Bank of Moscow

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

Condensed Interim Consolidated Financial Statements
for the Six Months Ended 30 June 2010
with Independent Auditor's Review Report

Moscow

2010

Contents

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Review Report on Condensed Interim Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of the Group of Joint Stock Commercial Bank - Bank of Moscow (open joint stock company) as at 30 June 2010, the condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express an opinion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review is primarily limited to making inquiries of personnel of the Group of Joint Stock Commercial Bank - Bank of Moscow (open joint stock company) and performing analytical procedures in relation to financial data, therefore a review provides less assurance than audit. We have not performed an audit, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements do not present fairly, in all material respects, the financial position of the Group of Joint Stock Commercial Bank - Bank of Moscow (open joint stock company) as at 30 June 2010, and its financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards.

Anton V. Efremov
Senior partner

10 September 2010

Moscow, Russian Federation

Statement of Management's Responsibilities for the Preparation and Approval of Condensed Interim Consolidated Financial Statements for the Six Months Ended 30 June 2010

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

Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of the Group as at 30 June 2010, the results of its operations and cash flows for the six months then ended, in accordance with International Financial Reporting Standards (IFRS).

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

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

Management is also responsible for:

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

On behalf of the Group's management the condensed interim consolidated financial statements for the six months ended 30 June 2010 were authorized for issue on 10 September 2010 by:

D.V. Akulinin
First Executive Vice-President

L.N. Davydova
Chief Accountant

Bank of Moscow

10 September 2010

(in thousands of Russian Roubles)

	Note	30 June 2010 (unaudited)	31 December 2009
Assets			
Cash and cash equivalents	5	36 818 699	75 955 760
Mandatory cash balances with central banks		5 327 110	4 748 438
Financial assets at fair value through profit or loss	6	131 536 073	118 461 672
Due from other banks	7	63 459 157	50 703 283
Loans to customers	8	572 188 261	534 489 549
Financial assets available for sale	9	15 899 945	13 738 026
Investments held to maturity	10	300 455	265 211
Investments in associates and non-consolidated subsidiaries	11	6 582 571	3 820 845
Premises and equipment and intangible assets		16 282 963	16 895 277
Other assets	12	4 186 232	5 239 209
Current tax asset		34 983	750 310
Deferred tax asset		72 690	76 072
Total assets		**852 689 139**	**825 143 652**
Liabilities			
Due to other banks	13	143 071 534	225 714 723
Customer accounts	14	489 899 880	428 028 589
Financial liabilities at fair value through profit or loss	6	11 913 083	2 340 289
Debt securities issued	15	100 007 386	78 098 779
Other liabilities	16	13 283 883	2 774 776
Current tax liability		150 091	89 705
Deferred tax liability		1 779 806	1 500 756
Total liabilities		**760 105 663**	**738 547 617**
Equity			
Share capital	18	18 313 544	18 313 544
Share premium		34 090 420	34 090 420
Fair value reserve for financial assets available for sale		2 413	(4 972)
Revaluation reserve for premises and equipment		3 880 517	3 882 551
Accumulated exchange differences		(102 951)	(39 905)
Retained earnings		36 141 440	30 109 149
Equity attributable to the shareholders of the parent Bank		**92 325 383**	**86 350 787**
Non-controlling interest	17	**258 093**	**245 248**
Total equity		**92 583 476**	**86 596 035**
Total liabilities and equity		**852 689 139**	**825 143 652**

D.V. Akulinin
First Executive Vice-President

10 September 2010

L.N. Davydova
Chief Accountant

The notes set out on pages 11 to 55 are an integral part of these condensed interim consolidated financial statements.

(in thousands of Russian Roubles)

	Note	For the three months ended 30 June (unaudited) 2010	For the three months ended 30 June (unaudited) 2009	For the six months ended 30 June (unaudited) 2010	For the six months ended 30 June (unaudited) 2009
Interest income	19	19 630 524	20 359 902	39 094 565	40 690 879
Interest expense	19	(9 365 484)	(12 998 585)	(18 925 784)	(27 184 932)
Net interest income		**10 265 040**	**7 361 317**	**20 168 781**	**13 505 947**
Provision for impairment of due from other banks and loans to customers	7, 8	(4 051 146)	(7 061 608)	(9 077 615)	(11 410 544)
Net interest income after provision for impairment of due from other banks and loans to customers		**6 213 894**	**299 709**	**11 091 166**	**2 095 403**
Gains less losses arising from financial assets at fair value through profit or loss		(856 979)	1 440 273	1 889 909	2 954 393
Gains less losses arising from financial liabilities at fair value through profit or loss		610 179	(311 288)	469 604	(496 813)
Gains less losses arising from financial assets available for sale		44 868	17 072	46 917	(2 841)
Gains less losses from dealing in foreign currency and precious metals		(2 154 546)	605 653	(4 698 210)	1 248 083
Gains less losses from revaluation of foreign currency and precious metals		1 847 879	(154 097)	4 509 231	(1 355 680)
Fee and commission income	20	1 738 352	2 298 286	3 234 939	4 497 052
Fee and commission expense	20	(425 374)	(399 509)	(764 960)	(701 537)
Dividends received		26 878	939	30 137	3 206
Provision for impairment of financial assets available for sale	9	(13 766)	(125 735)	(13 178)	(130 059)
Provision for impairment of other assets	12	(321 578)	(157 530)	(558 778)	(279 396)
Provision for impairment of investments held to maturity	10	-	(5 276)	368	(3 792)
Net income		**6 709 807**	**3 508 497**	**15 237 145**	**7 828 019**
General and administrative expenses	21	(3 546 430)	(3 197 811)	(7 147 840)	(7 108 457)
Contributions to the Deposit Insurance Fund		(177 735)	(159 970)	(350 680)	(300 046)
Other operating income less expenses		31 073	488 029	633 423	894 322
Operating income		**3 016 715**	**638 745**	**8 372 048**	**1 313 838**
Share in net profit of the associates	11	8 026	(292 851)	54 216	(204 054)
Net share in other movements in equity of non-consolidated subsidiaries		-	(1 226)	2	(3 883)
Net gain/(loss) on acquisition and sale of subsidiaries and associates	24	24 070	(9 012)	23 712	(8 613)
Profit before taxation		**3 048 811**	**335 656**	**8 449 978**	**1 097 288**
Income tax expense		(234 477)	(263 705)	(2 422 566)	(441 933)
Net profit		**2 814 334**	**71 951**	**6 027 412**	**655 355**

(in thousands of Russian Roubles)

	Note	For the three months ended 30 June (unaudited) 2010	2009	For the six months ended 30 June (unaudited) 2010	2009
Other comprehensive income:					
Gains less losses arising from financial assets available for sale	9	2 715	7 590	9 546	(9 481)
Exchange differences		58 370	(178 912)	(67 789)	(131 150)
Revaluation of premises and equipment		(669)	(22 683)	(2 034)	(19 373)
Income tax relating to components of comprehensive income:					
- Financial assets available for sale		(687)	(979)	(2 161)	831
Other comprehensive income/(expense) after taxation		**59 729**	**(194 984)**	**(62 438)**	**(159 173)**
Total comprehensive income for the period		**2 874 063**	**(123 033)**	**5 964 974**	**496 182**
Net profit for the reporting period attributable to the shareholders of the parent Bank		2 823 821	79 514	6 032 291	650 089
Net profit/loss for the reporting period attributable to the non-controlling interest		(9 487)	(7 563)	(4 879)	5 266
Comprehensive income for the reporting period attributable to the shareholders of the parent Bank		2 883 550	(124 197)	5 974 596	482 189
Comprehensive expense/income for the reporting period attributable to the non-controlling interest		(9 487)	1 164	(9 622)	13 993
Basic earnings per share (RUR/per share)	22	17.83	0.58	38.09	4.73

D.V. Akulinin
First Executive Vice-President

10 September 2010

L.N. Davydova
Chief Accountant

(in thousands of Russian Roubles)

	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)
Cash flows from operating activities		
Interest received	38 980 364	38 118 546
Interest paid	(19 589 860)	(29 498 811)
Gains less losses arising from financial assets at fair value through profit or loss	4 490 613	919 421
Gains less losses from dealing in foreign currency and precious metals	(4 698 210)	1 248 083
Fees and commissions received	3 226 670	3 877 539
Fees and commissions paid	(764 960)	(701 537)
General and administrative expenses paid, other net operating income received less expenses, contributions to the Deposit Insurance Fund	(6 527 399)	(5 945 991)
Income tax paid	(1 362 089)	(391 014)
Cash flows from operating activities before changes in operating assets and liabilities	**13 755 129**	**7 626 236**
Net (increase)/decrease in operating assets		
Mandatory cash balances with central banks	(578 672)	(832 861)
Financial assets at fair value through profit or loss	(15 917 069)	(12 245 363)
Due from other banks	(12 808 787)	(41 054 426)
Loans to customers	(40 963 116)	(21 463 091)
Other assets	754 081	278 107
Net increase/(decrease) in operating liabilities		
Due to other banks	(82 994 259)	(42 543 354)
Customer accounts	70 811 343	78 714 698
Debt securities issued (excluding eurobonds)	45 191	(554 661)
Other liabilities	10 469 430	(5 915 179)
Net cash flows from operating activities	**(57 426 729)**	**(37 989 894)**
Cash flows from investing activities		
Acquisition of subsidiaries and associates (Note 24)	(91 488)	(256 093)
Disposal of associates	-	5
Acquisition of financial assets available for sale (Note 9)	(2 838 124)	(3 295 238)
Redemption of financial assets available for sale (Note 9)	1 290	506 113
Proceeds from sale of financial assets available for sale (Note 9)	705 053	218 669
Acquisition of investments held to maturity	(117 765)	231 164
Redemption of investments held to maturity	54 097	(402 273)
Increase in cash and cash equivalents on acquisition of the subsidiaries	91 732	-
Purchase of premises and equipment	(553 020)	(406 984)
Proceeds from sale of premises and equipment	518	421
Dividends received	30 137	3 206
Net cash flows from investing activities	**(2 717 570)**	**(3 401 010)**

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

	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)
Cash flows from financing activities		
Eurobonds issued by the Bank	22 293 675	-
Dividends paid (Note 23)	(1)	(25)
Net cash flows from financing activities	**22 293 674**	**(25)**
Effect of exchange rate changes on cash and cash equivalents	(1 286 436)	499 398
Net change in cash and cash equivalents	**(39 137 061)**	**(40 891 531)**
Cash and cash equivalents at 31 December (Note 5)	75 955 760	133 268 662
Cash and cash equivalents at 30 June (Note 5)	**36 818 699**	**92 377 131**

D.V. Akulinin
First Executive Vice-President

L.N. Davydova
Chief Accountant

10 September 2010

The notes set out on pages 11 to 55 are an integral part of these condensed interim consolidated financial statements.

(in thousands of Russian Roubles)

		Equity attributable to the shareholders of the parent Bank						Non-controlling interest	Total equity
	Note	Share capital	Share premium	Fair value reserve for financial assets available for sale	Revaluation reserve for premises and equipment	Accumulated exchange differences	Retained earnings		
Balance as at 31 December 2008		**16 212 704**	**16 191 261**	**2 478**	**5 371 156**	**149 419**	**29 397 886**	**325 514**	**67 650 418**
Comprehensive income for the reporting period (unaudited)		-	-	(8 650)	(19 373)	(139 877)	650 089	13 993	496 182
Change in the non-controlling interest on acquisition of subsidiaries (unaudited)	17	-	-	-	-	-	-	7 678	7 678
Balance as at 30 June 2009 (unaudited)		**16 212 704**	**16 191 261**	**(6 172)**	**5 351 783**	**9 542**	**30 047 975**	**347 185**	**68 154 278**
Balance as at 31 December 2009		**18 313 544**	**34 090 420**	**(4 972)**	**3 882 551**	**(39 905)**	**30 109 149**	**245 248**	**86 596 035**
Comprehensive income for the reporting period (unaudited)		-	-	7 385	(2 034)	(63 046)	6 032 291	(9 622)	5 964 974
Change in the non-controlling interest on acquisition of subsidiaries (unaudited)	17	-	-	-	-	-	-	22 467	22 467
Balance as at 30 June 2010 (unaudited)		**18 313 544**	**34 090 420**	**2 413**	**3 880 517**	**(102 951)**	**36 141 440**	**258 093**	**92 583 476**

D.V. Akulinin
First Executive Vice-President

10 September 2010

L.N. Davydova
Chief Accountant

The notes set out on pages 11 to 55 are an integral part of these condensed interim consolidated financial statements.

