7)
Other operating income less expenses		1,118.3	1,064.3
Net non-interest income		**3,176.8**	**146,011.2**
General and administrative expenses	24	(5,346.1)	(4,515.3)
Staff costs		(6,297.1)	(4,327.6)
Operating income		**12,180.6**	**19,825.6**
Share in net profit/(loss) of associates	12	297.5	(479.7)
Net gain on acquisition and sale of subsidiaries	13, 31	137.5	153.4
Loss on net monetary position		(145.0)	–
Profit before taxation		**12,470.6**	**19,499.3**
Income tax expense	25	(2,357.9)	(4,427.4)
Net profit		**10,112.7**	**15,071.9**
Net profit/(loss) attributable to:			
Shareholders of the Bank		**10,122.2**	**15,092.6**
Non-controlling interests		**(9.5)**	**(20.7)**
Basic and diluted earnings per share (Russian roubles per share)	26	**37.2**	**83.8**

(in millions of Russian roubles)

	Note	*For the six months ended 30 June 2012 (unaudited)*	*For the six months ended 30 June 2011 (unaudited) (restated)*
Net profit		**10,112.7**	**15,071.9**
Other comprehensive income:			
Unrealized gains less losses from financial assets available for sale		(101.8)	(39.5)
Effect of translation		430.6	(816.5)
Income tax relating to components of other comprehensive income		20.4	7.9
Total other comprehensive income		**10,461.9**	**14,223.8**
Total comprehensive income attributable to:			
Shareholders of the Bank		10,471.4	14,244.5
Non-controlling interests		(9.5)	(20.7)

(in millions of Russian roubles)

	Note	*For the six months ended 30 June 2012 (unaudited)*	*For the six months ended 30 June 2011 (unaudited) (restated)*
Cash flows from operating activities			
Interest received		38,402.7	31,689.2
Interest paid		(17,258.3)	(17,451.3)
Income received/(losses incurred) on transactions with financial instruments held for trading		(224.4)	120.3
Income received on dealing in foreign currency and precious metals		3,566.9	4,682.0
Fees and commissions received		3,921.7	3,837.9
Fees and commissions paid		(1,080.0)	(944.9)
Other operating income received less expenses paid		1,107.6	290.5
General and administrative expenses paid		(4,416.7)	(4,210.9)
Staff costs paid		(6,084.1)	(5,940.9)
Income tax paid		(1,875.0)	(2,192.9)
Cash flows from operating activities before changes in operating assets and liabilities		**16,060.4**	**9,879.0**
Net decrease/(increase) in operating assets			
Net decrease/(increase) in obligatory reserve deposits with central banks		3,371.6	(3,038.8)
Net decrease/(increase) in financial assets held for trading		(3,781.9)	34,235.2
Net increase in due from other banks		6,816.6	28,816.0
Net increase in loans and advances to customers		(68,292.5)	(5,321.7)
Net decrease in other assets		(1,155.0)	(2,536.0)
Net (decrease)/increase in operating liabilities			
Net (decrease)/increase in due to other banks		8,939.6	(76,753.6)
Net (decrease)/increase in customer deposits		15,309.9	526.9
Net increase/(decrease) in promissory notes issued		(1,168.2)	684.1
Net decrease in other liabilities		(2,117.3)	(83.0)
Other cash flows from operating activities			
Proceeds from funds received from the CBR		1,571,586.9	–
Repayment of funds received from the CBR		(1,547,221.0)	–
Net cash (used in)/from operating activities		**(1,650.9)**	**(13,591.9)**
Cash flows (used in)/from investing activities			
Dividends received		29.0	12.3
Proceeds from sale or redemption of financial assets available for sale		2,413.0	–
Acquisition of financial assets available for sale		(2,822.0)	(3,000.0)
Acquisition of subsidiaries, net of cash acquired	31	292.4	41.4
Disposal of subsidiaries, net of cash disposed		705.0	(2,686.0)
Acquisition of interests in associates		(87.0)	–
Acquisition of investment securities held to maturity		–	192.1
Proceeds from redemption of investment securities held to maturity		5.1	70.3
Purchase of premises and equipment		(4,093.0)	(654.1)
Proceeds from sale of premises and equipment		126.0	314.3
Purchase of intangible assets		(77.1)	–
Net cash (used in) investing activities		**(3,508.6)**	**(5,709.7)**
Cash flows used in financing activities			
Dividends paid		(5,000.1)	–
Redemption of bonds		(71.5)	(931.9)
Bonds issued		–	283.0
Eurobonds issued		–	3,199.0
Repayment of Eurobonds		–	(6,780.0)
Repayment of funds received from SC DIA		(1,760.9)	–
Changes in non-controlling interests in subsidiaries		(53.8)	–
Net cash from/(used in) financing activities		**(6,886.3)**	**(4,229.9)**
Effect of exchange rates changes on cash and cash equivalents		(391.7)	(372.6)
Net increase/(decrease) in cash and cash equivalents		**(12,437.5)**	**(23,904.1)**
Cash and cash equivalents at the beginning of the period	5	62,851.3	71,530.7
Cash and cash equivalents at the end of the period	5	**50,413.8**	**47,626.6**

Group of Joint Stock Commercial Bank – Bank of Moscow (Open Joint Stock Company)
Interim consolidated statement of changes in shareholders' equity for the six months ended 30 June 2012
(in millions of Russian roubles)

	Equity attributable to the shareholders of the parent Bank								
	Share capital	***Share premium***	***Unrealized gains on financial assets available for sale***	***Premises revaluation reserve***	***Currency translation difference***	***Retained earnings / (Accumulated deficit)***	***Total***	***Non-controlling interests***	***Total equity***
Balance as at 31 December 2010	**20,476.7**	**53,624.1**	**105.9**	**3,882.6**	**13.5**	**(41,577.9)**	**36,524.9**	**429.0**	**36,953.9**
Comprehensive income for the period	–	–	(31.6)		(816.5)	15,092.6	14,244.5	(20.7)	14,223.8
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(51.8)	(51.8)
Disposal of subsidiaries	–	–	–	–	–	–	–	328.0	328.0
Balance as at 30 June 2011 (unaudited, restated)	**20,476.7**	**53,624.1**	**74.3**	**3,882.6**	**(803.0)**	**(26,485.3)**	**50,769.4**	**684.5**	**51,453.9**
Balance as at 31 December 2011	**29,651.3**	**146,449.6**	**142.2**	**3,882.6**	**(528.6)**	**(16,965.1)**	**162,632.0**	**243.5**	**162,875.5**
Disposal of assets	–			(82.9)	–	82.9	–	–	–
Dividends						(5,000.1)	(5,000.1)		(5,000.1)
Comprehensive income for the period	–	–	(81.4)		430.6	10,122.2	10,471.4	(9.5)	10,461.9
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(197.7)	(197.7)
Acquisition of subsidiaries	–	–	–	–	–	–	–	168.7	168.7
Balance as at 30 June 2012 (unaudited)	**29,651.3**	**146,449.6**	**60.8**	**3,799.7**	**(98.0)**	**(11,760.1)**	**168,103.3**	**205.0**	**168,308.3**

1. Principal activities of the Group

Joint Stock Commercial Bank – Bank of Moscow (open joint stock company) (hereinafter the "Bank" or the "Bank of Moscow") and its subsidiaries (jointly referred to as the "Group") including Russian and foreign commercial banks and other entities controlled by the Group.

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

The Bank operates under General Banking License No. 2748 issued by the Central Bank of the Russian Federation (hereinafter, the "CBR") on 14 October 2004. The Bank also holds licenses required for holding and trading securities and engaging in other securities-related activities, including acting as a broker, a dealer and a custodian, and engaging in transactions with precious metals. The Bank and other Russian Group banks are regulated and supervised by the CBR and the Federal Service for Financial Markets. Foreign Group banks operate under the bank regulatory regimes of their respective countries.

On 28 October 2004, the Bank became a member of the mandatory deposit insurance system provided by the State Corporation Agency for Deposits Insurance. The State deposit insurance scheme implies that the SC DIA guarantees repayment of individual deposits up to the maximum total amount of guaranteed payment of RUR 700 thousand with a 100% compensation of deposited amount from 1 October 2008.

The principal activity of the Group is commercial banking comprising corporate, investment and retail banking services, asset management, private banking and transactions on financial markets. Provision of services to individuals makes up a considerable portion of the Bank’s operations. The Group operates both in Russian and international markets.

The list of the Bank's shareholders is presented below:

Shareholder	**30 June 2012 (unaudited)**	**31 December 2011**
VTB Group,	95.51%	94.84%
including		
CJSC VTB Debt Center	*61.08%*	*61.08%*
LLC VTB Pension Administrator	*34.43%*	*33.76%*
PLENIUM INVEST LTD.	2.99%	2.99%
Other	1.50%	2.17%
Total	**100.0%**	**100.0%**

As at 30 June 2012, the ultimate shareholder of the Bank was OJSC VTB Bank, which is controlled by the Russian Federation through the Federal Property Agency.

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

The Bank’s 135 offices and sub-office are located in all administrative districts of Moscow and in large towns of Moscow region. The Bank is the financial agent of the Government of the City of Moscow for investment programs and is the authorized dealer for bonds issues of the City of Moscow. The Bank is an active participant of a number of Moscow financial and industrial programs. It provides services to many municipal and commercial organizations participating in the implementation of the Moscow Government programs.

As at 30 June 2012, the Group operations in Russia are carried out through one parent bank, which has a regional network of 48 branches and 1 subsidiary bank. The Group's activities outside of Russia are carried out through 3 subsidiaries located in the Republic of Belarus, the Republic of Ukraine and the Republic of Serbia and one representative office located in Germany. A list of major subsidiaries and associates included in these consolidated financial statements is provided in Note 22.

Credit quality of the Bank of Moscow is affirmed by credit ratings issued by international rating agencies. As at 30 June 2012, the Bank's long-term ratings were set at "Ba2" (Moody's Investors Service) and "BBB" (Fitch).

Unless otherwise noted herein, all amounts are expressed in millions of Russian Rubles rounded off to one decimal.

2. Going concern

The Group's management prepared these consolidated financial statements based on the assumption that the Group will operate as a going concern in the foreseeable future and that it neither intends nor has to liquidate or significantly curtail its activities, and, therefore, its liabilities will be duly discharged. The Group analyzes and takes into account the key factors driving returns on assets and providing wider access to diversified financial resources.

Following the early resignation of Moscow Mayor Mr. Y. Luzhkov in September 2010, the new administration of the Moscow city announced its intention to dispose of its share in the Bank's capital. Later in 2010, JSC VTB Bank stated that it was interested in obtaining control over the Bank.

On 22 February 2011, JSC VTB Bank acquired a 46.48% stake in the Bank's share capital from the Government of Moscow and a 25% stake + 1 share in the share capital of JSC Metropolitan Insurance Group. As of the date of transaction, JSC Metropolitan Insurance Group held 17.3% of the Bank's share capital.

Following the court ruling, the powers of Mr. A. Borodin, former President of the Bank and Chairman of its Management Board, were suspended on 12 April 2011.

On 21 April 2011, an extraordinary shareholders' meeting of the Bank resolved to terminate the powers of Mr. A. Borodin, elect Mr. M. Kuzovlev as new President of the Bank and Chairman of its Management Board and approve the new membership structure of the Bank's Board of Directors and Management Board. Mr. A. Kostin, President of JSC VTB Bank and Chairman of its Management Board, was appointed Chairman of the Bank's Board of Directors.

At the end of 2010 and in the first half of 2011, the Accounts Chamber of the Russian Federation, the Bank of Russia and the new management of the Bank reviewed the Bank's activities and identified a number of violations made by the former management of the Bank with regard to corporate lending. The reviews identified a significant portfolio of assets associated with the financing of projects in the interests of Mr. A. Borodin, the Bank's former President, and a number of other persons. Shortly after A. Borodin resigned, management of the Bank of Moscow faced attempts to illegally sell the assets that were acquired for the loans issued by the Bank or pledged as collateral for loans issued by the Bank.

Beginning from June 2011, State Corporation Deposit Insurance Agency (hereinafter, "SC DIA") and the Bank of Russia started to implement bankruptcy prevention procedures in respect of the Bank in accordance with Federal Law No. 175-FZ dated 27 October 2008 "On Additional Measures to Strengthen the Stability of the Banking System until 31 December 2011". The plan providing for the Agency's involvement in the bankruptcy prevention procedures was approved by the Board of Directors of the Bank of Russia and the Management Board of the SC DIA on 30 June 2011 (hereinafter, the "Action Plan"). The aim of the bankruptcy prevention measures is to improve the quality of assets, make adequate provisions for possible losses from distressed assets, restore the Bank's financial soundness and ensure that the Bank meets all the requirements of the Bank of Russia regarding the financial stability of credit organizations.

The measures taken under the Action Plan in 2011 were as follows:

- On 20 July 2011, SC DIA, JSC VTB Bank, LLC VTB Pension Administrator, CJSC VTB Debt Center and the Bank signed a general agreement setting out the procedures and conditions under which the parties should cooperate to implement the Action Plan. As at 1 June 2011, the total amount of the Bank's assets classified by the parties in this agreement as distressed assets (hereinafter, "distressed assets") was RUR 351,980 million, including the principal balance under loan receivables in the amount of RUR 330,499 million and non-quoted investments in the amount of RUR 21,481 million.
- On 28 September 2011, VTB Group increased its stake in the Bank's share capital to 80.57% by acquiring the Bank's shares from non-resident shareholders.
- On 29 September 2011, SC DIA provided a loan to the Bank in the amount of RUR 294,811 million maturing in 10 years with quarterly interest payment at the rate of 0.51% p. a. (Note 18)
- On 30 September 2011, the Bank purchased federal loan bonds (serial №: 46023) with the amortization of debt. The bonds have a nominal value of RUR 295,000 million and mature date on 23 July 2026. These bonds were placed by the Ministry of Finance of the Russian Federation via private subscription on 30 September 2011. The coupon rate on the bonds was set at 8.16% p. a.
- The Bank and SC DIA developed a financial recovery plan for the Bank. The plan was approved by the Management Board of SC DIA on 27 October 2011. According to the plan, the Bank is to gradually achieve financial stability through rapid and sustainable development of its business.

2. Going concern (continued)

- On 28 December 2011, the Bank of Russia registered the fifteenth issue of the Bank's shares. The Bank placed 91,745,594 ordinary voting shares with a nominal value of RUR 100 via private subscription at the price of RUR 1,111.77 per share, which totaled RUR 102,000 million, including a share premium of RUR 92,825 million (Note 28). The issue was fully purchased by VTB Group.
- In December 2011, VTB Group also purchased 11.65% of the Bank's shares from JSC Metropolitan Insurance Group. Thus, as at 31 December 2011, VTB Group consolidated 94.84% of the Bank's share capital.

Financial recovery plan

During the established recovery period from 2011 through 2015, the Bank plans to take the following additional measures:

- reorganize the Bank's risk management systems, including credit risk, market risks, operational risk;
- improve the quality of the loan portfolio by increasing corporate lending volumes, developing the retail lending program, segmenting the portfolio, actively managing distressed debt;
- increase the Bank's funding base through corporate and retail deposits;
- optimize the Bank's organizational structure and general and administrative expenses;
- upgrade the Bank's IT infrastructure;
- restructure the Bank's branch network and enhance its efficiency;
- raise the Bank's external ratings, ensure that the Bank starts generating positive news and restore its reputation.

The Bank reviews the FRP implementation targets on a monthly basis and reports the results achieved to SC DIA.

Managing distressed assets

In 2011, new management of the Bank performed a detailed review of distressed assets to identify an adequate level of the credit risk and design plans for handling such assets in the future. The key areas of the Bank's distressed asset management are as follows:

- take actions to determine whether it is appropriate to restructure borrowers' debt;
- enter into transactions involving compensations in respect of the assets held in borrowers' balance sheets;
- claim debt in a court action, foreclosure of collateral and debtors' assets;
- instigate bankruptcy proceedings in respect of insolvent borrowers, take part in bankruptcy proceedings as creditor;
- sell collateral;
- engage collection agencies to deal with the most complex distressed assets;
- accept new collateral for previously issued loans;
- exercise control over borrowers' financial flows through representatives of the Bank and VTB Group in the collegial governing bodies.

A specific list of measures is determined individually for each borrower.

As a result of the efforts taken in respect of distressed assets in the second half of 2011, the gross amount of such assets before impairment decreased from RUR 351,980 million as at 1 June 2011 (the date when SC DIA, the Bank and VTB Group determined the amount of distressed assets) to RUR 350,152 as at 30 June 2011 (RUR 255,458 million as at 30 June 2012). The decrease occurred since a number of borrowers repaid their debt to the Bank.

Based on the analysis of distressed assets the new management of the Bank applied an expert judgment on the amount of impairment of such assets as at 30 June 2011, which was recognized in the income statement for the first half of 2011. The judgment of management in respect of loan receivables is based on the estimates of cash flows that the Bank may receive in the course of implementing the most effective measures in respect of each specific borrower. As at 30 June 2011 the gross amount of distressed loans to customers amounted to RUR 328,671 million with loan loss allowance of RUR 232,274 million (as at 30 June 2012: RUR 233,977 million and RUR 200,975 million respectively).

The impairment of unquoted investments as at 30 June 2011 was calculated based on the fair value of investments and determined using the valuation methods. As at 30 June 2011, the notional value of unquoted investments falling under the category of distressed assets was RUR 21,481 million and fair value - RUR 3,830 million (as at 30 June 2012: RUR 21,481 million and RUR 2,394 million respectively).

2. Going concern (continued)

The new management of the Bank does not have all the necessary information that would allow making a reliable conclusion concerning the extent to which the impairment provision for distressed assets made as at 30 June 2011 may relate to the prior reporting periods. Therefore, provisions of RUR 127,796.8 million relating mainly to distressed loans and recognition of impairment of available-for-sale securities in the amount of RUR 9,662.8 million are disclosed in the Bank's income statement for the first half of 2011.

The Bank will continue to actively manage distressed debt in the second half of 2012.

3. Basis of financial statements preparation

General

The interim condensed consolidated financial statements ("financial statements") for the six months ended 30 June 2012 have been prepared in accordance with International International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These financial statements are based on those accounting books and records, as adjusted and reclassified to comply with IFRS.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

These financial statements are presented in Russian Rubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2011, except for the adoption of new Standards and Interpretations as of 1 January 2012, noted below:

Amendments to IFRS 7 Financial Instruments: Disclosures

The Amendments were issued in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets.The amendment affects disclosure only and has no impact on the Bank's financial position or performance.

Amendments to IAS 12 Income Taxes – Deferred tax: Recovery of underlying assets

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. These amendments had no impact on the Bank's financial position

4. Correction of prior period errors and reclassifications

In course of preparing the financial statements for the six months ended 30 June 2012 the Bank has identified and corrected the following errors in previously issued financial statements for the six months ended 30 June 2011:

- income from initial recognition of government grant amounted to 152,002 mln RUR was not recognised in the statement of Comprehensive income (Note 2);
- provision for loans and advances to customers impairment was understated by 125,020.6 mln RUR;
- impairment of financial assets available for sale was understated by 9,649.5 mln RUR;
- as at 30 June 2011 loans and advances to customers were overstated by 1,301.9 mln RUR due to incorrect calculation of the loans amortized cost;
- income tax expense was understated by 1,133.6 mln RUR;

(in millions of Russian roubles)

4. Correction of prior period errors and reclassifications (continued)

- as at 30 June 2011 precious metals in amount of 1,016.9 were incorrectly classified to cash and cash equivalents (as at 31 December 2010: 1,497.6 mln RUR);
- due to a clerical inaccuracy the cash flow statement contained a number of material misstatements.

In course of preparing the financial statements for the six months ended 30 June 2012 the following reclassification have been made to comparative data for the six months ended 30 June 2011 to conform to 2012 presentation:

- staff costs were reclassified to a separate caption from general and administrative expenses in amount of 4,327.6 mln RUR, respectively staff cost paid were reclassified in the statements of cash flows to a separate caption from general and administrative expenses paid in amount of 5,940.9 mln RUR;
- provision charge for impairment of other assets in amount of 1,252.2 mln RUR and provision charge for premises and equipment and intangible assets in amount of 0.3 mln RUR were reclassified into other impairment and provisions;
- deposit insurance expenses were recognized within general and administrative expenses in amount of 364.1 mln RUR.

Amounts in the financial statements for the six months ended 30 June 2011 were restated. The effect of the restatement on those finacial statements is presented below.

Interim condensed consolidated income statement	**As previously reported**	**Correction of errors**	**Reclassifica-tions**	**As restated**
Interest income	28,451.7	(1,301.9)	–	27,149.8
Interest expense	(16,567.0)	(128.7)	–	(16,695.7)
Provision charge for impairment of due from other banks and loans and advances to customers	(2,776.2)	(125,020.6)	–	(127,796.8)
Fee and commission income	3,847.6	–	–	3,847.6
Fee and commission expense	(945.0)	–	–	(945.0)
Gain from initial recognition of deposit received from SC Deposit Insurance Agency	–	152,002.0	–	152,002.0
Gains less losses arising from financial instruments held for trading	677.7	(50.8)	–	626.9
Unrealized gains less losses from financial assets available for sale	2.1	(9,649.5)	(15.4)	(9,662.8)
Gains less losses arising from dealing in foreign currency and precious metals	4,682.0	–	–	4,682.0
Foreign exchange translation (losses net of gains)	(4,210.1)	–	–	(4,210.1)
Other operating income less expenses	904.7	6.2	153.4	1,064.3
General and administrative expenses	(8,478.9)	–	3,963.6	(4,515.3)
Staff costs	–	–	(4,327.6)	(4,327.6)
Deposit insurance expenses	(364.1)	–	364.1	–
Dividends received	12.3	–	(12,3)	–
Other impairment and provisions	–	–	(1,393.7)	(1,393.7)
Provision charge for impairment of financial assets available-for-sale	(15.4)	–	15.4	–
Provision charge for other assets	(1,252.2)	–	1,252.2	–
Provision charge for impairment of premises and equipment and intangible assets	(0.3)	–	0.3	–
Share in net profit/(loss) of associates	(479.7)	–	–	(479.7)
Net (loss)/gain on acquisition and sale of subsidiaries	153.4	–	–	153.4
Income tax (expense)/recovery	(3,293.8)	(1,133.6)	–	(4,427.4)
Net profit/(loss)	**348.8**	**14,723.1**	**–**	**15,071.9**

(in millions of Russian roubles)

4. Correction of prior period errors and reclassifications (continued)

Statement of cash flows	As previously reported	Correction of errors	Reclassifica-tions	As restated
Cash flows from operating activities				
Income received/(losses incurred) on transactions with financial instruments held for trading	(4,467.3)	4,587.6	–	120.3
Other operating income received less expenses paid	303.8	(13.3)	–	290.5
General and administrative expenses paid	(10,151.8)	–	5,940.9	(4,210.9)
Staff costs paid	–		(5,940.9)	(5,940.9)
Cash flows from operating activities before changes in operating assets and liabilities	**5,304.7**	**4,574.3**	**–**	**9,879.0**
Net decrease/(increase) in financial assets held for trading	43,630.1	(9,394.9)	–	34,235.2
Net increase in due from other banks	31,295.9	(2,479.9)	–	28,816.0
Net increase in loans and advances to customers	(4,763.4)	(558.3)	–	(5,321.7)
Net decrease in other assets	(48.5)	(2,487.50)	–	(2,536.0)
Net (decrease)/increase in due to other banks	(78,119.6)	1,366.0	–	(76,753.6)
Net (decrease)/increase in customer deposits	(10,478.2)	11005.1	–	526.9
Net increase/(decrease) in promissory notes issued	(718.6)	1,402.7	–	684.1
Net decrease in other liabilities	368.0	(451.0)	–	(83.0)
Net cash (used in)/from operating activities	**(16,568.4)**	**2,976.5**	**–**	**(13,591.9)**
Proceeds from sale or redemption of financial assets available for sale	1,022.0	(1,022.0)	–	–
Acquisition of financial assets available for sale	(4,317.5)	1,317.5	–	(3,000.0)
Acquisition of subsidiaries, net of cash acquired	(35.0)	76.4	–	41.4
Disposal of subsidiaries, net of cash disposed	753.3	(3,439.3)	–	(2,686.0)
Acquisition of investment securities held to maturity	(197.2)	389.3	–	192.1
Net cash (used in) investing activities	**(3,031.6)**	**(2,678.1)**	**–**	**(5,709.7)**
Redemption of bonds	–	–	(931.9)	(931.9)
Bonds issued	–	–	283	283
Eurobonds issued	3,481.5	–	(282.5)	3,199.0
Repayment of Eurobonds	(7,711.4)	–	931.4	(6,780.0)
Net cash from/(used in) financing activities	**(4,229.9)**	**–**	**–**	**(4,229.9)**
Effect of exchange rates changes on cash and cash equivalents	(554.9)	182.3	–	(372.6)
Net increase/(decrease) in cash and cash equivalents	**(24,384.8)**	**480.7**	**–**	**(23,904.1)**
Cash and cash equivalents at the beginning of the period	73,028.3	(1,497.6)	–	71,530.7
Cash and cash equivalents at the end of the period	**48,643.5**	**(1,016.9)**	**–**	**47,626.6**

(in millions of Russian roubles)

5. Cash and cash equivalents

	30 June 2012 (unaudited)	31 December 2011
Cash on hand	15,805.9	21,808.9
Cash balances with central banks (other than mandatory reserve deposits)	22,354.3	20,605.8
Correspondent accounts with other banks of:		
- other countries	10,083.4	16,902.5
- the Russian Federation	2,170.2	3,534.1
Total cash and cash equivalents	**50,413.8**	**62,851.3**

6. Financial assets held for trading

Financial assets held for trading and recognized in the interim condensed consolidated statement of financial position include trading securities and derivative financial instruments.