1. Principal Activities of the Group

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

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

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

The principal activities of the Bank and its subsidiaries are corporate and retail banking services, brokerage activity and investment services on the territory of the Russian Federation and abroad.

Provision of services to individuals makes up a considerable portion of the Bank's operations. The Bank is the third largest Russian bank by the volume of customer accounts attracted from individuals.

The Government of the City of Moscow directly and indirectly (through O.J.S.C. "Metropolitan Insurance Group") owns the Bank and is its principal shareholder.

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

As at 30 June 2010, the Bank had 393 divisions on the territory of the Russian Federation and 7 subsidiary banks (as at 31 December 2009: 396 divisions on the territory of the Russian Federation and 7 subsidiary banks): in the Russian Federation (Moscow) – OJSC Mosvodokanalbank, Group's interest of 65.87%; (Bryansk) - Commercial Joint Stock Bank Bezhitsa-Bank (OJSC), Group's interest of 100%; in the Republic of Belarus (Minsk) – OJSC Bank Moscow-Minsk, Group's interest of 100%; in the Republic of Latvia (Riga) – JSC Latvian Businessbank (AS Latvijas Biznesa Banka), Group's interest of 99.97%; in the Republic of Estonia (Tallinn) – Estonian Credit Bank (Eesti Krediidipank), Group's interest of 89.25%; in the Republic of Ukraine (Kiev) – BM Bank LLC, Group's interest of 100%, in the Republic of Serbia (Belgrade) – JSC Bank of Moscow – Belgrade, Group's interest of 100%.

The Bank's head office is located in Moscow. The Bank's 136 offices and sub-offices are located in all administrative districts of Moscow and in large towns of Moscow region. The Bank is the financial agent of the Government of the City of Moscow for investment programs and is the authorised dealer for bonds issues of the City of Moscow. The Bank is an active participant of a number of Moscow financial and industrial programs. It provides services to many municipal and commercial organisations, which participate in the implementation of the Moscow Government programs.

As at 30 June 2010, the Bank of Moscow regional network comprised 49 branches, 27 operating offices and 181 sub-branches located on the territory of the Russian Federation (as at 31 December 2009: 48 branches, 29 operating offices and 181 sub-branches). The subsidiary bank OJSC Mosvodokanalbank has 3 sub-branches on the territory of the Russian Federation (as at 31 December 2009: 3 sub-branches). The subsidiary bank Commercial Joint Stock Bank Bezhitsa-Bank (OJSC) has 1 branch on the territory of the Russian Federation (as at 31 December 2009: 2 branches). The subsidiary bank OJSC Bank Moscow-Minsk has 5 branches and 40 sub-branches located on the territory of the Republic of Belarus (as at 31 December 2009: 5 branches and 41 sub-branches). The subsidiary bank BM Bank LLC has 44 sub-branches on the territory of the Republic of Ukraine (as at 31 December 2009: 45 sub-branches). The subsidiary bank JSC Latvian Businessbank (AS Latvijas Biznesa Banka) has 1 sub-branch located on the territory of the Republic of Latvia (as at 31 December 2009: 1 sub-branch). Estonian Credit Bank (Eesti Krediidipank) has 8 branches and 13 sub-branches located on the territory of the Republic of Estonia (as at 31 December 2009: 8 branches and 13 sub-branches).

As at 30 June 2010 the average number of the Group employees was 10 218 (as at 31 December 2009: 10 420).

(in thousands of Russian Roubles)

Fitch Ratings established the Bank's ratings as follows: long-term foreign currency IDR - "BBB-", short-term foreign currency IDR - "F3", the national long-term rating - "AA+"(rus), stable outlook, support rating - "2" and individual rating - "D".

Moody's Investors Service established the Bank's ratings as follows: long-term local currency and foreign currency deposit ratings at "Baa1", bank financial strength rating at "D", negative outlook, Short-term foreign currency deposit rating at "P-2".

2. Operating Environment of the Group

General

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

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

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

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

Inflation

Russia continues to experience relatively high levels of inflation. The inflation indices for the last five years and six months of 2010 are given in the table below:

Period ended	Inflation for the period
30 June 2010	4.4%
31 December 2009	8.8%
31 December 2008	13.3%
31 December 2007	11.9%
31 December 2006	9.0%
31 December 2005	10.9%

Currency transactions and currency control

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

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

Date	USD	EUR
30 June 2010	31.1954	38.1863
31 December 2009	30.2442	43.3883
31 December 2008	29.3804	41.4411
31 December 2007	24.5462	35.9332
31 December 2006	26.3311	34.6965
31 December 2005	28.7825	34.1850

Financial market transactions

On 21 December 2009 Standard & Poor's reaffirmed the sovereign debt ratings of the Russian Federation: the long-/short-term foreign currency sovereign debt rating was reaffirmed at "BBB/A-3", and the long-/short-term local currency sovereign debt rating was reaffirmed at "BBB+/A-2", stable outlook.

In 2010 international rating agency Fitch Rating twice reviewed the Russian Federation outlook of long-term default ratings (IDR) in local and foreign currencies:

- on 22 January 2010 Fitch Ratings agency changed the long term default ratings (IDR) outlook of the Russian Federation from "negative" to "stable", and the ratings were confirmed at "BBB". The decision for review of the RF outlook from "negative" to "stable" was supported by increasing in oil prices, reversion of net capital inflow to private sector and economic activity, inflation decrease, reduction of risks in banking sector, and lower budgetary deficiency than it was expected in 2009.

- on 8 September 2010 Fitch Ratings agency confirmed the long-term default ratings (IDR) outlook of the Russian Federation in foreign and the local currencies at "BBB". The long-term IDR outlook was changed from "stable" to "positive". Simultaneously Fitch Ratings agency confirmed short-term IDR in foreign currency at "F3" and country ceiling rating at «BBB+».

Moody's Investors Service confirmed the long-term rating of the Russian Federation in foreign and local currencies at "Baa1", the short-term debt rating in local currency at "P-2", country ceiling ratings are confirmed as: the long-term debt ratings in foreign currency at "A2"; the long-term ratings of bank deposits in foreign currency at "Baa1"; the short-term debt ratings in foreign currency at "P-1"; the short-term ratings of bank deposits in foreign currency at "P-2". The ratings outlook is "stable".

During the world-wide financial crisis in 2008-2009, Russian enterprises and banks faced difficulties in obtaining borrowings and debt refinancing on the international and domestic capital markets. The crisis also resulted in lower liquidity levels across the Russian banking sector and very high uncertainty in the domestic and foreign equity markets. However, there were no bank failures and subsequent bank rescues by state authorities in Russia as opposed to banks of European countries and the United States of America. Duly measures of the RF Government and the CBR to support the Russian economy and financial system of the country allowed to mitigate substantially the adverse effect of the world-wide financial crisis.

To cope with the financial crisis in 2008-2009, the Government took steps to buy out shares on the equity market and allocated funds to refinance the debts on foreign loans of large Russian enterprises and banks maturing in 2009. Support of the real sector included price preferences granted to Russian companies under state and municipal procurement programs, expanded subsidising of interest rates on loans for technological modernisation of production. Program of state guarantees for loans to enterprises was started, corporate income tax prepayment procedure was cancelled, its rate was decreased from 24% to 20%. Subjects of RF were allowed to place tax rates at interval from 5% to 15% (before – 15%) for small businesses using simplified taxation procedures. The excessive powers that the Ministry of the Interior had over business activities have been removed. On 1 July 2009 the restrictions were imposed on inspections of enterprises engaged in the broadest range of activities, notification requirements instead of permits were introduced for establishment of new business and the list of goods and services subject to mandatory certification was reduced. The Government developed and implemented a number of state programs for assistance to the population.

The CBR lowered mandatory reserve requirements expanded the list of assets accepted as collateral for CBR loans and provided loans to commercial banks through collateral-free auctions. The CBR lowered the refinancing rate from 8.75% to 7.75% per annum in 2010, signed agreements on partial compensation of losses incurred on the interbank market with a number of major Russian banks, including the Bank of Moscow, to encourage the operations on the interbank market.

The major achievement of the anti-crisis measures undertaken by the Government of RF and the CBR was avoidance of the worse economic scenario, economy and financial sector obtained duly support. Recovery in the industrial output started in the second half of 2009. By the end of the first half of 2010, production and consumption of electricity, gas, water and minerals reached the pre-crisis levels. The industrial and manufacturing sectors, as well as consumer demand, are still below the pre-crisis level.

World-wide financial market growth in 2010, high liquidity level of world financial system, foreign investor's interest to the placements of borrowers from developing regions, positively impact the ability of the Group to obtain new borrowings on terms and conditions applied to similar transactions in the pre-crisis period.

In 2008-2009, borrowers and debtors of the Group were also affected by the repercussions of the financial crisis, which impacted their ability to meet their financial obligations to the Group. The crisis impact on the Group was especially strong in the Ukraine and Baltic States. To the extent that information is available, management of the Group has adequately reflected revised estimates of expected future cash flows in their impairment assessments. The accompanying condensed interim consolidated financial statements do not include adjustments, connected with world-wide economic crisis influence on the financial position of the Group further.

The accompanying condensed interim consolidated financial statements reflect the Group management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future economic development of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the Government and other factors including regulatory and political developments, which are beyond the Group's control. The Group's management cannot predict the impact of the above factors on the financial position of the Bank and the Group. The accompanying condensed interim consolidated financial statements do not include adjustments associated with that risk.

3. Basis of Presentation

General principles

These condensed interim consolidated financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required by IFRS for a complete set of annual financial statements. Operating results for the six-month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the year ended 31 December 2010. The Group maintains its accounting records in accordance with the applicable legislation of the Russian Federation. These condensed interim consolidated financial statements have been prepared on the basis of these accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS. The Group subsidiaries and banks domiciled outside of the Russian Federation independently prepare their financial statements in accordance with IFRS, which are subsequently consolidated into the Group's condensed interim consolidated financial statements.

These condensed interim consolidated financial statements are presented in Russian Roubles being the Group's functional and presentation currency. For certain companies whose functional currency is different from the Group's presentation currency, the assets and liabilities are translated into Russian Roubles at the exchange rate in effect at the reporting date, and their income statement items are translated at the average exchange rate. These condensed interim consolidated financial statements of the Group are rounded to the nearest thousand roubles.

The preparation of the condensed interim consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the condensed interim consolidated financial statements, and the reported amounts of income and expenses during the reporting period.