	30 June 2012 (unaudited)	31 December 2011
RUR-denominated securities		
Corporate bonds	24,143.4	15,456.4
Russian Federal bonds (OFZ)	2,135.8	5,165.7
Bonds of state and municipal authorities	60.9	2,661.0
Equity securities	6.8	6.4
Corporate promissory notes	–	2,135.5
Corporate Eurobonds	–	150.5
	26,346.9	**25,575.5**
USD-denominated securities		
Corporate Eurobonds	4,037.3	4,512.5
Corporate bonds	2,042.7	–
Eurobonds of the Russian Federation	26.9	632.8
	6,106.9	**5,145.3**
EUR-denominated securities		
Eurobonds of state and municipal authorities	421.7	530.7
	421.7	**530.7**
Derivative financial instruments	**1,660.6**	**2,183.2**
Total financial assets held for trading	**34,536.1**	**33,434.7**

Corporate bonds are represented by Rubles and US Dollar-denominated interest-bearing securities issued by major Russian companies and credit institutions and quoted on OJSC MICEX-RTS. As at 30 June 2012, these bonds in the Group's portfolio have maturities from 19 July 2012 to 17 February 2032, coupon rates ranging from 3.3% to 19.0% per annum and yield to maturity ranging from 2.83% to 16.04% per annum, depending on the issue.

As at 30 June 2012, corporate bonds include mortgage-backed bonds of Moscow Mortgage Agency Bank (OJSC) with the fair value of RUR 2,836.6 million, maturing from 17 July 2014 and 1 October 2015, with coupon rates ranging from 7.35% and 7.9% per annum and yield to maturity ranging from 7.55% to 9.04% per annum, respectively.

OFZ are RUR-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 30 June 2012, OFZ in the Group's portfolio have maturities from 1 August 2012 to 06 February 2036, coupon rates ranging from 6.9% to 10.8% per annum and yield to maturity ranging from 6.1% to 8.5% per annum, depending on the issue.

Bonds of state and municipal authorities represent RUR-denominated interest-bearing securities quoted on OJSC MICEX-RTS. As at 30 June 2012, these bonds in the Group's portfolio have maturities on 29 November 2016, coupon rate of 9.5% per annum and yield to maturity of 8.9% per annum.

(in millions of Russian roubles)

6. Financial assets held for trading (continued)

Equity securities are represented by shares of major Russian companies, quoted on OJSC MICEX-RTS.

Corporate Eurobonds are represented by USD-denominated interest-bearing securities issued by major Russian companies and credit institutions, quoted on international markets. As at 30 June 2012, these bonds in the Group's portfolio have maturities from 22 October 2012 to 23 April 2019, coupon rates ranging from 7.9% to 9.9% per annum and yield to maturity ranging from 4.9% to 8.6% per annum, depending on the issue.

Eurobonds of state and municipal authorities are EUR-denominated securities issued by the Moscow Government and quoted on international markets. As at 30 June 2012, these Eurobonds in the Group's portfolio have maturities on 20 October 2016, coupon rates of 5.06% per annum and yield to maturity of 3.96% per annum.

Eurobonds of the Russian Federation are USD-denominated securities issued by the Ministry of Finance of the Russian Federation and quoted on international markets. As at 30 June 2012, Eurobonds of the Russian Federation in the Group's portfolio have maturities on 24 June 2028 and 31 March 2030, coupon rates of 7.5% and 12.75% per annum, respectively, and yield to maturity of 3.89% and 5.26% per annum, respectively.

As at 30 June 2012, the Group has positions in the following types of derivative financial instruments:

Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

Options

Option is the right to purchase (call option) or sell (put option) a specific asset (e.g. security or foreign exchange) from or to a counterparty (option seller) at a predetermined price on or before a specific future date.

Derivative financial instruments held for trading

Most of the Group's derivative trading activities relate to deals with customers which are normally closed by offsetting of reverse positions with counterparties. The Group may also take positions with the expectation of profiting from favorable movements in prices, rates or indices.

The table below includes the following derivative contracts:

	30 June 2012 (unaudited)			**31 December 2011**		
	Notional amount	**Negative fair value**	**Positive fair value**	**Notional amount**	**Negative fair value**	**Positive fair value**
Foreign exchange and precious metals contracts						
Forward deals	70,018.9	(900.7)	515.0	47,784.8	(686.9)	–
Swap deals	37,525.3	(1,922.7)	1,130.9	40,760.6	(2,469.6)	2,183.2
Options deals	1,634.3	–	14.7	–	–	–
Contracts with securities						
Forward deals	92.6	(49.2)	–	–	–	–
Total derivative financial instruments	**–**	**(2,872.6)**	**1,660.6**	**–**	**(3,156.5)**	**2,183.2**

(in millions of Russian roubles)

7. Financial assets pledged under repurchase agreements

Financial assets pledged under repurchase agreements comprise:

	30 June 2012 (unaudited)	31 December 2011
Financial assets held for trading		
Corporate bonds	2,496.6	–
Bonds of state and municipal authorities	1,553.8	–
Total financial assets held for trading	**4,050.4**	**–**
Financial assets available for sale		
Russian Federal bonds (OFZ)	–	381.0
Total financial assets available for sale	–	**381.0**
Loans and advances to customers	200,419.1	184,866.3
Total financial assets pledged under repurchase agreements	**204,469.5**	**185,247.3**

As at 30 June 2012, loans and advances to customers pledged under repurchase agreements are represented by debt securities issued by the Ministry of Finance of the Russian Federation in the amount of RUR 192,730.9 million (as at 31 December 2011: RUR 175,538.0 million), and loans issued to Russian companies operating in the energy sector in the amount of RUR 7,688.2 million (as at 31 December 2011: RUR 9,328.3 million).

As at 31 December 2011, financial assets available for sale pledged under repurchase agreements are represented by debt securities issued by the Ministry of Finance of the Russian Federation in the amount of RUR 381.0 million.

As at 30 June 2012, financial assets held for trading pledged under repurchase agreements are represented by debt securities issued by the Russian companies and banks, and by bonds of municipal authorities in the amount of RUR 4,050.4 million (as at 31 December 2011: none).

8. Due from other banks

	30 June 2012 (unaudited)	31 December 2011
Current term placements with other banks	148,275.6	157,753.1
Reverse repurchase agreements with other banks	2,628.8	1,063.3
Deposits with central banks	40.0	9.5
Overdue deposits	0.7	0.7
Total gross due from other banks	**150,945.1**	**158,826.6**
Less: provision for impairment	(0.7)	(0.7)
Total due from other banks	**150,944.4**	**158,825.9**

As at 30 June 2012, the Group had deposits and account balances above 10% of the Group's equity with one bank (as at 31 December 2011 with one bank). The aggregate amount of these funds was RUR 105,287 million (as at 31 December 2011: RUR 129,354.4 million) or 69.8% of amounts due from other banks (as at 31 December 2011: 81.5%).

Amounts due from other credit institutions, except for reverse repurchase agreements, are not collateralized.

As at 30 June 2012, securities acquired from other banks under reverse repurchase agreements comprise Russian Federation bonds (OFZ) with the fair value of RUR 445,6 million (as at 31 December 2011: none), bonds of foreign governments with the fair value of RUR 35,7 million (as at 31 December 2011: 1,092.4 million), corporate bonds with the fair value of RUR 1,876.8 million (as at 31 December 2011: none), equity securities with the fair value of RUR 574,7 million (as at 31 December 2011: none).

(in millions of Russian roubles)

9. Loans and advances to customers

The table below shows loans and advances to customers by class.

	30 June 2012 (unaudited)	31 December 2011
Loans to legal entities		
Corporate loans	592,228.6	553181.4
Loans to state and municipal authorities	105,534.2	116595.5
Loans to small and medium business	50,430.2	44568.6
Reverse repurchase agreements	4,924.2	129.1
Total loans to legal entities	**753,117.2**	**714,474.6**
Loans to individuals		
Consumer loans	56,647.5	43,992.5
Mortgage loans	18,183.9	21,461.6
Credit cards	4,737.9	4,352.0
Car loans	2,593.3	3,295.6
Scoring loans	1,137.2	1,260.2
Overdrafts	327.0	246.4
Total loans to individuals	**83,626.8**	**74,608.3**
Less: provision for impairment (Note 22)	(246,166.4)	(255,347.4)
Total loans and advances to customers	**590,577.6**	**533,735.5**

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

	30 June 2012 (unaudited)		31 December 2011	
	Amount	%	Amount	%
Financial services	212,047.8	25.3%	212,140.9	26.9%
State authorities Government bodies	105,534.2	12.6%	116,595.5	14.8%
Chemical	90,111.4	10.8%	37,459.7	4.7%
Individuals	83,626.8	10.0%	74,608.3	9.5%
Construction	75,742.1	9.1%	76,378.8	9.7%
Manufacturing	72,646.0	8.7%	72,621.7	9.2%
Trade	71,339.5	8.5%	65 580.7	8.3%
Metallurgy	32,727.5	3.9%	41,997.0	5.3%
Fuel and energy	30,457.0	3.6%	29,366.2	3.7%
Transport and communications	17,875.3	2.1%	26,208.6	3.3%
Food industry	7,385.5	0.9%	7,447.6	1.0%
Agriculture and fishing	911.3	0.1%	3,342.8	0.4%
Other	36,339.6	4.3%	25,335.1	3.2%
Total loans and advances to customers, gross	**836,744.0**	**100.0%**	**789,082.9**	**100.0%**

As at 30 June 2012, the Group had 7 borrowers (as at 31 December 2011: 5 borrowers) with the total amount of debt over 10% of the Group’s equity. The aggregate amount of these loans was RUR 268,128 million (as at 31 December 2011: RUR 210,535 million), or 32% of loans to customers (as at 31 December 2011: 26.7%).

(in millions of Russian roubles)

9. Loans and advances to customers (continued)

The table below shows the analysis of loans by credit quality as at 30 June 2012:

	Neither past due nor impaired							
	Loans with minimum risk level (less than 2% of provision rate inclusive)	**Standard loans (provision rate between 2% and 5% inclusive)**	**Not-standard loans (provision rate between 5% and 20% inclusive)**	**Neither past due nor impaired, total**	**Past due, but not impaired**	**Indivi-dually assessed impaired loans**	**Collec-tively assessed impaired loans**	**Total**
Loans to legal entities								
Corporate loans	207,542.8	98,147.6	26,335.8	332,026.2	6,947.8	252,896.0	358.6	592,228.6
Loans to state and municipal authorities	101,317.9	4,185.3	31.0	105,534.2	–	–	–	105,534.2
Loans to small and medium business	16,914.8	14,727.2	11,010.0	42,652.0	117.4	2,842.6	4,818.2	50,430.2
Reverse repurchase agreements	3,235.3	1,624.9	64.0	4,924.2	–	–	–	4,924.2
Less provision for impairment of loans to legal entities	(1,872.6)	(4,418.1)	(3,535.8)	(9,826.5)	(519.5)	(217,531.0)	(4,958.2)	(232,835.2)
Total loans to legal entities	**327,138.2**	**114,266.9**	**33,905.0**	**475,310.1**	**6,545.7**	**38,207.6**	**218.6**	**520,282.0**
Loans to individuals								
Car loans	1,215.1	–	–	1,215.1	51.5	–	1,326.7	2,593.3
Consumer loans	47,108.8	1.9	19.3	47,130.0	688.6	–	8,828.9	56,647.5
Mortgage loans	15,690.6	–	12.5	15,703.1	597.1	–	1,883.7	18,183.9
Other	2,405.2	–	–	2,405.2	859.3	–	2,937.6	6,202.1
Less provision for impairment of loans to legal entities	(113.5)	(0.1)	(5.0)	(118.6)	(183.4)	–	(13,029.2)	(13,331.2)
Total loans to individuals	**66,306.2**	**1.8**	**26.8**	**66,334.8**	**2,013.1**	**–**	**1,947.7**	**70,295.6**
Total	**393,444.4**	**114,268.7**	**33,931.8**	**541,644.9**	**8,558.8**	**38,207.6**	**2,166.3**	**590,577.6**

(in millions of Russian roubles)

9. Loans and advances to customers (continued)

The table below shows the analysis of loans by credit quality as at 31 December 2011:

	Neither past due nor impaired							
	Loans with minimum risk level (less than 2% of provision rate inclusive)	**Standard loans (provision rate between 2% and 5% inclusive)**	**Not-standard loans (provision rate between 5% and 20% inclusive)**	**Neither past due nor impaired, total**	**Past due, but not impaired**	**Indivi-dually assessed impaired loans**	**Collec-tively assessed impaired loans**	**Total**
Loans to legal entities								
Corporate loans	145,576.7	98,919.0	36,701.6	281,197.3	2,725.6	268,733.4	525.1	553,181.4
Loans to state and municipal authorities	115,674.5	896.0	25.0	116,595.5	–	–	–	116,595.5
Loans to small and medium business	15,490.1	10,746.5	10,221.7	36,458.3	971.9	1,947.8	5,190.6	44,568.6
Reverse repurchase agreements	129.1	–	–	129.1	–	–	–	129.1
Less provision for impairment of loans to legal entities	(1,571.6)	(3,563.4)	(3,664.2)	(8,799.2)	(278.2)	(227,698.3)	(5,684.2)	(242,459.9)
Total loans to legal entities	**275,298.8**	**106,998.1**	**43,284.1**	**425,581.0**	**3,419.3**	**42,982.9**	**31.5**	**472,014.7**
Loans to individuals								
Car loans	1,823.5	–	7.4	1,830.9	64.9	–	1,399.8	3,295.6
Consumer loans	34,103.1	0.1	0.2	34,103.4	551.8	–	9,337.3	43,992.5
Mortgage loans	19,271.7	–	6.7	19,278.4	663.0	–	1,520.2	21,461.6
Other	3,346.7	–	–	3,346.7	562.9	–	1,949.0	5,858.6
Less provision for impairment of loans to legal entities	(96.6)	–	(2.4)	(99.0)	(143.0)	–	(12,645.5)	(12,887.5)
Total loans to individuals	**58,448.4**	**0.1**	**11.9**	**58,460.4**	**1,699.6**	**–**	**1,560.8**	**61,720.8**
Total	**333,747.2**	**106,998.2**	**43,296.0**	**484,041.4**	**5,118.9**	**42,982.9**	**1,592.3**	**533,735.5**

(in millions of Russian roubles)

9. Loans and advances to customers (continued)

Ageing analysis (by days of delay in repayment) of past due, but not impaired loans and advances by class as at 30 June 2012 is represented in table below:

	Not impaired loans with overdue payments				
	Less than 1 month	**1 to 3 months**	**3 to 6 months**	**More than 6 month**	**Total**
Loans to legal entities					
Corporate loans	4,401.6	1,257.4	36.3	1,252.5	6,947.8
Loans to small and medium business	111.8	5.4	0.2	–	117.4
Less provision for impairment of loans to legal entities	(438.5)	(61.6)	(0.1)	(19.3)	(519.5)
Total not impaired overdue loans to legal entities	**4,074.9**	**1,201.2**	**36.4**	**1,233.2**	**6,545.7**
Loans to individuals					
Car loans	–	51.5	–	–	51.5
Consumer loans	11.8	627.3	4.7	44.8	688.6
Mortgage loans	–	597.1	–	–	597.1
Other	–	859.3	–	–	859.3
Less provision for impairment of loans to individuals	(0.3)	(181)	(0.5)	(1.6)	(183.4)
Total not impaired overdue loans to individuals	**11.5**	**1,954.2**	**4.2**	**43.2**	**2,013.1**
Total not impaired overdue loans	**4,086.4**	**3,155.4**	**40.6**	**1,276.4**	**8,558.8**

Ageing analysis (by days of delay in repayment) of past due, but not impaired loans and advances by class as at 31 December 2011 is represented in table below:

	Not impaired loans with overdue payments				
	Less than 1 month	**1 to 3 months**	**3 to 6 months**	**More than 6 month**	**Total**
Loans to legal entities					
Corporate loans	–	–	2,725.6	–	2,725.6
Loans to small and medium business	392.8	13.3	0.9	564.9	971.9
Less provision for impairment of loans to legal entities	(18.5)	(1.0)	(258.7)	–	(278.2)
Total not impaired overdue loans to legal entities	**374.3**	**12.3**	**2,467.8**	**564.9**	**3,419.3**
Loans to individuals					
Car loans	64.9	–	–	–	64.9
Consumer loans	503.5	0.9	–	47.4	551.8
Mortgage loans	567.2	9.0	7.1	79.7	663.0
Other	562.9	–	–	–	562.9
Less provision for impairment of loans to individuals	(142.9)	–	–	(0.1)	(143.0)
Total not impaired overdue loans to individuals	**1,555.6**	**9.9**	**7.1**	**127.0**	**1,699.6**
Total not impaired overdue loans	**1,929.9**	**22.2**	**2,474.9**	**691.9**	**5,118.9**

As at 30 June 2012, loans and advances to customers include loans of RUR 423,091.9 million and RUR 213,957.0 million net of provision (as at 31 December 2011: RUR 413,475.1 million and RUR 200,940.8 million net of provision) pledged against the funds received from the Deposit Insurance Agency. The corresponding liabilities are presented within borrowings from SC DIA (Note 18).

(in millions of Russian roubles)

10. Financial assets available for sale

Financial assets available for sale comprise:

	30 June 2012 (unaudited)	31 December 2011
Russian Federal bonds (OFZ)	10,111,8	10,205.7
Equity instruments	6,258,7	7,007.9
Promissory notes of Russian companies and banks	884.8	633.8
Bonds of Russian companies and banks	355.8	410.9
Bonds of foreign governments	233.8	–
Total financial assets available for sale	**17,844.9**	**18,258.3**

OFZ are RUR-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 30 June 2012, OFZ in the Group's portfolio have maturities on 26 November 2014 and 23 July 2026, coupon rates of 8.1% and 8.2% per annum and yield to maturity of 7.3% and 8.3% per annum, respectively.

Equity securities mainly represent shares and equity holdings of Moscow enterprises: OJSC Serp & Molot, OJSC RTI, CEMF Hotels and resorts, OJSC "Moscow Wine and Cognac Factory" KiN ", OJSC MICEX-RTS.

As at 30 June 2011, the Group assessed the fair value of its equity instruments. As a result, an impairment loss of RUR 9,662.8 million was recognized for 6 months 2011 in the consolidated income statement within unrealized gains less losses from financial assets available for sale (for 6 months 2012: RUR 1,064.7 million).

Promissory notes of Russian companies and banks are represented by RUR-denominated promissory notes issued by major Russian credit institutions. As at 30 June 2012, the promissory notes in the Group's portfolio have maturities from 28 March 2012 to 25 August 2014 and yield to maturity from 6.25% to 9.2% per annum.

Bonds of Russian companies and banks are represented by RUR-denominated interest-bearing securities issued by major Russian companies and credit institutions, quoted on OJSC MICEX-RTS. As at 30 July 2012, corporate bonds in the Group's portfolio have maturities from 5 December 2012 to 15 September 2020, coupon rates ranging from 7.2% to 10.3% per annum and yield to maturity from 7.25% to 11.3% per annum.

Bonds of foreign governments are represented by BYR-denominated interest-bearing securities issued by the National Bank of Belorussia.

11. Investment securities held to maturity

Investment securities held to maturity comprise:

	30 June 2012 (unaudited)	31 December 2011
Bonds of Russian companies and banks	298.4	206.1
Russian Federal bonds (OFZ)	115.3	118.0
Bonds of state and municipal authorities	70.9	–
Total investment securities held to maturity, gross	**484.6**	**324.1**
Less: provision for impairment	–	(0.1)
Total investment securities held to maturity	**484.6**	**324.0**

(in millions of Russian roubles)

12. Investments in associates

	Country of registration	Business activity	30 June 2012 (unaudited) Carrying value	Percentage of ownership	31 December 2011 Carrying value	Percentage of ownership
OJSC Metropolitan Insurance Group	Russia	Insurance	2,510.3	24.9%	2,415.7	24.9%
OJSC Russian National Commercial Bank	Russia	Banking services	–	–	481.1	39.8%
AS Eesti Krediidipank	Estonia	Banking services	463.8	49.8%	150.8	43.8%
LLC Pension Reserve	Russia	Financial services	21.4	19.0%	49.0	19.0%
CJSC Automated Banking Technologies	Russia	Information technologies	27.2	25.9%	25.3	25.9%
CJSC "Investlesprom"	Russia	Commerce	–	23.4%	–	–
OJSC Leasing company Leasing Business	Russia	Leasing	–	23.9%	–	23.9%
CJSC SMU StroyModul	Russia	Commerce	–	29.4%	–	24.4%
Total investments in associates			**3 022.7**		**3,121.9**	

In March 2012 the Group acquired control over the associate company OJSC Russian National Commercial Bank; in June 2012 the Group increased its ownership share up to 96.8%. As a result of this transactions OJSC "RNCB" the company has been recognized as a subsidiary as at 30.06.2012 (note 31).

In March 2012 Group's interest in the share capital of CJSC "Investlesprom" increased from 19.9% to 23.4%. Investment to this company was reclassified from financial assets available for sale.

13. Disposal group held for sale

In December 2011, the Bank's management decided to sell within 2012 a subsidiary bank LLC BM Bank (the Republic of Ukraine), set up in 2005. As at 30 June 2012 the negotiations for the sale had not been finished. The subsidiary bank was accounted for in the Group's interim consolidated financial statements as a disposal group held for sale, at the fair value of assets and liabilities, in accordance with IFRS 5.

The major classes of assets and liabilities of LLC BM Bank classified as held for sale as at 30 June 2012 are as follows:

	30 June 2012 (unaudited)	31 December 2011
Cash and short-term funds	1,123.6	1,334.9
Obligatory reserve deposits with central banks	106.2	127.7
Due from other banks	1,098.9	1.1
Loans and advances to customers	5,951.4	7,713.8
Financial assets available for sale	156.1	155.4
Premises and equipment and intangible assets	71.0	86.5
Deferred tax asset	536.4	528.9
Other assets	380.7	381.7
Assets held for sale	**9,424.3**	**10,330.0**
Liabilities		
Due to other banks	3,073.0	2,722.9
Customer deposits	3,226.3	5,273.4
Other liabilities	537.1	64.1
Subordinated debt	1,092.0	441.8
Liabilities directly related to assets held for sale	**7,928.4**	**8,502.2**
Net assets held for sale	**1,495.9**	**1,827.8**

In April 2012 the Group acquired an interest in the following companies operating in waste processing business: LLC Company Spetskommuntehnika (100%), CJSC Environment and Energy (100%), LLC Europe-Motors (100%).The loss from acquisition comprised RUR 353,8 million RUR. The management of the Bank has intention to sale the interest in the entities named above within 12 months since the acquisition date. The group of companies was classified as disposal group held for sale.

(in millions of Russian roubles)

14. Due to other banks

	30 June 2012 (unaudited)	31 December 2011
Term deposits and loans of other banks	46,041.6	32,133.9
Repurchase agreements with other banks	7,855.7	7,117.7
Correspondent accounts of other banks	2,184.6	4,749.9
Total due to other banks	**56,081.9**	**44,001.5**

As at 30 June 2012 deposits and accounts balances of the one bank accounted over 10% of the Group's equity (as at 31 December 2011 – no account balances above 10% of the Group's equity). The aggregate amount of these funds was 30,005.8 million RUR.

Repurchase agreements with other banks are collateralized by the loans and advances to customers in amount of 7,688.2 million RUR and financial assets held for trading in amount of 3,805.4 million RUR (Note 7).

15. Customer deposits

Customer deposits comprised:

	30 June 2012 (unaudited)	31 December 2011
Federal and regional budgets and funds	**63,879.9**	**61,486.9**
Current/settlement accounts	5,072.8	11,560.7
Term deposits	58,807.1	49,926.2
State-owned enterprises and organizations	**84,740.9**	**54,318.2**
Current/settlement accounts	78,356.1	48,487.5
Term deposits	6,384.8	5,830.7
Other legal entities	**122,435.1**	**139,905.6**
Current/settlement accounts	73,108.9	87,368.3
Term deposits	49,326.2	52,537.3
Individuals	**165,900.3**	**162,977.8**
Current/settlement accounts	36,942.6	41,555.7
Term deposits	128,957.7	121,422.1
Total customer deposits	**436,956.2**	**418,688.5**

According to the Russian Civil Code, the Bank is obliged to repay deposits of individuals at short notice. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is payable at the rate applied to demand deposits.

As at June 2012, the Group had current accounts and customer deposits balances over 10% of the Group's equity with three customers (as at 31 December 2011: two customers). The aggregate amount of these funds was RUR 120,849 million (as at 31 December 2011: RUR 69,177 million) or 27,7% of customer deposits (as at December 2011: 16,6%).

As at 30 June 2012, the Group raised funds from customers in the amount of RUR 1,075.8 million (as at 31 December 2011: RUR 1.3 million) collateralized by securities. The securities comprise equity securities with the fair value of RUR 1,683.7 million (as at 31 December 2011: RUR 1.3 million), corporate bonds with the fair value of RUR 265,8 million (as at 31 December 2011: none).

(in millions of Russian roubles)

16. Debt securities issued

	30 June 2012 (unaudited)	31 December 2011
Eurobonds	57,452.8	56,632.7
Bonds	10,764.4	11,036.0
Promissory notes	4,228.4	5,947.3
Total debt securities issued	**72,445.6**	**73,616.0**

As at 30 June 2012 the Eurobonds comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying value	Market price, %
USD 750,000	11 March 2010	11 March 2015	6.699%, semi-annually	25,058.5	103.01
USD 500,000	13 May 2006	13 May 2013	7.335%, semi-annually	16,005.5	103.28
CHF 350,000	10 September 2010	10 September 2013	4.5%, annually	12,449.5	100.57
SGD 150,000	1 February 2011	1 February 2013	4.25%, semi-annually	3,939.3	99.60
Total Eurobonds				**57,452.8**	

As at 31 December 2011 the Eurobonds comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying value	Market price, %
USD 750,000	11 March 2010	11 March 2015	6.699%, semi-annually	24,574.5	98.25
USD 500,000	13 May 2006	13 May 2013	7.3 35%, semi-annually	16,167.6	102.43
CHF 350,000	10 September 2010	10 September 2013	4.5%, annually	12,119.2	99.13
SGD 150,000	1 February 2011	1 February 2013	4.25%, semi-annually	3,771.4	98.30
Total Eurobonds				**56,632.7**	

As at 30 June 2012, the bonds comprised:

Series/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value (mln)	Carrying value	Market price, %
ММД11	7.5%, quarterly	24 January 2011	24 January 2013	USD 0.1	248.6	–
Total bonds in USD					**248.6**	
MM13	5.1%, quarterly	18 July 2011	31 July 2012	BYR 100	209.9	–
Total bonds in foreign currency					**209.9**	
40202748B	7.55%, semi-annually	8 February 2008	1 February 2013	RUR 10,000	10,305.9	99.69
Total bonds in RUR					**10,305.9**	
Total bonds					**10,764.4**	

(in millions of Russian roubles)

16. Debt securities issued (continued)

As at 31 December 2011, the bonds comprised:

Series/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value (mln)	Carrying value	Market price, %
ММД11	7.5%, quarterly	24 January 2011	24 January 2013	USD 0.1	244.5	–
Total bonds in USD					**244.5**	
MM12	5.3%, monthly	12 May 2011	31 May 2012	BYR 100	70.0	–
MM13	5.1%, quarterly	18 July 2011	31 July 2012	BYR 100	415.8	–
Total bonds in foreign currency					**485.8**	
40202748B	7.55%, semi-annually	8 February 2008	1 February 2013	RUR 10,000	10,305.7	99.50
Total bonds in RUR					**10,305.7**	
Total bonds					**11,036.0**	

17. Subordinated debt

	30 June 2012 (unaudited)	30 December 2011
Eurobonds issued	22,841.9	22,455.5
Subordinated loans	13,476.0	13,366.0
Total subordinated debt	**36,317.9**	**35,821.5**

As at June 2012, the Eurobonds issued comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying value	Market price, %
$300 000	25.11.2005	25.11.2015	US Treasury plus 4.567%, semi-annually	9,613.1	98.45
$400 000	10.05.2007	10.05.2017	6.807% semi-annually during the first 5 years, then the rate equals US Treasury plus 5.25%	13,228.8	95.56
Total Eurobonds				**22,841.9**	

As at 31 December 2011, the Eurobonds issued comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying value	Market price, %
$300 000	25.11.2005	25.11.2015	US Treasury plus 4.567%, semi-annually	9,473.5	91.93
$400 000	10.05.2007	10.05.2017	6.807% semi-annually during the first 5 years, then the rate equals US Treasury plus 5.25%	12,982.0	92.00
Total Eurobonds				**22,455.5**	

As at 30 June 2012 subordinated loans comprised of loan from the state corporation "Bank for Development and Foreign Economic Affairs" (Vnesheconombank) in the amount of RUR 10,202.7 million (as at 31 December 2011: RUR 10,092.7 million), at the rate of 6.5% per annum, maturing on 18 December 2019 and loan from ABN Amro Bank (Currently – Royal Bank of Scotland) in the amount of RUR 3,273.3 million (as at 31 December 2011: RUR 3,209.8 million) maturing on 21 December 2016.

(in millions of Russian roubles)

18. Deposit received from state corporation deposit insurance agency

On 30 June 2011 Central bank of Russia, Board of Directors of the Bank and the Management Board of the SC DIA approved Action Plan according to which on 29 September 2011 the Group received funds from SC DIA in the amount of RUR 294,811.0 million at the rate of 0.51% per annum for 10 years (Note 2). In accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* as at 30 June 2011 the Group had reasonable assurance that the Bank will comply with the conditions attaching to SC DIA deposit and that the deposit will be received. The Group discounted this using the appropriate market rate and recognized the gain from the initial recognition of the deposit in amount RUR 152,002.0 million in June 2011. The deposit is collateralized by loans and advances to customers (Note 9). As at 30 June 2012, the Group recognized cumulative losses from early repayment of the deposit received from SC DIA in the amount of RUR 1,891.3 million (as at 31 December 2011 – RUR 1,111.2 million).

19. Due to the Central Bank of the Russian Federation

	30 June 2012 (unaudited)	31 December 2011
Repurchase agreements with the Bank of Russia	184,993.5	157,841.1
Loans and deposits of the Bank of Russia	–	1,904.5
Total other borrowed funds	**184,993.5**	**159,745.6**

The Group entered into repurchase agreements with the CBR on arm's length conditions. These agreements are collateralized by the bonds of the Russian Federation classified as loans and advances to customers with the carrying value of RUR 192,730.9 million (as at 31 December 2011: RUR 175,538.0 million). (Note 7)

20. Share capital

Authorized, issued, and fully paid share capital of the Group comprises:

	30 June 2012 (unaudited)		31 December 2011	
	Number of shares	Nominal value	Number of shares	Nominal value
Ordinary shares	271,745,594	27,174.6	271,745,594	27,174.6
Restatement of share capital prior to 31 December 2002 under IAS 29	–	2,476.7	–	2,476.7
Total share capital	**271,745,594**	**29,651.3**	**271,745,594**	**29,651.3**

The nominal value of each ordinary share is 100 rubles. Each share carries one vote.

On 27 October 2011, the Bank of Russia registered an additional issue of 100,000,000 ordinary registered shares of Bank of Moscow totaled RUR 10,000 million at nominal value. The shares were placed via private subscription in favor of one investor – LLC VTB Pension Administrator, which purchased 91,745,594 shares, or 91.75% of the issuing volume for RUR 1111.77 per share. On 29 December 2011, the Bank of Russia registered a report on the results of the additional issue of 91,745,594 ordinary registered shares, or totaled RUR 9,174.6 million at nominal value. Based on the report and pursuant to the issuer's instruction, on 13 January 2012 not issued securities in the amount of 8,254,406 shares were redeemed by the Bank's registrer – LLC Registrator KRC. As a result of the placement of the additional share issue, the funds raised totaled RUR 102,000 million, including the share premium of RUR 92,825.4 million. Dividends in the amount of RUR 5,000 million were paid during the six months ended 30 June 2012.

(in millions of Russian roubles)

21. Interest income and expense

	For 6 month, ended 30 June 2012 (unaudited)	For 6 month, ended 30 June 2011 (unaudited)
Interest income		
Loans and advances to customers	32,624.4	23,722.2
Due from other banks	5,328.5	1,173.1
Financial assets available for sale	531.0	39.1
Investment securities held to maturity	13.7	19.4
	38,497.6	**24,953.8**
Financial assets held for trading	1,088.0	2,196.0
Total interest income	**39,585.6**	**27,149.8**
Customer deposits	8,816.3	11,767.1
Deposit received from SC DIA	6,130.6	9.6
Due to the Central Bank of Russia	3,345.1	63.3
Debt securities issued	2,250.0	2,498.1
Subordinated debt	1,188.3	1,188.4
Due to other banks	1,085.1	1,169.2
Total interest expense	**22,815.4**	**16,695.7**
Net interest income	**16,770.2**	**10 454.1**

22. Provision for impairment and other provisions

The movements in provision charge for impairment of loans to legal entities by class for six months ended 30 June 2012 are as follows:

	Corporate loans	Loans to small and medium business	Loans to government and municipal authorities	Reverse repurchase agreements	Total
As at 31 December 2011	**234,100.7**	**8,326.0**	**32.8**	**0.4**	**242,459.9**
Provision/(Reversal of provision) for impairment during the year	(7,678.1)	3,089.7	92.1	85.9	(4,410.3)
Reclassification of provisions associated with assets of the disposal group	(282.0)	–	–	–	(282.0)
Provision write-off in business combination	(5,674.0)	–	–	–	(5,674.0)
Translation difference	770.4	1.4	–	–	771.8
Loans written off as uncollectible during the reporting period	(30.1)	–	–	–	(30.2)
As at 30 June 2012 (unaudited)	**221,206.9**	**11,417.1**	**124.9**	**86.3**	**232,835.2**

The movements in provision charge for impairment of loans to legal entities by class for six months ended 30 June 2011 were as follows:

	Corporate loans	Loans to small and medium business	Loans to government and municipal authorities	Reverse repurchase agreements	Total
As at 31 December 2010	**127,096.3**	**7,538.3**	**–**	**–**	**134,634.6**
Provision/(Reversal of provision) for impairment during the year	126,366.1	2,148.5	–	–	**128,514.6**
Provision write-off in business combination	(121.6)	(167.8)	–	–	**(289.4)**
Loans written off as uncollectible during the reporting period	–	(0.2)	–	–	**(0.2)**
As at 30 June 2011 (unaudited)	**253,340.8**	**9,518.8**	**–**	**–**	**262,859.6**

(in millions of Russian roubles)

22. Provision for impairment and other provisions (continued)

The movements in provision for impairment of loans to individuals by class for six months ended 30 June 2012 are as follows:

	Consumer loans	Mortgages	Car loans	Scoring loans	Credit cards	Overdrafts	Total
As at 31 December 2011	**8,535.8**	**1,258.0**	**1,241.8**	**678.8**	**1,130.1**	**43.0**	**12,887.5**
Provision/(Reversal of provision) for impairment during the year	132.6	347.8	(47.0)	40.2	45.8	14.1	**533.5**
Translation difference	(42.2)	(2.3)	(1.7)	–	(1.7)	(0.1)	**(48.0)**
Loans written off as uncollectible during the reporting period	(41.8)	–	–	–	–	–	**(41.8)**
As at 30 June 2012 (unaudited)	**8,584.4**	**1,603.5**	**1,193.1**	**719.0**	**1,174.2**	**57.0**	**13,331.2**

The movements in provision for impairment of loans to individuals by class for six months ended 30 June 2011 were as follows:

	Consumer loans	Mortgages	Car loans	Scoring loans	Credit cards	Overdrafts	Total
As at 31 December 2010	**8,604.9**	**1,620.0**	**1,595.6**	**696.1**	**1,356.2**	**26.5**	**13,899.3**
Provision/(Reversal of provision) for impairment during the year	690.3	(1,125.0	(335.2)	17.1	46	(10.4)	(**717.2**)
Translation difference	(81.1)	(3.9)	(3.7)	–	(63)	(0.6)	(**152.3**)
Loans written off as uncollectible during the reporting period	(0.5)	–	–	–	(0.3)	–	(**0.8**)
As at 30 June 2011 (unaudited)	**9,213.60**	**491.1**	**1,256.70**	**713.2**	**1,338.9**	**15.5**	**13,029.0**

23. Fee and commission income and expense

	6 month, ended 30 June 2012 (unaudited)	6 month, ended 30 June 2011 (unaudited)
Fee and commission income		
Commission on settlement transactions	1,100.3	1,542.8
Commission on cash transactions	968.6	1,036.2
Commission on guarantees issued and trade finance	954.3	371.4
Commission on transactions with plastic cards	847.4	714.2
Commission on transactions with securities and capital markets	27.5	65.5
Other	20.8	117.5
Total fee and commission income	**3,918.9**	**3,847.6**
Fee and commission expense		
Commission on transactions with plastic cards	367.3	304.9
Commission on cash transactions	235.4	372.3
Commission on settlement transactions	181.0	99.5
Commission on transactions with securities	75.7	92.8
Commission on guarantees received and trade finance	67.4	20.7
Other	67.0	54.8
Total fee and commissions expense	**993.8**	**945.0**
Net fee and commission income	**2,925.1**	**2,902.6**

(in millions of Russian roubles)

24. General and administrative expenses

	6 months, ended 30 June 2012 (unaudited)	6 months, ended 30 June 2011 (unaudited)
Depreciation and other expenses related to premises and equipment	1,999.2	1,025.9
Rent	977.9	1,300.9
Taxes other than income tax	597,8	607.4
Administrative expenses	454.0	528.2
Advertising	422.9	322.3
Deposit insurance expenses	319.4	364.1
Professional services	203.0	173.4
Charity	79.5	16.1
Other	292.4	177.0
Total general and administrative expenses	**5,346.1**	**4,515.3**

25. Income tax

Income tax expense and income tax recovery comprise the following:

	6 months, ended 30 June 2012 (unaudited)	6 months, ended 30 June 2011 (unaudited)
Current income tax expense	1,888.7	259.8
Deferred taxation movement due to origination and reversal of temporary differences	469.2	4,167.6
Income tax expense/(recovery) for the reporting period	**2,357.9**	**4,427.4**

26. Basic and diluted earnings per share

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares during the year less the average number of ordinary treasury shares.