Subsidiaries

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

Acquisition of subsidiaries

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

(in thousands of Russian Roubles)

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

Non-controlling interest

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

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

The table below provides the consolidated Group's subsidiaries as at 30 June 2010:

Name	**Location**	**Business activity**	**Percentage of ownership, %**	**Year of acquisition**
CJSC Imagine	Russia	Financial services	100.00	1996
CJSC Altruist	Russia	Financial services	100.00	1996
CJSC Press Magnate	Russia	Publishing	100.00	1996
CJSC Vechernyaya Moskva	Russia	Publishing	100.00	1997
BM Holding LTD	Switzerland	Financial services	100.00	1998
OJSC Bank Moscow-Minsk	Belarus	Banking services	100.00	2000
CJSC DOSSOM	Russia	Catering	100.00	2001
CJSC Bank of Moscow management company	Russia	Financial services	100.00	2002
LLC BM Bank	Ukraine	Banking services	100.00	2005
CJSC Stroiportinvest	Russia	Financial services	100.00	2006
BoM Finance Ltd.	British Virgin Islands	Financial services	100.00	2007
BoM Asset Management Ltd.	Cyprus	Financial services	100.00	2007
Crossplanet Ltd.	Cyprus	Financial services	100.00	2007
LLC Mos-Broker	Russia	Brokerage, dealer and depository services	100.00	2008
CJSC Lespromprocessing	Russia	Financial services	100.00	2008
CJSC Spetsstroy-2	Russia	Construction	100.00	2008
JSC Bank Moscow – Belgrade	Serbia	Banking services	100.00	2008
OJSC Bezhitsa-Bank	Russia	Banking services	100.00	2008
AS Latvijas Biznesa Banka	Latvia	Banking services	99.97	2002
CJSC Financial Assistant	Russia	Financial services	99.67	2006
LLC Selkhozstroi	Russia	Machine-building and equipment	99.00	2006
LLC PO Montazh	Russia	Machine-building and equipment	99.00	2006
SIALBB ĪPAŠUMI	Latvia	Real estate business	92.72	2008
AS Eesti Krediidipank	Estonia	Banking services	89.25	2005
AS Martinoza	Estonia	Real estate management	89.25	2005
AS Krediidipanga Liising	Estonia	Leasing	89.25	2005
SIA Radicals Trests	Latvia	Financial services	89.25	2010
OJSC Mosvodokanalbank	Russia	Banking services	65.87	1997
LLC Registrator KRC	Russia	Maintenance of share registers for joint stock companies	58.78	2010
CJSC Concern Vechernyaya Moskva	Russia	Publishing	57.35	1997
OJSC International Asset Management Company	Russia	Financial services	50.00	2003
LLC Investplaza	Russia	Financial services	50.00	2010

(in thousands of Russian Roubles)

The table below provides the consolidated Group's subsidiaries as at 31 December 2009:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
CJSC Imagine	Russia	Financial services	100.00	1996
CJSC Altruist	Russia	Financial services	100.00	1996
CJSC Press Magnate	Russia	Publishing	100.00	1996
CJSC Vechernyaya Moskva	Russia	Publishing	100.00	1997
BM Holding LTD	Switzerland	Financial services	100.00	1998
OJSC Bank Moscow-Minsk	Belarus	Banking services	100.00	2000
CJSC DOSSOM	Russia	Catering	100.00	2001
CJSC Bank of Moscow management company	Russia	Financial services	100.00	2002
LLC BM Bank	Ukraine	Banking services	100.00	2005
CJSC Stroiportinvest	Russia	Financial services	100.00	2006
BoM Finance Ltd.	British Virgin Islands	Financial services	100.00	2007
BoM Asset Management Ltd.	Cyprus	Financial services	100.00	2007
Crossplanet Ltd.	Cyprus	Financial services	100.00	2007
LLC Mos-Broker	Russia	Brokerage, dealer, depository services	100.00	2008
CJSC Lespromprocessing	Russia	Financial services	100.00	2008
CJSC Spetsstroy-2	Russia	Construction	100.00	2008
JSC Bank Moscow – Belgrade	Serbia	Banking services	100.00	2008
AS Latvijas Biznesa Banka	Latvia	Banking services	99.87	2002
CJSC Financial Assistant	Russia	Financial services	99.67	2006
LLC Selkhozstroi	Russia	Machine-building and equipment	99.00	2006
LLC PO Montazh	Russia	Machine-building and equipment	99.00	2006
OJSC Bezhitsa-Bank	Russia	Banking services	95.15	2008
SIALBB ĪPAŠUMI	Latvia	Real estate business	92.63	2008
AS Eesti Krediidipank	Estonia	Banking services	89.16	2005
AS Martinoza	Estonia	Real estate management	89.16	2005
AS Krediidipanga Liising	Estonia	Leasing	89.16	2005
OJSC Mosvodokanalbank	Russia	Banking services	65.87	1997
CJSC Concern Vechernyaya Moskva	Russia	Publishing	57.35	1997
OJSC International Asset Management Company	Russia	Financial services	50.00	2003

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

Where the companies do not have a significant influence on the consolidated financial statements of the Group, they are not consolidated. The investments in the share capitals of these companies are recorded within investments in associates and non-consolidated subsidiaries in the condensed interim consolidated statement of financial position.

(in thousands of Russian Roubles)

The table below provides a list of the companies, which were not included into the condensed interim consolidated financial statements as at 30 June 2010:

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

The table below provides a list of the companies, which were not included into the condensed interim consolidated financial statements as at 31 December 2009:

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

Associates

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

Below is the list of the Group's associates as at 30 June 2010:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
Äigrumäe Kinnisvara AS	Estonia	Financial services	44.54	2007
CJSC Automated Banking Technologies	Russia	Information technologies	25.82	2006
O.J.S.C. "Metropolitan Insurance Group"	Russia	Insurance	24.92	2007
JSCB Russian National Commercial Bank	Russia	Banking services	20.00	1999
LLC Pension Reserve	Russia	Financial services	19.00	2008

The table below provides the list of the Group's associates as at 31 December 2009:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
Äigrumäe Kinnisvara AS	Estonia	Financial services	44.49	2007
CJSC Automated Banking Technologies	Russia	Information technologies	25.82	2006
O.J.S.C. "Metropolitan Insurance Group"	Russia	Insurance	24.92	2007
JSCB Russian National Commercial Bank	Russia	Banking services	20.00	1999
LLC Pension Reserve	Russia	Financial services	19.00	2008

Standards applied

In general, the accounting policies adopted are consistent with those of the previous financial year.

IFRS and IFRIC interpretations not yet effective

The Group has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

- IAS 1 “Presentation of Financial Statements” (effective for annual periods beginning on or after 1 January 2011). As a result of IAS 1 changes, banks are permitted to disclose other comprehensive income analysis in the statement of changes in equity or in the notes to financial statements.
- IAS 24 “Related Party Disclosure” (effective for annual periods beginning on or after 1 January 2011). The main amendments concerns related party definition.
- IAS 27 “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after 1 July 2010).
- IAS 34 “Interim financial reporting” (effective for annual periods beginning on or after 1 January 2011). The main accent in IAS 34 is made on disclosure principles, which are concerned on significant events and transactions, including changes in fair value definition, and which are also concerned on necessity of updated information disclosure in the latest annual report.
- IFRS 3 “Business combinations” (effective for annual periods beginning on or after 1 July 2010).
- IFRS 7 “Financial instruments disclosure improvements” (effective for annual periods beginning on or after 1 January 2011). Adjustments include several explanations concerning financial instruments disclosure.
- IFRS 9 “Financial Instruments: classification and measurement” (effective for annual periods beginning on or after 1 January 2013). IFRS 9 contains new requirements to classification and measurement of financial assets.
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on 1 July 2010). This IFRIC provides guidance on treating settlement of a financial liability through the issue of an entity’s own equity to the creditor.

4. Summary of Significant Accounting Policies

The accompanying condensed interim consolidated financial statements were prepared in accordance with the significant accounting policies applied in preparation of the Group’s consolidated financial statements for the year ended 31 December 2009.

As at 30 June 2010, the official exchange rates applied for restatement of account balances denominated in foreign currencies were as follows:

- RUR 31.1954 per USD 1 (at 31 December 2009: RUR 30.2442);
- RUR 38.1863 per EUR 1 (at 31 December 2009: RUR 43.3883);
- RUR 10.3433 per BYR 1 000 (at 31 December 2009: RUR 10.6083);
- RUR 53.8409 per LVL 1 (at 31 December 2009: RUR 60.6566);
- RUR 24.3994 per EEK 10 (at 31 December 2009: RUR 27.4374);
- RUR 39.4629 per UAH 10 (at 31 December 2009: RUR 37.6172);
- RUR 36.6581 per RSD 100 (at 31 December 2009: RUR 44.6375).

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

(in thousands of Russian Roubles)

5. Cash and Cash Equivalents

	30 June 2010 (unaudited)	31 December 2009
Cash on hand	13 680 958	19 802 960
Precious metals	1 960 639	791 069
Cash balances with central banks (other than mandatory reserve deposits)	9 338 637	38 680 072
Correspondent accounts and overnight deposits with other banks:		
- the Russian Federation;	3 332 834	2 955 101
- other countries	8 505 631	13 726 558
Total cash and cash equivalents	**36 818 699**	**75 955 760**

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

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

	30 June 2010 (unaudited)	31 December 2009
Rouble-denominated securities		
Corporate bonds	42 817 175	37 903 876
Russian Federation bonds (OFZ)	15 821 671	20 276 312
Bonds of RF subjects and local authorities	14 751 602	12 584 844
Equity securities	9 794 555	3 900 033
Corporate eurobonds	4 861 854	7 490 297
Corporate promissory notes	235 497	225 405
	88 282 354	**82 380 767**
US dollar denominated securities		
Corporate eurobonds	20 880 591	18 897 818
Eurobonds of the Russian Federation	9 877 293	9 010 593
Corporate bonds	4 691 476	-
Equity securities	2 727 846	567 675
Bonds of foreign governments	754 471	2 922 557
	38 931 677	**31 398 643**
EUR denominated securities		
Bonds of foreign governments	1 014 019	1 016 394
Bonds of RF subjects and local authorities	1 009 923	1 352 241
Corporate eurobonds	901 006	194 196
Equity securities	118 221	-
	3 043 169	**2 562 831**
Securities denominated in other currencies		
Corporate eurobonds	1 045 523	1 121 284
Equity securities	-	527 414
	1 045 523	**1 648 698**
Derivative financial instruments in US dollars	203 019	469 740
Derivative financial instruments in EUR	18 652	444
Derivative financial instruments in other currencies	10 270	549
Derivative financial instruments in Russian Roubles	1 409	-
	233 350	**470 733**
Total financial assets at fair value through profit or loss	**131 536 073**	**118 461 672**

Corporate bonds are represented by interest-bearing securities denominated in RUR and USD issued by major Russian companies and credit institutions quoted on the Moscow Interbank Currency Exchange (MICEX). As at 30 June 2010, these bonds in the Group's portfolio have maturities from 5 July 2010 to 16 January 2025, coupon rates ranging from 1.75% to 54.15% per annum and yield to maturity ranging from 1.49% to 16.35% per annum, depending on the issue.

As at 30 June 2010, corporate bonds include mortgage-backed bonds of OJSC the Agency for Housing Mortgage Lending and Moscow Mortgage Agency Bank (OJSC) with the fair value of RUR 3 808 044 thousand, maturing from 15 October 2010 to 15 May 2023, with coupon rates ranging from 7.35% to 13.5% per annum and yield to maturity ranging from 4.37% to 11.24% per annum. Among which, the bonds secured by state guarantees of the City of Moscow amount to RUR 258 507 thousand and have a maturity date of 20 September 2012, coupon rate of 10% per annum and yield to maturity of 8.76% per annum.

OFZ are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 30 June 2010, OFZ in the Group's portfolio have maturity dates from 29 June 2011 to 8 August 2018, coupon rates ranging from 4.59% to 12.00% per annum and yield to maturity from 4.25% to 7.08% per annum, depending on the issue.

Bonds of RF subjects and local authorities are represented by Rouble-denominated interest-bearing securities quoted on the MICEX. As at 30 June 2010, these bonds in the Group's portfolio have maturities from 30 July 2010 to 11 June 2022, coupon rates ranging from 6.75% to 19.05% per annum and yield to maturity from 4.66% to 9.3% per annum, depending on the issue.

Equity securities are represented by shares of major Russian companies and credit institutions quoted on the MICEX and Russian Trading System, and depository receipts for shares of large Russian entities quoted on the London and New York Stock Exchanges.

Corporate eurobonds are represented by interest-bearing securities denominated in RUR, USD and EUR issued by major Russian companies and credit institutions and quoted on international markets. As at 30 June 2010, corporate eurobonds in the Group's portfolio have maturity dates from 16 August 2010 to 30 June 2035, coupon rates ranging from 5.06% to 26.96% per annum and yield to maturity ranging from 2.44% to 9.95% per annum, depending on the issue.