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

	6 months, ended 30 June 2012 (unaudited)	6 months, ended 30 June 2011 (unaudited)
Net profit/(loss) attributable to the shareholders of the parent Bank (RUR million)	10,122.2	15,092.6
Weighted average number of outstanding ordinary shares	271,745,594	180,000,000
Basic and diluted earnings per share (RUR per share)	**37.2**	**83.8**

27. Contingencies and commitments

Legal proceedings. In the ordinary course of business, the Group is subject to legal actions and complaints. As at the reporting date, the Group had several unresolved legal claims. The Group's Management is of the opinion that there would be no material outflow of resources in respect of these claims and accordingly no provision has been made in these interim condensed consolidated financial statements.

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

(in millions of Russian roubles)

27. Contingencies and commitments (continued)

Commitments to extend credit represent unused portion of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards and/or the Bank confirming its willingness to extend a loan. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

Outstanding credit related commitments are as follows:

	30 June 2012 (unaudited)	31 December 2011
Guarantees issued	91,602.0	63,106.9
Undrawn credit lines	45,802.4	49,390.3
Import letters of credit	4,178.5	5,407.1
Less: provision for impairment on credit related commitments	(3.8)	(5.0)
Total credit related commitments	**141,579.1**	**117,899.3**

Commitments under import letters of credit and guarantees are collateralized by customer accounts in amount of RUR 183.8 million (as at 31 December 2011: RUR 499.0 million), by the Bank's own debt securities in amount of RUR 97.4 million (as at 31 December 2011: RUR 14 million).

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

Remaining contractual maturity	30 June 2012 (unaudited)	31 December 2011
Not later than 1 year	575.5	1,099.2
Later than 1 year but not later than 5 years	61.4	67.1
Later than 5 years		–
Total operating lease commitments	**636.9**	**1,166.3**

28. Analysis by segment

Segment information is presented to the management of the Group on a regular basis within management accounts.

In accordance with IFRS 8, Operating Segments, the Group defined as the major operating segment the following reportable segments: Corporate-Investment banking (CIB) (with Investment banking, Loans and Deposits, Transaction banking subsegments), Retail banking and Other. The change in reportable segments composition is mainly caused by the change in the system of the Group management and the integration process into VTB Group. This segmentation represents current Group activities and main courses of business.

Investment banking subsegment is the operating segment that includes trading in financial instruments, transactions with securities and derivatives, including REPO deals with corporate clients, foreign currency transactions, rendering of structured financing and consulting services on mergers and acquisitions.

Loans and Deposits subsegment is the operating segment that includes acceptance of term deposits from corporate clients, extension of credit lines in the form of overdrafts, issuance of loans and other types of financing. Also this subsegment includes treasury operations related to asset and liability management, currency position risk management, raising and origination of loans on interbank loan markets.

Transaction banking subsegment is operating segment that include services associated with servicing settlements and current accounts, trade financing of corporate clients, client-bank e-services for corporate clients.

28. Analysis by segment (continued)

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

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

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

Over 90% of the Group's business is concentrated in the Russian Federation at the location of the Bank of Moscow, the head office of the Group. The rest part of the business is concentrated in Belarus, Ukraine and Serbia.

The following changes in presentation of income and expenses in regard of operating segments has occurred since the six months period of 2011: The line representing profits and losses on precious metals an foreign currency operation has been separated into profits and losses of precious metals operations and foreign currency operations. This change was accepted as a minor improvement towards the deeper detalisation.

(in millions of Russian Roubles)

28. Analysis by segment (continued)

Segment information on main reporting business segments of the Group for the year ended 30 June 2012 is presented in the tables below:

	Corporate-Investment banking (CIB)									
	Investment banking	Loans and deposits	Transaction banking	Inter-CIB eliminations	Total CIB	Retail banking	Others	Total before inter-segment eliminations	Inter-segment eliminations	Total
Assets										
Cash and cash equivalents	719.1	48,566.8	–	–	49,285.9	–	1,127.9	50,413.8	–	**50,413.8**
Obligatory reserve deposits with central banks	–	6,402.2	–	–	6,402.2	–	–	6,402.2	–	**6,402.2**
Due from other banks	2,111.6	148,832.8	–	–	150,944.4	–	–	150,944.4	–	**150,944.4**
Loans and advances to customers	7,742.4	511,882.0	–	–	519,624.4	70,184.0	769.2	590,577.6	–	**590,577.6**
Other financial instruments	25,024.5	232,795.8	–	–	257,820.3	–	2,537.5	260,357.8	–	**260,357.8**
Other assets	2,471.4	33,681.9	2,276.9	–	38,430.2	7,205.5	18,480.7	64,116.4	–	**64,116.4**
Net amount of intersegment settlements	5,132.7	104,502.3	142,789.8	(178,181.9)	74,242.9	170,026.3	11,688.4	255,957.6	(255,957.6)	**–**
Total assets	**43,201.7**	**1,086,663.8**	**145,066.7**	**(178,181.9)**	**1,096,750.3**	**247,415.8**	**34,603.7**	**1,378,769.8**	**(255,957.6)**	**1,122,812.2**
Liabilities										
Due to other banks	3,308.9	52,773.0	–	–	56,081.9	–	–	56,081.9	–	**56,081.9**
Customer deposits	1,135.3	125,907.7	141,988.4	–	269,031.4	165,835.2	2,089.6	436,956.2	–	**436,956.2**
Other borrowed funds	–	333,485.8	–	–	333,485.8	–	–	333,485.8	–	**333,485.8**
Debt securities issued	–	68,818.2	–	–	68,818.2	–	3,627.4	72,445.6	–	**72,445.6**
Subordinated debt	–	36,317.9	–	–	36,317.9	–	–	36,317.9	–	**36,317.9**
Other liabilities	688.4	7,564.0	801.4	–	9,053.8	4,191.1	5,971.6	19,216.5	–	**19,216.5**
Net amount of intersegment settlements	28,634.0	329,637.3	1,625.4	(178,181.9)	181,714.8	57,625.5	16,617.3	255,957.6	(255,957.6)	**–**
Total liabilities	**33,766.6**	**954,503.9**	**144,415.2**	**(178,181.9)**	**954,503.8**	**227,651.8**	**28,305.9**	**1,210,461.5**	**(255,957.6)**	**954,503.9**
Total equity	**9,435.1**	**132,159.9**	**651.5**	**–**	**142,246.5**	**19,764.0**	**6,297.8**	**168,308.3**	**–**	**168,308.3**
Total liabilities and equity	**43,201.7**	**1,086,663.8**	**145,066.7**	**(178,181.9)**	**1,096,750.3**	**247,415.8**	**34,603.7**	**1,378,769.8**	**(255,957.6)**	**1,122,812.2**

(in millions of Russian Roubles)

28. Analysis by segment (continued)

Segment information on main reporting business segments of the Group for the year ended 31 December 2011 is presented in the tables below:

	Corporate-Investment banking(CIB)									
	Investment banking	**Loans and deposits**	**Transaction banking**	**Inter-CIB eliminations**	**Total CIB**	**Retail banking**	**Others**	**Total before inter-segment eliminations**	**Inter-segment eliminations**	**Total**
Assets										
Cash and cash equivalents	1,679.3	59,762.9	–	–	61,442.2	–	1,409.1	62,851.3	–	**62,851.3**
Obligatory reserve deposits with central banks	–	9,753.7	–	–	9,753.7	–	–	9,753.7	–	**9,753.7**
Due from other banks	–	158,825.9	–	–	158,825.9	–	–	158,825.9	–	**158,825.9**
Loans and advances to customers	3,293.1	467,966.8	–	–	471,259.9	61,459.1	1,016.5	533,735.5	–	**533,735.5**
Other financial instruments	29,145.9	208,318.0	–	–	237,463.9	–	2,922.3	240,386.2	–	**240,386.2**
Other assets items	1,331.7	40,263.5	58.9	–	41,654.1	1,999.2	10,803.4	54,456.7	–	**54,456.7**
Net amount of intersegment settlements	39.4	90,729.4	110,291.8	(139,341.8)	61,718.8	166,765.9	6,585.2	235,069.9	(235,069.9)	**–**
Total assets	**35,489.4**	**1,035,620.2**	**110,350.7**	**(139,341.8)**	**1,042,118.5**	**230,224.2**	**22,736.5**	**1,295,079.2**	**(235,069.9)**	**1,060,009.3**
Liabilities										
Due to other banks	–	44,001.5	–	–	44,001.5	–	–	44,001.5	–	**44,001.5**
Customer deposits	38.9	145,671.3	109,336.0	–	255,046.2	163,053.1	589.2	418,688.5	–	**418,688.5**
Other borrowed funds	–	304,132.4	–	–	304,132.4	–	–	304,132.4	–	**304,132.4**
Debt securities issued	–	73,616.0	–	–	73,616.0	–	–	73,616.0	–	**73,616.0**
Subordinated debt	–	35,821.5	–	–	35,821.5	–	–	35,821.5	–	**35,821.5**
Other liabilities items	0.5	10,209.0	955.6	–	11,165.1	3,712.8	5,996.0	20,873.9	–	**20,873.9**
Net amount of intersegment settlements	28,967.1	283,682.1	43.7	(139,341.8)	173,351.1	49,469.3	12,249.5	235,069.9	(235,069.9)	**–**
Total liabilities	**29,006.5**	**897,133.8**	**110,335.3**	**(139,341.8)**	**897,133.8**	**216,235.2**	**18,834.7**	**1,132,203.7**	**(235,069.9)**	**897,133.8**
Total equity	**6,482.9**	**138,486.4**	**15.4**	**–**	**144,984.7**	**13,989.0**	**3,901.8**	**162,875.5**	**–**	**162,875.5**
Total liabilities and equity	**35,489.4**	**1,035,620.2**	**110,350.7**	**(139,341.8)**	**1,042,118.5**	**230,224.2**	**22,736.5**	**1,295,079.2**	**(235,069.9)**	**1,060,009.3**

(in millions of Russian Roubles)

28. Analysis by segment (continued)

Segment information by main operating segments of the Group against consolidated income statement for the six months ended 30 June 2012 is presented in the table below:

	Corporate-Investment banking (CIB)									
	Investment banking	**Loans and deposits**	**Transaction banking**	**Inter-CIB eliminations**	**Total CIB**	**Retail banking**	**Others**	**Total before inter-segment eliminations**	**Inter-segment eliminations**	**Total**
Revenues from:										
External customers	2,143.3	35,974.6	2,467.1	–	40,585.0	6,777.9	3,868.6	51,231.5	–	**51,231.5**
Other segments	127.2	4,382.3	3,926.0	(5,162.2)	3,273.3	4,986.5	–	8,259.8	(8,259.8)	**–**
Total revenues	2,270.5	40,356.9	6,393.1	(5,162.2)	43,858.3	11,764.4	3,868.6	59,491.3	(8,259.8)	**51,231.5**
Segment income and expense										
Interest income	1,383.6	37,623.7	3,926.0	(5,162.2)	37,771.1	9,998.0	76.3	47,845.4	(8,259.8)	**39,585.6**
Interest expense	(1,115.2)	(26,915.4)	(653.2)	5,162.2	(23,521.6)	(7,093.7)	(459.9)	(31,075.2)	8,259.8	**(22,815.4)**
Net interest income	**268.4**	**10,708.3**	**3,272.8**	**–**	**14,249.5**	**2,904.3**	**(383.6)**	**16,770.2**	**–**	**16,770.2**
(Provision charge) / recovery of provision for impairment of interest-earning assets	149.4	4,315.7	–	–	4,465.1	(429.4)	(158.9)	3,876.8	–	**3,876.8**
Net interest income after provision for impairment	**417.8**	**15,024.0**	**3,272.8**	**–**	**18,714.6**	**2,474.9**	**(542.5)**	**20,647.0**	**–**	**20,647.0**
Net fee and commission income/(expense)	4	(234.4)	2,132.6	–	1,902.2	1,046.4	(23.5)	2,925.1	–	**2,925.1**
Share in profit (loss) in associates and jointly controlled entities	–	(131.3)	–	–	(131.3)	–	428.8	297.5	–	**297.5**
Other gains less losses arising from financial instruments and foreign currencies	886.9	(1,366.9)	–	–	(480)	(198.6)	364	(314.6)	–	**(314.6)**
Other operating income	–	(91.7)	–	–	(91.7)	3.1	654.9	566.3	–	**566.3**
Operating income	**1,308.7**	**13,199.7**	**5,405.4**	**–**	**19,913.8**	**3,325.8**	**881.7**	**24,121.3**	**–**	**24,121.3**
Staff costs and administrative expenses	(305.4)	(4,443.8)	(1,346.7)	–	(6,095.9)	(3,776.8)	(1,770.5)	(11,643.2)	–	**(11,643.2)**
Net (loss)/gain on acquisition and sale of subsidiaries	–	156.8	–	–	156.8	–	(19.3)	137.5	–	**137.5**
Loss on net monetary position	–	(145)	–	–	(145)	–	–	(145)	–	**(145)**
Profit before taxation	**1,003.3**	**8,767.7**	**4,058.7**	**–**	**13,829.7**	**(451)**	**(908.1)**	**12,470.6**	**–**	**12,470.6**
Income tax expense	–	(2,353.9)	–	–	(2,353.9)	–	(4.0)	(2,357.9)	–	**(2,357.9)**
Net profit	**1,003.3**	**6,413.8**	**4,058.7**	**–**	**11,475.8**	**(451)**	**(912.1)**	**10,112.7**		**10,112.7**
Net profit attributable to:										
Shareholders of the parent	**1,003.3**	**6,423.3**	**4,058.7**	**–**	**11,485.3**	**(451.0)**	**(912.1)**	**10,122.2**	**–**	**10,122.2**
Non-controlling interest	**–**	**(9.5)**	**–**	**–**	**(9.5)**	**–**	**–**	**(9.5)**	**–**	**(9.5)**

(in millions of Russian Roubles)

28. Analysis by segment (continued)

Segment information by main operating segments of the Group against consolidated income statement for the six months ended 30 June 2011 is presented in the table below:

	Corporate-Investment banking (CIB)									
	Investment banking	**Loans and deposits**	**Transaction banking**	**Inter-CIB eliminations**	**Total CIB**	**Retail banking**	**Others**	**Total before inter-segment eliminations**	**Inter-segment eliminations**	**Total**
Revenues from:										
External customers	1,280.7	179,599.1	2,381.6	–	183,261.4	6,001.2	422.0	189,684.6	–	**189,684.6**
Other segments	35.8	4,126.0	1,860.8	(2,942.2)	3,080.4	5,991.3	–	9,071.7	(9,071.7)	**–**
Total revenues	1,316.5	183,725.1	4,242.4	(2,942.2)	186,341.8	11,992.5	422.0	198,756.3	(9,071.7)	**189,684.6**
Segment income and expense										
Interest income	1,294.4	25,390.4	1,860.8	(2,942.2)	25,603.4	10,525.9	92.2	36,221.5	(9,071.7)	**27,149.8**
Interest expense	(1,052.3)	(19,417.0)	(691.2)	2,942.2	(18,218.3)	(7,280.7)	(268.4)	(25,767.4)	9,071.7	**(16,695.7)**
Net interest income	**242.1**	**5,973.4**	**1,169.6**	**–**	**7,385.1**	**3,245.2**	**(176.2)**	**10,454.1**	**–**	**10,454.1**
(Provision charge) / recovery of provision for impairment of interest-earning assets	–	(128,471.9)	–	–	(128,471.9)	659.1	16.0	(127,796.8)		**(127,796.8)**
Net interest income after provision charge for impairment	**242.1**	**(122,498.5)**	**1,169.6**	**–**	**(121,086.8)**	**3,904.3**	**(160.2)**	**(117,342.7)**	**–**	**(117,342.7)**
Net fee and commission income/(expense)	3.1	(128.4)	1,944.6	–	1,819.3	1,018.4	64.9	2,902.6	–	**2,902.6**
Share in profit (loss) in associates and jointly controlled entities	–	1.7	–	–	1.7	–	(481.4)	(479.7)	–	**(479.7)**
Other gains less losses arising from financial instruments and foreign currencies	17.9	143,404.5	–	–	143,422.4	143.1	(127.5)	143,438.0	–	**143,438.0**
Other operating income	–	618.3	–	–	618.3	–	(947.7)	(329.4)	–	**(329.4)**
Operating income	**263.1**	**21,397.6**	**3,114.2**	**–**	**24,774.9**	**5,065.8**	**(1,651.9)**	**28,188.8**	**–**	**28,188.8**
Staff costs and administrative expenses	(258.0)	(3,633.5)	(1,121.4)	–	(5,012.9)	(3,141.7)	(688.3)	(8,842.9)	–	**(8,842.9)**
Net (loss)/gain on acquisition and sale of subsidiaries	–	153.4	–	–	153.4	–	–	153.4	–	**153.4**
Loss on net monetary position	–	–	–	–	–	–	–	–	–	**–**
Profit before taxation	**5.1**	**17,917.5**	**1,992.8**	**–**	**19,915.4**	**1,924.1**	**(2,340.2)**	**19,499.3**	**–**	**19,499.3**
Income tax expense	–	(4,398.8)	–	–	(4,398.8)	–	(28.6)	(4,427.4)	–	**(4,427.4)**
Net profit	**5.1**	**13,518.7**	**1,992.8**	**–**	**15,516.6**	**1,924.1**	**(2,368.8)**	**15,071.9**	**–**	**15,071.9**
Net profit attributable to:										
Shareholders of the parent	**5.1**	**13,539.4**	**1,992.8**	**–**	**15,537.3**	**1,924.1**	**(2,368.8)**	**15,092.6**	**–**	**15,092.6**
Non-controlling interest	**–**	**(20.7)**	**–**	**–**	**(20.7)**	**–**	**–**	**(20.7)**	**–**	**(20.7)**

(in millions of Russian Roubles)

29. Related party transactions

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

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Statements of financial position

30 June 2012 (unaudited)	**Major shareholder**	**Key management personnel**	**Associates**
Assets			
Cash and cash equivalents	4,512.9	–	–
Financial assets held for trading	4.703.1	–	–
Due from other banks	105,286.9	–	–
Loans and advances to customers	6,518.0	–	1,293.7
Financial assets available for sale	339.0	–	–
Other assets	10.1	–	94.7
Liabilities			
Due to other banks	31,556.1	–	–
Customer deposits	3,243.1	317.9	5,840.4
Debt securities issued	14.6	–	–
Subordinated debt	47.0	–	–
Other liabilities	295.0	–	2.5

31 December 2011	**Major shareholder**	**Key management personnel**	**Associates**
Assets			
Cash and cash equivalents	2,480.1	–	–
Financial assets held for trading	861.3	–	–
Due from other banks	127,502.2	–	541.7
Loans and advances to customers	3,820.4	–	2,789.9
Other assets	14.9	–	–
Liabilities			
Due to other banks	7,167.0	–	–
Customer deposits	91.9	323.4	7,463.0
Subordinated debt	129.1	–	–
Other liabilities	1.0	–	–
Credit related commitments			
Guarantees issued	–	–	66.0
Undrawn loan commitments	–	–	0.9

(in millions of Russian Roubles)

29. Related party transactions (continued)

Income statement for 6 month, ended 30 June 2012

	Major shareholder	Key management personnel	Associates
Interest income			
Loans and advances to customers	302.3	–	62.9
Securities	101.9	–	–
Due from other banks	2,778.6	–	–
Interest expense			
Customer deposits	(28.1)	(5.5)	(181.9)
Due to other banks	(456.6)	–	–
Gains/losses from securities	231.2	–	–
Fee and commission income	**40.4**	**–**	**17.0**
Fees and commission expense	**(1.6)**	**–**	**–**
Reversal/(charge) of impairment provision	**–**	**–**	**1,915.0**

Income statement for 6 month, ended 30 June 2011

	Major shareholder	Key management personnel	Associates
Interest income			
Loans and advances to customers	4.8	1.3	709.3
Securities	51.3	–	–
Due from other banks	17.9	–	–
Interest expense			
Customer deposits	(7.2)	(25.1)	(42.0)
Due to other banks	(41.2)	–	–
Gains/losses from securities	(12.7)	–	–
Net (loss)/gain on sale of subsidiaries			
Fee and commission income	**–**	**–**	**42.12**
Reversal/(charge) of impairment provision	**–**	**(0.6)**	**(2,811.4)**

For the six months ended 30 June 2012, total remuneration of the members of Management Board, including pension contributions, amounted to RUR 162.2 million (as at 30 June 2011: RUR 311.9 million).

The new management of the Bank does not have the full list of companies which had acted as related parties of the Bank prior to the suspension of authority of the former President-Chairman of the Bank's Management Board on 12 April 2011. Therefore related party disclosures are provided only for those parties, information on which is available to the Bank's new management.

Transactions with government-related entities

In the normal course of business, the Group carries out transactions with state institutions of the Russian Federation and entities controlled or significantly influenced by the state. The Group provides a full range of banking services to state institutions and state-controlled entities, including deposits and loans, guarantees, sale/purchase of securities and cash and settlement services. This is not a full list of services provided. The Group carries out these transactions on an arm's length basis.

Significant transactions with government-related entities are disclosed below:

As at 30 June 2012, the Group's liabilities included deposit received by the Group from SC DIA on 29 September 2011 in the amount of RUR 294,811 million at 0.51% per annum with a maturity of 10 years in accordance with the financial recovery plan for the Bank previously signed by the Central Bank of the Russian Federation and SC DIA (Note 2).

During the six months ended 30 June 2012, the Group entered into repurchase agreements with the Central Bank of the Russian Federation, with the amount due to the CBR under such agreements amounted to RUR 184 993,5 million (as at 31 December 2011: RUR 157,841.12) (Note 19).

In 2012 and 2011, the Group attracted deposits from the Finance Department of the city of Moscow and the Federal Treasury on market terms.

(in millions of Russian Roubles)

30. Subsidiary and associate companies and banks included in the consolidated financial statements

The principal subsidiary and associate companies and banks included in these interim condensed consolidated financial statements are presented in the table below:

Name	Activity	Country of registration	Ownership, % 30 June 2012	Ownership, % 31 December 2011	Year of acquisition
Subsidiary banks and companies:					
CJSC Imagine	Finance	Russia	100.0	100.0	1996
CJSC Altruist	Finance	Russia	100.0	100.0	1996
CJSC Press Magnat	Publishing	Russia	100.0	100.0	1996
CJSC Vechernyaya Moskva	Publishing	Russia	100.0	100.0	1997
BM Holding AG	Finance	Switzerland	100.0	100.0	1998
JSC Bank Moscow-Minsk	Banking	Belarus	100.0	100.0	2000
LLC BM Bank	Banking	Ukraine	100.0	100.0	2005
CJSC Stroyportinvest	Finance	Russia	100.0	100.0	2006
BoM Finance Ltd.	Finance	British Virgin Islands	100.0	100.0	2007
BoM Asset Management Ltd.	Finance	Cyprus	100.0	100.0	2007
Crossplanet Ltd.	Finance	Cyprus	100.0	100.0	2007
BoM Project Financing Ltd.	Finance	Cyprus	100.0	100.0	2011
Radikals Trests SIA	Finance	Latvia	100.0	100.0	2011
LBB Ipasumi SIA	Finance	Latvia	100.0	100.0	2011
LBB Ipasumi 2 SIA	Finance	Latvia	100.0	100.0	2011
LLC Mos-Broker	Finance	Russia	100.0	100.0	2008
CJSC Lespromprocessing	Finance	Russia	100.0	100.0	2008
CJSC Spetsstroy-2	Construction	Russia	100.0	100.0	2008
OJSC Bank of Moscow – Belgrade	Banking	Serbia	100.0	100.0	2008
LLC Baltech	Leasing	Russia	100.0	100.0	2010
CEMF Tsentralny	Leasing	Russia	100.0	100.0	2010
LLC Registrator KRC	Other services	Russia	100.0	100.0	2010
LLC BM Direktsiya	Other services	Russia	100.0	100.0	2011
LLC BM Project	Finance	Russia	100.0	100.0	2011
OJSC United Company	Leasing	Russia	100.0	100.0	2011
CJSC Finansovy Assistent	Finance	Russia	100.0	99.9	2006
CJSC DOSSOM	Other services	Russia	99.9	99.0	2001
LLC Selkhozstroy	Manufacturing	Russia	99.0	99.0	2006
LLC PO Montazh	Manufacturing	Russia	99.0	99.0	2006
Inter-Republican Winery Trading House Limited	Commerce	Russia	95.6	95.6	2011
OJSC Kornet	Manufacturing	Russia	94.2	94.2	2011
OJSC Moscow Inter-Republic Winery	Manufacturing	Russia	94.1	94.1	2011
OJSC CB Mosvodokanalbank	Banking	Russia	92.7	65.9	1997
OJSC Concern Vechernyaya Moskva	Publishing	Russia	57.4	57.4	1997
OJSC International Management Company	Finance	Russia	50.0	50.0	2003
LLC INVESTPLAZA	Finance	Russia	50.0	50.0	2010
LLC Center City Information Technologies	Other services	Russia	50.0	50.0	2011
OJSC Bezhitsa-bank	Banking	Russia	–	100.0	2008
OJSC Russian National Commercial Bank	Banking	Russia	96.8	39.8	2012
LLC BM Project – Lakokraska	Commerce	Russia	100	–	2012
LCC BM Project – Ecology	Other services	Russia	100	–	2012
JSC Chaika	Other services	Russia	83,1	–	2012
CJSC OrgSportServis	Other services	Russia	83	–	2012
LLC Terra investholding	Farming	Russia	100	–	2012
LLC Buturlinovka-Agro	Farming	Russia	100	–	2012
JSC Pobeda	Farming	Russia	39.6	–	2012
LLC Dankov-Agro	Farming	Russia	100	–	2012
LLC Dobrinka-Agro	Farming	Russia	100	–	2012
LLC Dolgorukovo-Agro	Farming	Russia	100	–	2012
LLC Lt-Agro	Farming	Russia	100	–	2012
LLC Tanais	Farming	Russia	74,7	–	2012
LLC named K. Marx	Farming	Russia	74,7	–	2012
LLC Dolgorukovo-Milk	Farming	Russia	99,8	–	2012
LLC Terra Agromanagement	Finance	Russia	100	–	2012
LLC Terra-Invest	Leasing	Russia	75,3	–	2012
LLC Polentovsky HPP	Other services	Russia	100	–	2012
CJSC APG Lebedyansky elevator	Other services	Russia	95,7	–	2012
LLC First AgroKombinat	Commerce	Russia	99,0	–	2012
LLC Company Spetskommuntehnika	Other services	Russia	100	–	2012
CJSC Dominanta	Other services	Russia	100	–	2012
CJSC Environment and Energy	Other services	Russia	100	–	2012
LLC Europe-Motors	Other services	Russia	100	–	2012
LLC KINOFRESH	Other services	Russia	100	–	2012