Corporate promissory notes are Rouble-denominated notes of major Russian credit institutions. As at 30 June 2010, promissory notes in the Group's portfolio have maturities from 24 September 2010 to 7 June 2011 and yield to maturity ranging from 6% to 11% per annum.

Eurobonds of the Russian Federation are US dollar denominated securities issued by the Ministry of Finance of the Russian Federation and quoted on international markets. As at 30 June 2010, eurobonds in the Group's portfolio have maturities on 24 June 2028 and 31 March 2030, the coupon rate of 7.5% per annum and 12.75% per annum, and yields to maturity of 6.12% per annum and 7.46% per annum, accordingly.

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

As at 30 June 2010, financial assets at fair value through profit or loss comprise securities provided as collateral under sale and repurchase agreements (REPO), under which the counterparties have the right to sell or to pledge these securities again. The fair value of these securities is RUR 28 365 046 thousand, and the related liabilities are recorded within due to other banks (Note 13) and customer accounts (Note 14).

(in thousands of Russian Roubles)

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

	30 June 2010			31 December 2009		
	Contract amount	Fair value		Contract amount	Fair value	
		Asset	Liability		Asset	Liability
Forward transactions		**22 832**	**1 023 360**		**201 051**	**1 679 636**
Foreign currency						
Sale	1 253 539	-	27 715	1 168 542	25 134	-
Purchase	58 913 616	21 142	950 268	51 059 705	175 917	1 679 636
Securities						
Sale	380 331	285	39 957	-	-	-
Purchase	341 518	1 405	5 420	-	-	-
Swap transactions		**210 518**	**892 695**		**269 682**	**660 653**
Currency and interest rate swaps	12 140 378	210 518	892 695	18 785 045	269 682	660 653
Total derivative financial instruments		**233 350**	**1 916 055**		**470 733**	**2 340 289**
Fair value of securities sold under reverse repo agreements						
Russian Federation bonds (OFZ)			6 987 044			-
Bonds of foreign governments			2 560 293			
Corporate eurobonds			298 226			-
Equity securities			131 182			-
Corporate bonds			20 283			-
Total financial liabilities at fair value through profit or loss			**11 913 083**			**2 340 289**

The table below shows analysis of financial assets at fair value through profit or loss, less derivative financial instruments, in accordance with the international agencies' ratings as at 30 June 2010:

	Investment rating	Speculative rating	No rating assigned	Total
Corporate bonds	30 765 237	13 760 329	2 983 085	47 508 651
Corporate eurobonds	5 972 065	2 034 921	19 681 988	27 688 974
Russian Federation bonds (OFZ)	15 821 671	-	-	15 821 671
Bonds of RF subjects and local authorities	13 362 609	2 398 916	-	15 761 525
Equity securities	2 574 396	4 053 762	6 012 464	12 640 622
Eurobonds of the Russian Federation	9 877 293	-	-	9 877 293
Bonds of foreign governments	1 768 490	-	-	1 768 490
Corporate promissory notes	177 057	58 440	-	235 497
Total financial assets at fair value through profit or loss less derivative financial instruments	**80 318 818**	**22 306 368**	**28 677 537**	**131 302 723**

Below is the fair value hierarchy of financial assets on 30.06.2010. Level 1 includes financial assets traded in an active market, its fair value is determined on the basis of market quotations. Level 2 includes financial assets, which fair value is determined using different models of valuation and estimates. These models are based on observable market data, about the market conditions and other factors that are likely to affect the fair value of financial asset. Level 3 includes financial assets, which fair value is determined using the management's best estimate.

	1-st level	2-nd level	3-rd level	Total
Financial assets at fair value through profit or loss	118 030 816	8 920 621	4 584 636	131 536 073

(in thousands of Russian Roubles)

7. Due from other Banks

	30 June 2010 (unaudited)	31 December 2009
Loans and deposits with other banks	31 832 181	49 022 351
Reverse repo agreements with other banks	31 308 651	672 550
Deposits with central banks	319 463	1 012 126
Overdue placements with other banks	815	965
Less: provision for impairment of due from other banks	(1 953)	(4 709)
Total due from other banks	**63 459 157**	**50 703 283**

As at 30 June 2010, the Group had no deposit or account balances exceeding 10% of the Group's capital (as at 31 December 2009: 1 bank). As at 31 December 2009, the aggregate amount of these funds was RUR 8 894 780 thousand or 17.54% of due from other banks.

As at 30 June 2010, securities acquired from banks under reverse repo agreements comprise Russian Federation bonds (OFZ) with the fair value of RUR 15 019 961 thousand (as at 31 December 2009: none), bonds of RF subjects and local authorities with the fair value of RUR 7 437 171 thousand (as at 31 December 2009: none), corporate bonds with fair value of RUR 5 635 523 thousand (as at 31 December 2009: none), corporate eurobonds with the fair value of RUR 3 046 672 thousand (as at 31 December 2009: RUR 236 888 thousand), bonds of foreign governments with the fair value of RUR 2 220 105 thousand (as at 31 December 2009: none), eurobonds of the Russian Federation with the fair value of RUR 646 540 (as at 31 December 2009: RUR 515 361 thousand), equity securities with the fair value of RUR 420 930 thousand (as at 31 December 2009: none).

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

	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)
Provision for impairment of due from other banks as at 1 January	**4 709**	**3 146**
(Recovery of provision)/provision for impairment of due from other banks during the six months	(2 810)	25 967
Exchange difference	54	(399)
Provision for impairment of due from other banks as at 30 June	**1 953**	**28 714**

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

The Group provided a number of loans to related parties. The relevant information on related party transactions is disclosed in Note 28.

(in thousands of Russian Roubles)

8. Loans to Customers

	30 June 2010 (unaudited)	31 December 2009
Corporate loans	478 836 642	431 682 996
Loans to small and medium business	35 259 412	38 340 380
Loans to government and municipal authorities	22 923 916	18 577 961
Reverse repo agreements	4 532 642	899 421
Less: provision for impairment of loans to legal entities	(37 619 914)	(29 719 925)
Total loans to legal entities	**503 932 698**	**459 780 833**
Consumer loans	40 706 222	43 194 666
Mortgage loans	26 206 558	27 477 242
Car loans	8 150 436	10 426 096
Credit cards	6 437 342	5 864 108
Scoring loans	1 173 212	1 230 441
Overdrafts	195 099	101 826
Less: provision for impairment of loans to individuals	(14 613 306)	(13 585 663)
Total loans to individuals	**68 255 563**	**74 708 716**
Total loans to customers	**572 188 261**	**534 489 549**

As at 30 June 2010, accrued interest income on impaired loans amounted to RUR 598 931 thousand (as at 31 December 2009: RUR 659 310 thousand).

As at 30 June 2010, the Group had 6 borrowers (as at 31 December 2009: 8 borrowers) with the total amount of debt over 10% of the Group's capital. The aggregate amount of these loans was RUR 78 090 707 thousand (as at 31 December 2009: RUR 96 542 895 thousand) or 12.5% of loans to customers (as at 31 December 2009: RUR 16.7%).

As at 30 June 2010, securities acquired under reverse repo agreements comprise equity securities with the fair value of RUR 1 767 974 thousand (as at 31 December 2009: none), corporate bonds with the fair value of RUR 1 230 338 thousand (as at 31 December 2009: none), bonds of RF subjects and local authorities with the fair value of RUR 1 180 417 thousand (as at 31 December 2009: none), corporate eurobonds with the fair value of RUR 673 451 thousand (as at 31 December 2009: RUR 994 590 thousand), Russian Federation bonds (OFZ) with the fair value of RUR 402 305 thousand (as at 31 December 2009: none), bonds of foreign governments with the fair value of RUR 340 235 thousand (as at 31 December 2009: none).

As at 30 June 2010, current loans to customers include loans in the amount of RUR 24 528 310 thousand (as at 31 December 2009: RUR 23 368 069 thousand) the terms of which were renegotiated that would otherwise be overdue.

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

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

(in thousands of Russian Roubles)

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

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

Movements in the provision for impairment of loans to legal entities during the six months of 2009 are as follows:

	Corporate loans	Loans to small and medium business	Loans to government and municipal authorities	Total
Provision for impairment of loans to legal entities as at 1 January	**3 574 918**	**2 857 426**	**616**	**6 432 960**
(Recovery of provision)/provision for impairment during the six months	5 581 679	2 063 767	(83)	7 645 363
Exchange difference	(5 259)	(31 279)	-	(36 538)
Loans written off during the six months as uncollectible	-	(8 000)	-	(8 000)
Provision for impairment of loans to legal entities as at 30 June	**9 151 338**	**4 881 914**	**533**	**14 033 785**

Movements in the provision for impairment of loans to individuals during the six months of 2009 are as follows:

	Consumer loans	Mortgage loans	Car loans	Scoring loans	Credit cards	Over-drafts	Total
Provision for impairment of loans to individuals as at 1 January	**3 772 292**	**136 349**	**900 092**	**860 822**	**773 344**	**13 739**	**6 456 638**
(Recovery of provision)/provision for impairment during the six months	2 434 234	497 061	410 525	(54 812)	450 079	2 127	3 739 214
Exchange difference	2 305	3 077	454	536	1 043	27	7 442
Provision for impairment of loans to individuals as at 30 June	**6 208 831**	**636 487**	**1 311 071**	**806 546**	**1 224 466**	**15 893**	**10 203 294**

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

	30 June 2010 (unaudited)		**31 December 2009**	
Type of ownership	**Amount**	**%**	**Amount**	**%**
Loans to non-state entities and organisations	448 348 656	71.8	411 024 958	71.1
Loans to individuals	82 868 869	13.3	88 294 379	15.3
Loans to enterprises owned by the Government of the City of Moscow	36 210 668	5.8	13 770 124	2.4
Loans to enterprises in ownership of Russian Federation and foreign states	33 681 012	5.4	45 120 287	7.8
Loans to RF subjects	22 923 916	3.6	18 577 961	3.2
Loans to enterprises in regional (municipal) ownership (other than the Government of the City of Moscow)	388 360	0.1	1 007 428	0.2
Total loans to customers (gross)	**624 421 481**	**100.0**	**577 795 137**	**100.0**

(in thousands of Russian Roubles)

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

	30 June 2010 (unaudited)		31 December 2009	
	Amount	**%**	**Amount**	**%**
Financial services	163 795 332	26.2	126 220 179	21.8
Construction	85 520 818	13.7	80 365 088	13.9
Individuals	82 868 869	13.3	88 294 379	15.3
Manufacturing	62 547 832	10.0	72 349 245	12.5
Fuel and energy sector	53 655 599	8.6	36 099 586	6.2
Trade	49 719 922	8.0	62 842 343	10.9
Transport and communications	31 894 417	5.1	22 985 848	4.0
State agencies	22 923 916	3.6	18 577 961	3.2
Metallurgy	14 689 728	2.4	22 024 496	3.8
Food industry	14 038 832	2.3	14 287 528	2.5
Agriculture and fishing	2 599 740	0.4	3 779 736	0.7
Other	40 166 476	6.4	29 968 748	5.2
Total loans to customers (gross)	**624 421 481**	**100.0**	**577 795 137**	**100.0**

The credit quality analysis of loans to customers as at 30 June 2010 is presented below.