(in millions of Russian Roubles)

30. Subsidiary and associate companies and banks included in the consolidated financial statements (continued)

Name	Activity	Country of registration	Ownership, % 30 June 2012	Ownership, % 31 December 2011	Year of acquisition
LCC Cinema INVEST	Other services	Russia	100	–	2012
LCC Cinema Invest Izhevsk	Other services	Russia	100	–	2012
LCC Cinema Invest Kazan	Other services	Russia	100	–	2012
LLC Kino SPHERE	Other services	Russia	100	–	2012
LCC Eurasia	Other services	Russia	100	–	2012
CJSC PROFIT-CINEMA	Other services	Russia	100	–	2012
LLC EvraziyaSinema	Other services	Russia	100	–	2012
LLC MC Milstream	Other services	Russia	100	–	2012
LLC APC Milstrim - Blacksea Wine	Manufacturing	Russia	100	–	2012
LLC Agro-industrial company Mirny	Farming	Russia	100	–	2012
LLC Tamany Farmer	Farming	Russia	100	–	2012
LLC Taman winemaker	Farming	Russia	100	–	2012
LLC Zemlya	Leasing	Russia	100	–	2012
Lead Universal ltd	Other services	British Virgin Islands	100	–	2012
Riverwood	Other services	Luxembourg	100	–	2012
Associate banks and companies:					
CJSC "Investlesprom"	Manufacturing	Russia	23.4	19.9	2011
CJSC Automated Banking Technologies	Other services	Russia	25.9	25.9	2006
CJSC SMU StroyModul	Construction	Russia	29.4	24.4	2006
OJSC Metropolitan Insurance Group	Insurance	Russia	24.9	24.9	2007
OJSC Leasing company Leasingbusiness	Leasing	Russia	23.9	23.9	2010
LLC Pension Reserve	Finance	Russia	19.0	19.0	2008
AS Eesti Krediidipank	Banking	Estonia	49.8	43.8	2005

These interim condensed consolidated financial statements also include Kuznetski Capital S.A. formed in 2004 and registered in Luxembourg and BOM Capital P.L.C. formed in 2009 and registered in Ireland. Both companies were formed for special purposes (SPV, special-purpose vehicle): issue of Eurobonds.

31. Business combinations

As a result of efforts taken in respect of problem loans in June 2012, the Group acquired control on LLC APC Milstrim - Blacksea Wine (100%), LLC Agro-industrial company Mirny (100%), LLC Tamany Farmer (100%), LLC Taman winemaker (100%) and LLC Zemlya (100%) by purchasing a 100% interest in MC Milstream for RUR 0 million through the Bank's subsidiary OJSC United Company.

The combined fair value of identifiable assets and liabilities of LLC UK Milstrim, LLC APC Milstrim – Blacksea Wine (100%), LLC Agro-industrial company Mirny (100%), LLC Tammany Farmer (100%), LLC Taman winemaker (100%) and LLC Zemlya (100%) at the date of acquisition was as follows:

	Fair value
Assets	
Cash and cash equivalents	1.3
Financial assets available for sale	129.8
Premises and equipment and intangible assets	296.2
Other assets	3,412.0
Total assets	**3,839.3**
Liabilities	
Due to other banks	3,125.6
Customer deposits	110.7
Current income tax liabilities	0.2
Other liabilities	268.3
Total liabilities	**3,504.8**
Fair value of the subsidiary's identifiable net assets	**334.5**
Financial result from acquisition:	
Consideration paid	–
Less fair value of the subsidiary's identifiable net assets	(334.5)
Gain arising on acquisition	**334.5**

(in millions of Russian Roubles)

31. Business combinations (continued)

In May 2012, the Group acquired an interest in Riverwood (100%) and Lead Universal ltd (100%) through its subsidiary BoM Finance Ltd.

The combined fair value of identifiable assets and liabilities of Riverwood and Lead Universal ltd at the date of acquisition was as follows:

	Fair value
Assets	
Cash and cash equivalents	1.8
Loans and advances to customers	12.4
Premises and equipment and intangible assets	1,528.8
Other assets	4.5
Total assets	**1,547.4**
Liabilities	
Customer deposits	1,510.3
Other liabilities	37.1
Total liabilities	**1,547.4**
Fair value of the subsidiary's identifiable net assets	**–**
Financial result from acquisition:	
Consideration paid	–
Less fair value of the subsidiary's identifiable net assets	–
Financial result from acquisition	**–**

In June 2012, the Group acquired an interest in LLC Terra investholding (100%), LLC Buturlinovka-Agro (100%), LLC Dankov-Agro (100%), LLC Dobrinka-Agro (100%), LLC Dolgorukovo-Agro (100%), LLC Lt-Agro (100%), LLC Tanais (74.7%), LLC named K. Marx (74.7%), LLC Dolgorukovo-Milk (100%), JSC Pobeda (39.6%), LLC Terra Agromanagementand (100%), LLC Terra-Invest (75.3%), LLC Polentovsky HPP (100%), CJSC APG Lebedyansky elevator (95.7%), LLC The first Agrokombinat (38.4%) by purchasing a 100% interest in LLC BM Project for RUR 0 million through the Bank's subsidiary LLC BM Project. The combined fair value of identifiable assets and liabilities at the date of acquisition was as follows:

	Fair value
Assets	
Premises and equipment and intangible assets	800.0
Total assets	**800.0**
Liabilities	
Due to other banks	122.0
Customer deposits	468.5
Other liabilities	207.0
Total liabilities	**797.5**
Fair value of the subsidiary's identifiable net assets	**2.5**
Financial result from acquisition:	
Cash	2.0
Non-controlling interests (proportionate share of the acquiree's identifiable net assets)	0.5
Less fair value of the subsidiary's identifiable net assets	(2.5)
Financial result from acquisition	**–**

In June 2012, the Group acquired an interest in LLC KINOFRESH (100%), LLC Cinema INVEST (100%), LLC Cinema Invest Izhevsk (100%), LLC Cinema Invest Kazan (100%), LLC Kino SPHERE (100%), CJSC PROFIT-CINEMA (100%), LLC EurasiaCinema (100%), LLC Eurasia (100%) through its subsidiary LLC BM Project.

(in millions of Russian Roubles)

31. Business combinations (continued)

The combined fair value of identifiable assets and liabilities at the date of acquisition was as follows:

	Fair value
Assets	
Cash and cash equivalents	37.8
Premises and equipment and intangible assets	274.2
Other assets	40.4
Total assets	**352.4**
Liabilities	
Customer deposits	270.3
Other liabilities	82.1
Total liabilities	**352.4**
Fair value of the subsidiary's identifiable net assets	**–**
Financial result from acquisition:	
Consideration paid:	–
Less fair value of the subsidiary's identifiable net assets	–
Financial result from acquisition	**–**

In June 2012, the Group acquired an interest in JSC Chaika (83.1%), CJSC OrgSportServis (83.1%) under the assignment agreement with the Group’s debtors (borrowers).

The combined fair value of identifiable assets and liabilities at the date of acquisition was as follows:

	Fair value
Assets	
Cash and cash equivalents	28.5
Loans and advances to customers	17.5
Premises and equipment and intangible assets	593.9
Current income tax assets	3.4
Other assets	81.3
Total assets	**724.6**
Liabilities	
Due to other banks	563.7
Customer deposits	25.9
Other liabilities	134.8
Total liabilities	**724.4**
Fair value of the subsidiary's identifiable net assets	**0.2**
Financial result from acquisition:	
Consideration paid:	
Cash	0.2
Less fair value of the subsidiary's identifiable net assets	(0.2)
Financial result from acquisition	**–**

(in millions of Russian Roubles)

31. Business combinations (continued)

As a result of efforts taken in respect of problem loans in February through March 2012, the Group acquired control over OJSC Russian National Commercial Bank through purchasing additional 45.11% interest in share capital. As a result of acquisition ownership share of the Bank increased from 39.8% to 84.91%. The fair value of the identifiable assets and liabilities of OJSC Russian National Commercial Bank at the date of acquisition were as follows:

	Fair value
Assets	
Cash and cash equivalents	224.7
Obligatory reserve deposits with central banks	20.1
Financial assets held for trading	1,041.2
Financial assets pledged under repurchase agreements	425.5
Due from other banks	0.3
Loans and advances to customers	43.5
Financial assets available for sale	0.1
Investment securities held to maturity	166.9
Premises and equipment and intangible assets	6.8
Investment property	59.0
Current income tax assets	11.9
Deferred income tax assets	10.5
Other assets	21.9
Total assets	**2,032.4**
Liabilities	
Due to other banks	9.2
Customer deposits	535.9
Due to the Central Bank of the Russian Federation (CBR)	350.0
Debt securities issued	1.8
Other liabilities	24.0
Total liabilities	**920.9**
Fair value of the subsidiary's identifiable net assets	**1,111.5**
Financial result from acquisition:	
Consideration paid:	
Cash	442.5
Fair value of the equity interest held before the acquisition	388.8
Non-controlling interest (proportionate share of the acquiree's identifiable net assets)	167.8
Less fair value of the subsidiary's identifiable net assets	(1,111.5)
Gain arising on acquisition	112.4

In June 2012 the Group increased its share in the OJSC Russian National Commercial Bank share capital to 96.8% by acquiring the shares from non-controlling shareholders.

On 29 June 2012 the Group increased its share in the OJSC CB Mosvodokanalbank share capital from 65.9% to 92.74% by acquiring the shares from non-controlling shareholders.

In April 2012, the Group sold out a 100% interest in the share capital of OJSC Bezhitsa-bank for RUR 730.0 million and recognized the gain on disposal in the amount of RUR 44.4 million within net (loss)/gain on acquisition and sale of subsidiaries in the income statement.

32. Capital management and capital adequacy

Capital management of the Group is conducted in order to comply with capital requirements established by the Central Bank of the Russian Federation; to ensure that the Group operates as a going concern; and to maintain a capital base at a level required to ensure the capital adequacy ratio of 8% in conformity with the Basel Accord.

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

According to current capital requirements established by the Central Bank of the Russian Federation, banks have to maintain a ratio of capital to risk-weighted assets ("capital adequacy ratio") at a level exceeding the statutory minimum ratio of 10%.

(in millions of Russian Roubles)

32. Capital management and capital adequacy (continued)

As at 30 June 2012 and 31 December 2011 the Bank's capital adequacy ratio on this basis exceeded the statutory minimum and was as follows:

	30 June 2012 (unaudited)	31 December 2011
Capital	178,792.1	188,564.4
Risk-weighted assets	939,527.6	841,725.8
Capital adequacy ratio	19.03%	22.40%

The Group and the Bank are also required to comply with the minimum capital requirements established by loan agreements, including capital adequacy ratio calculated in accordance with the Basel Capital Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated in April 1998) and Amendment to the Capital Accord to incorporate market risks (updated in November 2005), commonly known as Basel I.

The Bank's capital structure computed in accordance with the Basel Capital Accord was as follows:

	30 June 2012 (unaudited)	31 December 2011
Core capital (Tier 1 capital)	164,340.8	159,135.8
Supplementary capital (Tier 2 capital)	40,080.4	39,318.0
Total capital	204,421.2	198,453.8
Risk-weighted assets	705,203.3	589,879.9
Capital adequacy ratio	29.0%	33.6%
Core capital adequacy ratio	23.5%	27.0%
Minimum capital adequacy ratio	8.0%	8.0%
Minimum core capital adequacy ratio	4.0%	4.0%

33. Subsequent events

On 6 July 2012, the Group sold a 92.7% interest in the share capital of OJSC CB Mosvodokanalbank with consideration received in amount of 318.7 mln RUR.

On 26 July 2012, the Group increased its interest in the share capital of CJSC "Investlesprom" from 23.4% to 26.9%.

In August 2012 the Board of Directors of the Group decided to increase from 29.4% to 70.6% share in the capital of CJSC SMU StroiModul which controls CJSC "Nagatinky constructional materials factory".