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

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

	Current loans	**Overdue loans with past due payments less than 1 month**	**Total**
Loans to legal entities individually assessed for impairment			
Corporate loans	98 430 385	2 331 068	100 761 453
Less: provision for impairment of loans to legal entities	(7 679 973)	(2 331 068)	(10 011 041)
Total loans to legal entities individually assessed for impairment	**90 750 412**	**-**	**90 750 412**

(in thousands of Russian Roubles)

	Current loans	Overdue loans with past due payments				Total
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
Loans to legal entities collectively assessed for impairment						
Corporate loans	371 186 030	773 855	202 264	774 880	5 138 160	378 075 189
Loans to small and medium business	24 109 070	3 297 004	1 589 884	730 279	5 533 175	35 259 412
Loans to government and municipal authorities	22 923 916	-	-	-	-	22 923 916
Reverse repo agreements	4 532 642	-	-	-	-	4 532 642
Less: provision for impairment of loans to legal entities	(17 665 743)	(344 996)	(1 544 554)	(605 915)	(7 447 665)	(27 608 873)
Total loans to legal entities collectively assessed for impairment	**405 085 915**	**3 725 863**	**247 594**	**899 244**	**3 223 670**	**413 182 286**
Loans to individuals collectively assessed for impairment						
Consumer loans	29 792 081	1 516 556	639 959	1 405 187	7 352 439	40 706 222
Mortgage loans	22 895 471	1 090 275	685 353	316 944	1 218 515	26 206 558
Car loans	6 073 791	384 384	171 386	145 022	1 375 853	8 150 436
Credit cards	4 736 146	389 196	124 143	102 473	1 085 384	6 437 342
Scoring loans	409 428	13 027	6 057	20 005	724 695	1 173 212
Overdrafts	165 527	4 459	2 350	5 933	16 830	195 099
Less: provision for impairment of loans to individuals	(419 859)	(690 910)	(795 284)	(1 827 376)	(10 879 877)	(14 613 306)
Total loans to individuals	**63 652 585**	**2 706 987**	**833 964**	**168 188**	**893 839**	**68 255 563**

Below is the analysis of loans to customers and provisions for impairment as at 31 December 2009:

	Current loans	Overdue loans with past due payments less than 1 month	Total
Loans to legal entities individually assessed for impairment			
Corporate loans	92 602 892	2 437 714	95 040 606
Less: provision for impairment of loans to legal entities	(6 560 972)	(2 412 536)	(8 973 508)
Total loans to legal entities individually assessed for impairment	**86 041 920**	**25 178**	**86 067 098**

	Current loans	Overdue loans with past due payments				Total
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
Loans to legal entities collectively assessed for impairment						
Corporate loans	329 015 841	633 762	1 230 033	1 390 761	4 371 993	336 642 390
Loans to small and medium business	30 238 156	2 287 792	816 187	2 152 691	2 845 554	38 340 380
Loans to government and municipal authorities	18 577 961	-	-	-	-	18 577 961
Reverse repo agreements	899 421	-	-	-	-	899 421
Less: provision for impairment of loans to legal entities	(10 744 600)	(1 242 892)	(804 521)	(2 282 112)	(5 672 292)	(20 746 417)
Total loans to legal entities collectively assessed for impairment	**367 986 779**	**1 678 662**	**1 241 699**	**1 261 340**	**1 545 255**	**373 713 735**
Loans to individuals collectively assessed for impairment						
Consumer loans	33 021 827	1 197 822	1 806 498	734 875	6 433 644	43 194 666
Mortgage loans	24 875 494	647 841	498 290	426 022	1 029 595	27 477 242
Car loans	8 443 313	360 101	210 349	131 694	1 280 639	10 426 096
Credit cards	4 260 831	299 150	161 911	138 547	1 003 669	5 864 108
Scoring loans	397 807	22 529	15 233	15 520	779 352	1 230 441
Overdrafts	79 828	2 372	869	2 629	16 128	101 826
Less: provision for impairment of loans to individuals	(826 561)	(575 440)	(1 437 165)	(1 191 779)	(9 554 718)	(13 585 663)
Total loans to individuals	**70 252 539**	**1 954 375**	**1 255 985**	**257 508**	**988 309**	**74 708 716**

(in thousands of Russian Roubles)

The table below presents information on the collateral as at 30 June 2010:

	Guarantees and sureties	Property	Securities	Total
Corporate loans	496 655 125	235 499 361	107 703 570	839 858 056
Loans to small and medium business	73 113 295	85 149 864	6 527 747	164 790 906
Reverse repo agreements	-	-	5 594 720	5 594 720
Total collateral against loans to legal entities	**569 768 420**	**320 649 225**	**119 826 037**	**1 010 243 682**
Consumer loans	15 360 093	4 221 542	1 404 308	20 985 943
Mortgage loans	9 866 294	25 825 610	5 081 594	40 773 498
Car loans	7 598 101	17 095 348	-	24 693 449
Total collateral against loans to individuals	**32 824 488**	**47 142 500**	**6 485 902**	**86 452 890**
Total collateral against loans to customers	**602 592 908**	**367 791 725**	**126 311 939**	**1 096 696 572**

The table below presents information on the collateral as at 31 December 2009:

	Guarantees and sureties	Property	Securities	Total
Corporate loans	430 108 489	256 665 107	98 811 015	785 584 611
Loans to small and medium business	89 394 093	92 784 306	6 924 726	189 103 125
Reverse repo agreements	-	-	1 746 839	1 746 839
Total collateral against loans to legal entities	**519 502 582**	**349 449 413**	**107 482 580**	**976 434 575**
Consumer loans	18 719 614	4 107 954	1 434 501	24 262 069
Mortgage loans	9 990 224	29 890 282	5 200 690	45 081 196
Car loans	8 580 636	19 857 526	-	28 438 162
Total collateral against loans to individuals	**37 290 474**	**53 855 762**	**6 635 191**	**97 781 427**
Total collateral against loans to customers	**556 793 056**	**403 305 175**	**114 117 771**	**1 074 216 002**

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

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

The Group provided a number of loans to related parties. The relevant information on related party transactions is disclosed in Note 28.

9. Financial Assets Available for Sale

	30 June 2010 (unaudited)	31 December 2009
Equity securities	15 813 046	13 242 688
Corporate bonds	445 673	372 072
Bonds of RF subjects and local authorities	12 011	47 377
Bonds of foreign governments	-	428 911
Less: provision for impairment of financial assets available for sale	(370 785)	(353 022)
Total financial assets available for sale	**15 899 945**	**13 738 026**

(in thousands of Russian Roubles)

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

Corporate bonds are represented by interest-bearing securities issued by major companies and credit institutions with maturity ranging from 8 February 2011 to 18 February 2016, the coupon rate ranging from 9.4% to 69.53% per annum and yield to maturity from 2.62% to 11.63% per annum.

Bonds of RF subjects and local authorities represent Rouble-denominated interest-bearing securities quoted on the MICEX. As at 30 June 2010, these bonds in the Group's portfolio have maturities from 10 November 2010 to 19 December 2013, coupon rates ranging from 1.3% to 14.57% per annum and yield to maturity ranging from 5.66% to 7.82% per annum, depending on the issue.

Movements in financial assets available for sale are as follows:

	Note	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Financial assets available for sale as at 1 January (gross)		**14 091 048**	**10 768 020**
Gains less losses from revaluation at fair value		9 546	(9 481)
Accrued interest income	19	52 030	41 633
Interest received		(498)	(13 819)
Acquisitions		2 838 124	3 295 238
Sale		(705 053)	(218 669)
Redemption		(1 290)	(506 113)
Transfer to subsidiaries*		(16 940)	-
Financial assets acquired with the subsidiary		9	
Exchange difference		3 754	21 318
Financial assets available for sale as at 30 June (gross)		**16 270 730**	**13 378 127**

* Additional information is disclosed in Note 24.

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

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Provision for impairment of financial assets available for sale as at 1 January	**353 022**	**123 480**
Provision for impairment of financial assets available for sale	13 178	130 059
Exchange difference	4 585	225
Provision for impairment of financial assets available for sale as at 30 June	**370 785**	**253 764**

Below is analysis of assets reclassified into assets held to maturity as at 30 June 2010. Reclassification was performed in 2008 by the subsidiary banks of the Group AS Latvijas Biznesa Banka and AS Eesti Krediidipank due to liquidity decrease in the stock market in autumn 2008 and subsequent change in the purpose of holding of the financial assets at fair value through profit or loss, in accordance with amendments to IAS 39 "Financial Instruments – Recognition and Measurement" effective since November 2008:

(in thousands of Russian Roubles)

	Financial assets	
	At fair value through profit or loss	Available for sale
	Equity securities	Equity securities
Reclassified assets as if there were no reclassification		
Carrying value	3 338	-
Fair value	3 553	-
Income from movements in the fair value of assets which would be recognized in the condensed interim consolidated statement of comprehensive income	215	-
Reclassified assets as at the reporting date after reclassification		
Carrying value	-	3 338
Fair value	-	3 553
Income recognized in the condensed interim consolidated statement of comprehensive income	-	215

Below is analysis of assets reclassified into assets available for sale as at 31 December 2009. Reclassification was made in 2008 by the Group's subsidiary banks AS Latvijas Biznesa Banka and AS Eesti Krediidipank due to liquidity decrease in the stock market in autumn 2008 and subsequent change in the purpose of holding of the financial assets at fair value through profit or loss, in accordance with amendments to IAS 39 "Financial Instruments – Recognition and Measurement" effective since November 2008:

	Financial assets	
	At fair value through profit or loss	Available for sale
	Equity securities	Equity securities
Reclassified assets as if there were no reclassification		
Carrying value	10 858	-
Fair value	9 220	-
Expenses from movements in the fair value of assets which would be recognized in the condensed interim consolidated statement of comprehensive income	(1 638)	-
Reclassified assets as at the reporting date after reclassification		
Carrying value	-	10 858
Fair value	-	9 220
Expenses recognized within other comprehensive income	-	(1 638)

The table below provides the credit quality analysis of financial assets available for sale in accordance with the international agencies' ratings as at 30 June 2010:

	Investment rating	Speculative rating	No rating assigned	Total
Equity securities	740	-	15 812 306	15 813 046
Corporate bonds	42 392	271 094	132 187	445 673
Bonds of RF subjects and local authorities	-	12 011	-	12 011
Financial assets available for sale (gross)	**43 132**	**283 105**	**15 944 493**	**16 270 730**

(in thousands of Russian Roubles)

Below is the fair value hierarchy of financial assets on 30.06.2010. Level 1 includes financial assets traded in an active market, its fair value is determined on the basis of market quotations. Level 2 includes financial assets, which fair value is determined using different models of valuation and estimates. These models are based on observable market data, about the market conditions and other factors that are likely to affect the fair value of financial asset. Level 3 includes financial assets, which fair value is determined using the management's best estimate.

	1-st level	2-nd level	3-rd level	Total
Financial assets available for sale (gross)	458 144	14 544 933	1 267 653	16 270 730

10. Investments Held to Maturity

	30 June 2010 (unaudited)	31 December 2009
Corporate eurobonds	211 487	169 392
Bonds of foreign governments	48 662	34 885
Russian Federation bonds (OFZ)	45 534	66 328
Less: provision for impairment of investments held to maturity	(5 228)	(5 394)
Total investments held to maturity	**300 455**	**265 211**

Corporate eurobonds are represented by interest-bearing securities denominated in USD and EUR issued by major Russian companies and large Russian and Latvian banks quoted on international markets. As at 30 June 2010, corporate eurobonds in the Group's portfolio have maturity dates from 5 May 2011 to 5 March 2014, coupon rates ranging from 5.6% to 13.0% per annum for the six months ended 30 June 2010 and yield to maturity ranging from 2.8% to 13.0% per annum, depending on the issue.

Bonds of foreign governments are represented by interest-bearing securities denominated in LVL and Euro, freely tradable on the Riga and Vilnius Stock Exchanges. As at 30 June 2010, these bonds in the Group's portfolio have maturity dates from 22 February 2011 to 14 February 2013, coupon rates ranging from 3.5% to 5.13% per annum and yield to maturity ranging from 3.5% to 5.14% per annum.

Russian Federation bonds are represented by interest-bearing securities denominated in Russian Roubles issued by the Ministry of Finance of the Russian Federation and quoted on the Moscow Interbank Currency Exchange (MICEX). As at 30 June 2010, OFZ in the Group's portfolio have maturity on 19 January 2011, coupon rate of 6.11% per annum and yield to maturity of 5.3%.

(in thousands of Russian Roubles)

Below is analysis of assets reclassified to assets held to maturity as at 30 June 2010. Reclassification was performed by the Group's subsidiary banks AS Latvijas Biznesa Banka, AS Eesti Krediidipank and MOSVODOKANALBANK due to liquidity decrease in the stock market in autumn 2008 and subsequent change in the purpose of holding of the financial assets at fair value through profit or loss in accordance with amendments to IAS 39 "Financial Instruments – Recognition and Measurement" effective since November 2008:

	Financial assets and investments				
	At fair value through profit or loss		**Available for sale**	**Held to maturity**	
	Corporate eurobonds	Russian Federation bonds (OFZ)	Corporate eurobonds	Corporate eurobonds	Russian Federation bonds (OFZ)
Reclassified assets as if there were no reclassification					
Carrying value	96 070	45 534	15 345	-	-
Fair value	42 606	45 752	15 291	-	-
Income/expenses from movements in the fair value of assets which would be recognized in the condensed interim consolidated statement of comprehensive income	(53 464)	218	-	-	-
Expenses from movements in the fair value of assets which would be recognized within other comprehensive income	-	-	(54)	-	-
Reclassified assets as at the reporting date after reclassification					
Carrying value	-	-	-	111 415	45 534
Fair value	-	-	-	57 897	45 752
Income recognized in the condensed interim consolidated statement of comprehensive income	-	-	-	4 630	-

(in thousands of Russian Roubles)

Below is analysis of assets reclassified to assets held to maturity as at 31 December 2009. Reclassification was performed by the Group's subsidiary banks AS Latvijas Biznesa Banka, AS Eesti Krediidipank and MOSVODOKANALBANK due to liquidity decrease in the stock market in autumn 2008 and subsequent change in the purpose of holding of the financial assets at fair value through profit or loss, in accordance with amendments to IAS 39 "Financial Instruments – Recognition and Measurement" effective since November 2008:

	Financial assets and investments				
	At fair value through profit or loss		**Available for sale**	**Held to maturity**	
	Corporate eurobonds	Russian Federation bonds (OFZ)	Corporate eurobonds	Corporate eurobonds	Russian Federation bonds (OFZ)
Reclassified assets as if there were no reclassification					
Carrying value	139 231	66 328	30 146	-	-
Fair value	80 940	65 591	30 389	-	-
Expenses from movements in the fair value of assets which would be recognized in the condensed interim consolidated statement of comprehensive income	(58 291)	(737)	-	-	-
Income from movements in the fair value of assets which would be recognized within other comprehensive income	-	-	243	-	-
Reclassified assets as at the reporting date after reclassification					
Carrying value	-	-	-	169 377	66 328
Fair value	-	-	-	111 329	65 591
Income recognized in the condensed interim consolidated statement of comprehensive income	-	-	-	17 166	-
Income recognized within other comprehensive income	-	-	-	182	-

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

	For the six months ended 30 June 2010	**For the six months ended 30 June 2009**
Provision for impairment of investments held to maturity as at 1 January	**5 394**	**1 484**
(Recovery of provision)/provision for impairment of investments held to maturity	(368)	3 792
Exchange difference	202	5
Provision for impairment of investments held to maturity as at 30 June	**5 228**	**5 281**

Below is the credit quality analysis of investments held to maturity as at 30 June 2010 in accordance with the international agencies' ratings:

	Investment rating	**Speculative rating**	**No rating assigned**	**Total**
Corporate eurobonds	85 861	58 964	66 662	211 487
Bonds of foreign governments	18 480	30 182	-	48 662
Russian Federation bonds (OFZ)	45 534	-	-	45 534
Total investments held to maturity (gross)	**149 875**	**89 146**	**66 662**	**305 683**

(in thousands of Russian Roubles)

11. Investments in Associates and Non-Consolidated Subsidiaries

	30 June 2010 (unaudited)	31 December 2009
Investments in associates	6 582 561	3 820 837
Investments in non-consolidated subsidiaries	10	8
Total investments in associates and non-consolidated subsidiaries	**6 582 571**	**3 820 845**

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

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Carrying value as at 1 January	**3 820 837**	**3 950 186**
Increase in the share capital of the associates through additional issue	2 707 422	-
Share in the net profit of the associates	54 216	(204 054)
Transfer from associates to consolidated subsidiaries	-	(57)
Exchange difference	86	75
Carrying value as at 30 June	**6 582 561**	**3 746 150**

The table below provides the list of investments in associates:

	30 June 2010 (unaudited)		31 December 2009	
Name	**Amount of investment**	**Ownership interest, %**	**Amount of investment**	**Ownership interest, %**
O.J.S.C. “Metropolitan Insurance Group”*	6 314 957	24.9	3 567 086	24.9
JSCB Russian National Commercial Bank	203 402	20.0	191 048	20.0
LLC Pension Reserve	39 133	19.0	36 950	19.0
CJSC Automated Banking Technologies	24 666	25.8	25 753	25.8
Äigrumäe Kinnisvara AS	403	44.5	-	44.5
Total investments in associates	**6 582 561**		**3 820 837**	

* During the six months ended 30 June 2010 the Group made an advance payment in amount of RUR 2 705 000 thousand as a contribution increasing the share capital of O.J.S.C. “Metropolitan Insurance Group”. The increase in the share capital of O.J.S.C. “Metropolitan Insurance Group” was registered in July 2010.

The table below provides the list of investments in non-consolidated subsidiaries:

	30 June 2010 (unaudited)		31 December 2009	
Name	**Amount of investment**	**Ownership interest, %**	**Amount of investment**	**Ownership interest, %**
LLC VM – Open City	10	100.0	8	100.0
CJSC Monolit	-	99.0	-	99.0
CJSC Stolichnaya Neftyanaya Kompania	-	75.0	-	75.0
Editorial office of MK-Boulevard magazine, LLC	-	50.0	-	50.0
Total investments in non-consolidated subsidiaries	**10**		**8**	

Financial statements of the above subsidiaries were not included in the Group’s condensed interim consolidated financial statements, as they would not have a material effect on the condensed interim consolidated financial statements (less than 0.1% of total assets and net profit of the Group for the six months ended 30 June 2010).

(in thousands of Russian Roubles)

12. Other Assets

	30 June 2010 (unaudited)	31 December 2009
Receivables	3 043 587	3 778 210
Prepayments	1 278 787	746 596
Property transferred to the Group as loan repayment	467 346	485 154
Prepaid expenses	264 852	286 164
Taxes receivable (other than income tax)	134 399	90 401
Plastic card receivables	36 061	159 064
Insurance claims	3 376	177
Other	279 862	470 517
Less: provision for impairment of other assets	(1 322 038)	(777 074)
Total other assets	**4 186 232**	**5 239 209**

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

The insurance claims of the Group are claims filed to the Deposit Insurance Agency to compensate payments made to the individual depositors of the banks with a recalled license.

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

	Receivables	Prepayments	Total
Provision for impairment of other assets as at 1 January 2009	**366 038**	**-**	**366 038**
Provision for impairment of other assets during the six months	224 497	54 899	279 396
Assets written off against the provision	(118 645)	-	(118 645)
Exchange difference	(1 558)	-	(1 558)
Provision for impairment of other assets as at 30 June 2009	**470 332**	**54 899**	**525 231**
Provision for impairment of other assets as at 1 January 2010	**657 941**	**119 133**	**777 074**
Provision for impairment during the six months	527 707	31 071	558 778
Provision on acquisition of the associate	686	-	686
Assets written off against the provision	(16 844)	-	(16 844)
Exchange difference	2 344	-	2 344
Provision for impairment of other assets as at 30 June 2010	**1 171 834**	**150 204**	**1 322 038**

Receivables are not secured by collateral.

The credit quality analysis of other financial assets as at 30 June 2010 is shown below:

	Current	Overdue				Total
		Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	
Receivables	1 360 280	87 610	339 484	349 499	906 714	3 043 587
Insurance claims	3 376	-	-	-	-	3 376
Plastic card receivables	36 061	-	-	-	-	36 061
Less: provision for impairment of other financial assets	-	(3 682)	(85 953)	(175 487)	(906 712)	(1 171 834)
Total other financial assets	**1 399 717**	**83 928**	**253 531**	**174 012**	**2**	**1 911 190**

(in thousands of Russian Roubles)

The credit quality analysis of other financial assets as at 31 December 2009 is shown below:

	Current	Overdue				Total
		Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	
Receivables	2 655 413	111 548	260 330	333 699	417 220	3 778 210
Insurance claims	177	-	-	-	-	177
Plastic card receivables	159 064	-	-	-	-	159 064
Less: provision for impairment of other financial assets	(777)	(153)	(64 718)	(175 073)	(417 220)	(657 941)
Total other financial assets	**2 813 877**	**111 395**	**195 612**	**158 626**	**-**	**3 279 510**

13. Due to Other Banks

	30 June 2010 (unaudited)	31 December 2009
Term deposits and loans of other banks	86 044 698	91 660 050
Repo agreements with other banks	22 972 386	4 173 097
Syndicated loans of foreign banks	15 584 792	36 942 091
Subordinated loan	14 206 021	14 109 430
Correspondent accounts of other banks	4 263 637	4 984 901
Loans and deposits of CBR	-	73 845 154
Total due to other banks	**143 071 534**	**225 714 723**

As at 30 June 2010, the Group raised funds over 10% of the Group's capital from one bank (as at 31 December 2009: two banks). The aggregate amount of these funds was RUR 55 425 811 thousand (as at 31 December 2009: RUR 137 696 155 thousand) or 38.7% of due to other banks (as at 31 December 2009: 61%).

As at 30 June 2010, the Group raised funds from other banks against the collateral in the form of securities sold under REPO agreements. The securities comprise Russian Federation bonds (OFZ) with the fair value of RUR 13 285 418 thousand (as at 31 December 2009: none), eurobonds of the Russian Federation with the fair value of RUR 8 894 966 thousand (as at 31 December 2009: none), bonds of RF subjects and local governments with the fair value of RUR 1 434 356 thousand (as at 31 December 2009: RUR 1 662 902 thousand), corporate bonds with the fair value of RUR 501 437 thousand (as at 31 December 2009: none), bonds of foreign governments with the fair value of RUR 340 235 thousand (as at 31 December 2009: RUR 2 922 561 thousand), corporate eurobonds with the fair value of RUR 228 437 thousand (as at 31 December 2009: none), equity securities with the fair value of RUR 160 890 thousand (as at 31 December 2009: none) (Note 6).

As at 30 June 2010, the Group raised syndicated loans from foreign banks:

Description	Interest rate	Payment schedule	Date of origination	Maturity date	Nominal value, '000	Carrying amount, RUR'000
I	LIBOR+1.5%	quarterly	20.01.2009	20.07.2011	$30 000	925 255
II	LIBOR+3.2%	quarterly	23.12.2009	23.12.2011	$350 000	10 705 214
Total syndicated loans in USD					**$380 000**	**11 630 469**
I	EURIBOR+1.5%	quarterly	20.01.2009	20.07.2011	€105 000	3 954 323
Total syndicated loans in EUR					**€105 000**	**3 954 323**
Total syndicated loans						**15 584 792**

In 2009 the Group raised a loan from Barclays Bank PLC Wholesale, London, in the amount of USD 70 000 thousand, maturing on 10 December 2011.

In 2009 the Group raised loans from OJSC Russian Development Bank in the amounts of RUR 856 000 thousand and RUR 1 446 000 thousand maturing on 30 October 2012 and 30 November 2012, accordingly.

(in thousands of Russian Roubles)

As at 30 June 2010, the outstanding loan balances totalled RUR 737 552 thousand and RUR 1 335 338 thousand, respectively.

In 2009 the Group raised a subordinated loan from the state corporation "The Bank for Development and Foreign Economic Affairs" (Vnesheconombank) in the amount of RUR 11 107 970 thousand, at the rate of 8% per annum, maturing on 18 December 2019.

In 2008 the Group raised a loan from Sumitomo Mitsui Banking Corporation Europe LTD in the amount of JPY 5 500 000 thousand, maturing on 11 July 2011. As at 30 June 2010, the outstanding loan balance was JPY 1 088 950 thousand (or RUR 382 720 thousand).

14. Customer Accounts

	30 June 2009 (unaudited)	31 December 2009
Federal and regional budgets and funds		
- Current/settlement accounts	14 399 422	18 698 735
- Term deposits	90 270 122	47 589 240
State-owned organisations		
- Current/settlement accounts	25 009 005	24 523 510
- Term deposits	20 040 788	20 452 207
Other legal entities		
- Current/settlement accounts	73 052 027	71 071 008
- Term deposits	80 138 938	68 223 271
Individuals		
- Current accounts/demand deposits	33 774 138	33 345 723
- Term deposits	153 215 440	144 124 895
Total customer accounts	**489 899 880**	**428 028 589**

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

As at 30 June 2010, the Group raised funds over 10% of the Group's capital from 3 clients (as at 31 December 2009: 4 clients). The aggregate amount of these funds was RUR 136 520 066 thousand (as at 31 December 2009: RUR 104 726 028 thousand) or 27.9% of customer accounts (as at 31 December 2009: 24.5%).

As at 30 June 2009, the Group raised funds from customers in the amount of RUR 3 732 215 thousand against the collateral in the form of securities sold under REPO agreements. The securities comprise equity securities with the fair value of RUR 2 279 834 thousand (as at 31 December 2009: none), bonds of foreign governments with the fair value of RUR 578 408 thousand (as at 31 December 2009: none), corporate eurobonds with the fair value of RUR 298 226 thousand (as at 31 December 2009: none), eurobonds of the Russian Federation with the fair value of RUR 264 437 thousand (as at 31 December 2009: none), bonds of RF subjects and local governments with the fair value of RUR 53 354 thousand (as at 31 December 2009: none), corporate bonds with the fair value of RUR 45 048 thousand (as at 31 December 2009: none).

Information on the funds raised from related parties is disclosed in Note 28.

15. Debt Securities Issued

	30 June 2010 (unaudited)	31 December 2009
Eurobonds	76 535 968	51 978 409
Bonds	18 138 932	17 818 205
Promissory notes	5 332 486	8 302 165
Total debt securities issued	**100 007 386**	**78 098 779**

(in thousands of Russian Roubles)

As at 30 June 2010, eurobonds comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying amount, RUR'000	Market price, %
$300 000	26.05.2005	26.11.2010	7.375 %, semi-annually	8 953 175	101.80
$300 000 / subordinated	25.11.2005	25.11.2015 with the right of redemption in November 2010	7.5 %, semi-annually during the first 5 years; then the rate equals US Treasury plus 4.567%	9 088 922	99.61
$500 000	13.05.2006	13.05.2013	7.335%, semi-annually	15 633 642	103.45
$400 000 / subordinated	10.05.2007	10.05.2017	6.807%, semi-annually during the first 5 years; then the rate equals US Treasury plus 5.25%	12 509 641	97.27
CHF 250 000	04.03.2008	04.03.2011	6.253%, annually	6 563 100	101.00
$750 000	11.03.2010	11.03.2015	6.699%, semi-annually	23 787 488	98.75
Total eurobonds				**76 535 968**	

As at 31 December 2009, eurobonds comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying amount, RUR'000	Market price, %
$300 000	26.05.2005	26.11.2010	7.375%, semi-annually	8 707 342	104.37
$300 000 / subordinated	25.11.2005	25.11.2015 with the right of redemption in November 2010	7.5%, semi-annually during the first 5 years; then the rate equals US Treasury plus 4.567%	9 095 382	97.88
$500 000	13.05.2006	13.05.2013	7.335%, semi-annually	15 166 030	104.49
$400 000 / subordinated	10.05.2007	10.05.2017	6.807%, semi-annually during the first 5 years; then the rate equals US Treasury plus 5.25%	12 141 257	93.02
CHF 250 000	04.03.2008	04.03.2011	6.253%, annually	6 868 398	100.75
Total eurobonds				**51 978 409**	

As at 30 June 2010, the bonds comprised:

Series/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
5-200-02-0618	6%, monthly	07.06.2010	31.05.2011	USD 1 000	31 324	-
5-200-02-0479	20.7%, monthly	03.02.2010	02.08.2010	BYR 30 000 000	315 302	-
5-200-02-0594	17.5%, quarterly	17.05.2010	12.05.2011	BYR 20 000 000	211 163	-
5-200-02-0617	13.5%, monthly	07.06.2010	31.05.2011	BYR 1 000 000	10 427	-
Total bonds in foreign currency					**568 216**	
40202748B	11.75%, semi-annually	08.02.2008	01.02.2013	RUR 10 000 000	10 296 950	100.60
40102748B*	10.64%, semi-annually	01.08.2008	29.07.2011	RUR 7 065 994	7 273 766	100.50
Total bonds in RUR					**17 570 716**	
Total bonds					**18 138 932**	

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

(in thousands of Russian Roubles)

As at 31 December 2009, the bonds comprised:

Series/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
5-200-02-0359	20%, monthly	09.10.2009	09.04.2010	BYR 30 000 000	322 260	-
5-200-02-0363	20%, monthly	02.11.2009	03.05.2010	BYR 70 000 000	754 553	-
Total bonds in foreign currency					**1 076 813**	
40202748B	11.75%, semi-annually	08.02.2008	01.02.2013	RUR 10 000 000	10 468 816	101.7
40102748B*	10.64%, semi-annually	01.08.2008	29.07.2011	RUR 6 105 994	6 272 576	99.87
Total bonds in RUR					**16 741 392**	
Total bonds					**17 818 205**	

* In 2009 the bonds with nominal value of RUR 3 894 006 thousand were presented for redemption under the terms of the offer.

16. Other Liabilities

	Note	30 June 2010 (unaudited)	31 December 2009
Unregistered contribution to the share capital of the Bank of Moscow		9 699 627	-
Payables		2 807 358	1 852 426
Remuneration to employees payable		264 551	505 538
Taxes payable other than income tax		187 135	147 075
Settlements relating to plastic cards		42 425	59 398
Deferred income		14 157	31 445
Dividends payable	23	46	47
Other		268 584	178 847
Total other liabilities		**13 283 883**	**2 774 776**

Contribution to the share capital of the Bank of Moscow was registered at 26 July 2010 (Note 30).

17. Non-controlling Interest

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

	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)
Non-controlling interest as at 1 January	**245 248**	**325 514**
Share in the net profit/(loss)	(4 879)	5 266
Acquisition of subsidiaries	22 467	7 678
Exchange difference	(4 743)	8 727
Non-controlling interest as at 30 June	**258 093**	**347 185**

(in thousands of Russian Roubles)

18. Share Capital

Authorised, issued and fully paid share capital comprises:

	30 June 2010 (unaudited)		31 December 2009	
	Number of shares	Nominal value, RUR'000	Number of shares	Nominal value, RUR'000
Ordinary shares	158 367 983	15 836 798	158 367 983	15 836 798
Restatement of share capital prior to 31 December 2002 under IAS 29	-	2 476 746	-	2 476 746
Total share capital	**158 367 983**	**18 313 544**	**158 367 983**	**18 313 544**

The nominal value of each ordinary share is 100 roubles. Each share gives the right of one vote.

The Government of the City of Moscow directly and indirectly (through O.J.S.C. "Metropolitan Insurance Group") owns the Bank and is its principal shareholder.

The share capital structure is as follows:

	30 June 2010 (unaudited)	31 December 2009
Government of the City of Moscow	48.11%	48.11%
O.J.S.C. "Metropolitan Insurance Group"	1.49%	-
Group of subsidiaries of O.J.S.C. "Metropolitan Insurance Group"		
LLC TBIH Russian Funds	12.31%	1.72%
O.J.S.C. "Insurance Group MSK"	4.27%	-
"Moscow Insurance Company"*	-	11.44%
IJSC "MSK-Standard"*	-	2.12%
LLC Plastoinstrument**	4.64%	4.60%
LLC Stroyelektromontazh**	4.07%	3.67%
LLC NPO Pharmatsevtika**	3.70%	3.70%
LLC GAZDORSTROY**	3.65%	3.65%
LLC Centrotransport**	3.60%	3.15%
LLC KHIMPROMEXPORT**	3.45%	3.45%
Other shareholders with less than 5% in the share capital	10.71%	14.39%
Total share capital	**100.00%**	**100.00%**

* On 27 February 2010 these companies were merged to Open Joint Stock Company "Insurance Group MSK".

** As at 30 June 2010, the ultimate beneficiaries in the proportion of 80/20 are Mr. A.F. Borodin, President of the Bank, and Mr.L.F. Alaluev, Deputy Chairman of the Board of Directors.

(in thousands of Russian Roubles)

19. Interest Income and Expense

	Note	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)
Interest income			
Loans to customers		32 225 357	36 715 079
Financial assets at fair value through profit or loss		6 238 363	2 414 469
Due from other banks		568 044	1 468 555
Financial assets available for sale	9	52 030	41 633
Investments held to maturity		10 771	51 143
Total interest income		**39 094 565**	**40 690 879**
Interest expense			
Current accounts and term deposits of customers		13 034 715	16 253 240
Debt securities issued		3 371 139	3 762 478
Term deposits of banks		2 519 930	7 169 214
Total interest expense		**18 925 784**	**27 184 932**
Net interest income		**20 168 781**	**13 505 947**

20. Fee and Commission Income and Expense

	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)
Fee and commission income		
Commission on settlement and cash transactions	2 071 875	2 801 074
Commission on operations with plastic cards	608 599	928 742
Commission on guarantees issued	223 311	523 629
Commission on cash collection	141 477	103 700
Commissions under fiduciary activities	102 580	48 011
Commission on transactions in securities	78 397	44 666
Other	8 700	47 230
Total fee and commission income	**3 234 939**	**4 497 052**
Fee and commission expense		
Commission on cash collection	341 165	248 198
Commission on operations with plastic cards	250 713	256 600
Commission on settlement and cash transactions	73 515	87 037
Commission on transactions in securities	30 765	27 435
Commission on guarantees received	5 169	41 787
Other	63 633	40 480
Total fee and commission expense	**764 960**	**701 537**
Net fee and commission income	**2 469 979**	**3 795 515**

21. General and Administrative Expenses

	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)
Staff costs	3 399 390	3 890 507
Rent	992 158	997 814
Expenses related to premises and equipment	629 077	319 423
Taxes other than income tax	586 540	507 994
Professional services (security, communications and other)	561 361	455 435
Depreciation and amortization	552 664	421 103
Administrative expenses	236 959	290 514
Advertising and marketing	134 691	122 792
Charity	32 294	18 411
Other	22 706	84 464
Total general and administrative expenses	**7 147 840**	**7 108 457**

Staff costs include remuneration to employees and unified social tax.

22. Earnings per Share

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

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

	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)
Net profit attributable to shareholders of the parent Bank (in thousands of RUR)	**6 032 291**	**650 089**
Weighted average number of ordinary shares in issue (in thousands)	158 368	137 360
Basic earnings per share (RUR per share)	**38.09**	**4.73**

23. Dividends

	Note	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)
Dividends payable as at 1 January		**47**	**72**
Dividends paid during the six months		(1)	(25)
Dividends payable as at 30 June	**16**	**46**	**47**
Dividends per share declared during the six months ended 30 June		**-**	**-**

There were no dividends declared for the year 2008 and 2009.

(in thousands of Russian Roubles)

24. Acquisitions and Disposals

Acquisition of subsidiary banks

AS Latvijas Biznesa Banka

On 28 June 2010 the Group acquired 0.10% in the share capital of AS Latvijas Biznesa Banka increasing its share in the share capital to 99.97%.

The fair value of assets and liabilities of AS Latvijas Biznesa Banka and the excess of the cost of acquisition over the Group's share in the fair value of the identifiable assets and liabilities of AS Latvijas Biznesa Banka are shown in the table below:

	At the date of acquisition 28 June 2010
Cash and cash equivalents	4 095 551
Financial assets at fair value through profit or loss	1 442 544
Due from other banks	2 251 449
Loans to customers	8 078 527
Financial assets available for sale	4 319
Investments held to maturity	345 337
Investments in associates	403
Premises and equipment	622 355
Other assets	767 882
Current tax assets	4 637
Due to other banks	(1 681 957)
Customer accounts	(14 728 501)
Financial liabilities at fair value through profit or loss	(1 360)
Other liabilities	(623 410)
Current tax liabilities	(6 310)
Non-controlling interest	(63 510)
Total net assets	**507 956**
Acquired share in the net assets	**485**
The excess of the cost of acquisition over the Group's share in the fair value of the net assets acquired	**72**
Consideration paid (gross)	**557**

The excess of the cost of acquisition over the Group's share in the fair value of identifiable assets and liabilities of AS Latvijas Biznesa Banka in the amount of RUR 72 thousand was impaired and recorded within net gain/(loss) on acquisition and sale of subsidiaries and associates in the condensed interim consolidated statement of comprehensive income at the time of acquisition.

(in thousands of Russian Roubles)

Commercial joint stock bank Bezhitsa-bank (OJSC)

On 3 February 2010 the Group acquired 4.85% in the share capital of Bezhitsa-Bank (OJSC) increasing its share in the share capital to 100%.

The fair value of assets and liabilities of Bezhitsa-Bank (OJSC) and the excess of the cost of acquisition over the Group's share in the fair value of the identifiable assets and liabilities of Bezhitsa-Bank (OJSC) are shown in the table below:

	At the date of acquisition 3 February 2010
Cash and cash equivalents	279 748
Mandatory cash balances with central banks	3 644
Due from other banks	180 074
Loans to customers	736 619
Premises and equipment	13 624
Other assets	2 679
Due to other banks	-
Customer accounts	(601 761)
Debt securities issued	(11 227)
Other liabilities	(5 198)
Total net assets	**598 202**
Acquired share in the net assets	**29 013**
The excess of the cost of acquisition over the Group's share in the fair value of the net assets acquired	**358**
Consideration paid (gross)	**29 371**

The excess of the cost of acquisition over the Group's share in the fair value of identifiable assets and liabilities of Bezhitsa-Bank (OJSC) in the amount of RUR 358 thousand was impaired and recorded within net gain/(loss) on acquisition and sale of subsidiaries and associates in the condensed interim consolidated statement of comprehensive income at the time of acquisition.

Acquisition of subsidiaries

LLC Registrator KRC

On 30 June 2010, the Group acquired 38.85% in the share capital of LLC Registrator KRC increasing its share in the share capital to 58.78%.

The fair value of assets and liabilities of LLC Registrator KRC and the excess of the Group's share in the fair value of the identifiable assets and liabilities of LLC Registrator KRC over the cost of acquisition are shown in the table below:

	At the date of acquisition 30 June 2010
Cash and cash equivalents	91 731
Loans to customers	6 000
Financial assets available for sale	9
Premises and equipment	18 192
Other assets	8 107
Current tax assets	4 594
Customer accounts	(220)
Other liabilities	(2 347)
Total net assets	**126 066**
Acquired share in the net assets	**74 102**
The excess of the Group's share in the fair value of acquired net assets over the cost of acquisition	**(24 142)**
Consideration paid (gross)	**49 960**

The excess of the Group's share in the fair value of the identifiable assets and liabilities of LLC Registrator KRC over the cost of acquisition in the amount of RUR 24 142 thousand was recorded within net gain/(loss) on acquisition and sale of subsidiaries and associates in the condensed interim consolidated statement of comprehensive income at the time of acquisition.

(in thousands of Russian Roubles)

LLC Investplaza

On 7 April 2010 the Group acquired 50% in the share capital of LLC Investplaza.

The fair value of assets and liabilities of LLC Investplaza and the excess of the cost of acquisition over the Group's share in the net fair value of the identifiable assets and liabilities of LLC Investplaza are shown in the table below:

	At the date of acquisition 7 April 2010
Cash and cash equivalents	1
Loans to customers	10 000
Total net assets	**10 001**
Acquired share in the net assets	**10 001**
The excess of the cost of acquisition over the Group's share in the fair value of the net assets acquired	**1 599**
Consideration paid (gross)	**11 600**

The excess of the cost of acquisition over the Group's share in the fair value of identifiable assets and liabilities of LLC Investplaza in the amount of RUR 1 599 thousand was recorded within other assets in the condensed interim consolidated statement of financial position at the time of acquisition.

25. Segment Reporting

The Group uses business segments as its primary format for reporting segment information. Over 95% of the Group's banking business is concentrated on the territory of the Russian Federation at the location of the parent company of the Group – Bank of Moscow. On this basis, the Group considers unreasonable to segment this business by geographic principle.

The Group's main business segments are as follows:

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

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

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

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

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

(in thousands of Russian Roubles)

Segment information on main business segments of the Group for the six months ended 30 June 2010 is given in the table below:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and cash equivalents	2 817 680	20 225 626	13 680 856	94 537	-	36 818 699
Financial assets at fair value through profit or loss	105 309 651	25 682 848	-	543 574	-	131 536 073
Due from other banks	62 927 059	-	-	258 258	-	63 185 317
Other assets	-	-	36 061	1 004 850	3 145 321	4 186 232
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	**171 054 390**	**45 908 474**	**13 716 917**	**1 901 219**	**3 145 321**	**235 726 321**
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	3 278 135	2 048 975	-	-	5 327 110
Due from other banks	273 840	-	-	-	-	273 840
Loans to customers	-	505 116 772	66 947 674	123 815	-	572 188 261
Financial assets available for sale	-	255 865	-	212 722	15 431 358	15 899 945
Investments held to maturity	-	300 455	-	-	-	300 455
Investments in associates and non-consolidated subsidiaries	-	-	-	6 339 633	242 938	6 582 571
Premises and equipment, and intangible assets	-	-	-	5 824 715	10 458 248	16 282 963
Current tax assets	-	-	-	9 233	25 750	34 983
Deferred tax assets	-	-	-	-	72 690	72 690
Total assets maturing in more than 1 month and part of assets with no stated maturity	**273 840**	**508 951 227**	**68 996 649**	**12 510 118**	**26 230 984**	**616 962 818**
Total assets	**171 328 230**	**554 859 701**	**82 713 566**	**14 411 337**	**29 376 305**	**852 689 139**

(in thousands of Russian Roubles)

	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to other banks	32 484 898	-	369 492	9 376	-	32 863 766
Customer accounts	-	112 448 657	33 759 888	-	-	146 208 545
Financial liabilities at fair value through profit or loss	11 020 388	-	892 695	-	-	11 913 083
Other liabilities	-	-	42 425	621 331	-	663 756
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	**43 505 286**	**112 448 657**	**35 064 500**	**630 707**	**-**	**191 649 150**
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to other banks	-	99 001 644	11 206 124	-	-	110 207 768
Customer accounts	3 732 215	186 691 323	153 215 440	52 357	-	343 691 335
Debt securities issued	-	91 180 270	6 635 447	2 191 669	-	100 007 386
Other liabilities	-	-	-	-	12 620 127	12 620 127
Current tax liabilities	-	-	-	660	149 431	150 091
Deferred tax liabilities	-	-	-	133 881	1 645 925	1 779 806
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	**3 732 215**	**376 873 237**	**171 057 011**	**2 378 567**	**14 415 483**	**568 456 513**
Total liabilities	**47 237 501**	**489 321 894**	**206 121 511**	**3 009 274**	**14 415 483**	**760 105 663**
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity	**(127 549 104)**	**66 540 183**	**21 347 583**	**(1 270 512)**	**(3 145 321)**	**(44 077 171)**
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	127 549 104	(92 484 604)	(35 064 500)	-	-	-
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	**3 458 375**	**(132 077 990)**	**102 060 362**	**(10 131 551)**	**(11 815 501)**	**(48 506 305)**
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	-	88 343 445	(88 343 445)	-	-	-
Equity financing	(3 458 375)	69 678 966	-	11 402 063	14 960 822	92 583 476
Net uncovered deficit/unallocated surplus on financing	**-**	**-**	**-**	**-**	**-**	**-**

(in thousands of Russian Roubles)

Segment information on main business segments of the Group for the year ended 31 December 2009 is given in the table below:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and cash equivalents	2 570 369	53 553 482	19 802 936	28 973	-	75 955 760
Financial assets at fair value through profit or loss	103 146 556	14 989 302	-	325 814	-	118 461 672
Due from other banks	44 209 469	-	-	308 517	-	44 517 986
Other assets	-	-	159 064	2 134 085	2 946 060	5 239 209
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	**149 926 394**	**68 542 784**	**19 962 000**	**2 797 389**	**2 946 060**	**244 174 627**
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	2 777 710	1 970 728	-	-	4 748 438
Due from other banks	6 185 297	-	-	-	-	6 185 297
Loans to customers	-	460 497 841	73 453 909	537 799	-	534 489 549
Financial assets available for sale	428 911	330 952	-	430 642	12 547 521	13 738 026
Investments held to maturity	-	265 211	-	-	-	265 211
Investments in associates and non-consolidated subsidiaries	-	-	-	3 592 847	227 998	3 820 845
Premises and equipment, and intangible assets	-	-	-	5 885 333	11 009 944	16 895 277
Current tax assets	-	-	-	44	750 266	750 310
Deferred tax assets	-	-	-	1 114	74 958	76 072
Total assets maturing in more than 1 month and part of assets with no stated maturity	**6 614 208**	**463 871 714**	**75 424 637**	**10 447 779**	**24 610 687**	**580 969 025**
Total assets	**156 540 602**	**532 414 498**	**95 386 637**	**13 245 168**	**27 556 747**	**825 143 652**

(in thousands of Russian Roubles)

	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to other banks	18 344 405	-	617 457	-	-	18 961 862
Customer accounts	-	114 293 253	33 345 723	-	-	147 638 976
Financial liabilities at fair value through profit or loss	1 714 518	-	625 771	-	-	2 340 289
Other liabilities	-	-	59 398	1 167 601	-	1 226 999
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	**20 058 923**	**114 293 253**	**34 648 349**	**1 167 601**	**-**	**170 168 126**
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to other banks	10 211 463	185 565 021	10 976 377	-	-	206 752 861
Customer accounts	383 679	135 848 840	144 124 895	32 199	-	280 389 613
Debt securities issued	-	68 817 548	6 868 398	2 412 833	-	78 098 779
Other liabilities	-	-	-	-	1 547 777	1 547 777
Current tax liabilities	-	-	-	2 027	87 678	89 705
Deferred tax liabilities	-	-	-	133 496	1 367 260	1 500 756
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	**10 595 142**	**390 231 409**	**161 969 670**	**2 580 555**	**3 002 715**	**568 379 491**
Total liabilities	**30 654 065**	**504 524 662**	**196 618 019**	**3 748 156**	**3 002 715**	**738 547 617**
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity	**(129 867 471)**	**45 750 469**	**14 686 349**	**(1 629 788)**	**(2 946 060)**	**(74 006 501)**
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	129 867 471	(95 219 122)	(34 648 349)	-	-	-
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	**3 980 934**	**(73 640 305)**	**86 545 033**	**(7 867 224)**	**(21 607 972)**	**(12 589 534)**
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	-	66 583 033	(66 583 033)	-	-	-
Equity financing	(3 980 934)	56 525 925	-	9 497 012	24 554 032	86 596 035
Net uncovered deficit/unallocated surplus on financing	**-**	**-**	**-**	**-**	**-**	**-**

(in thousands of Russian Roubles)

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

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

(in thousands of Russian Roubles)

The table below shows a breakdown of the condensed interim consolidated statement of comprehensive income of the Group for the six months ended 30 June 2009 by business segments:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Unallocated	Total
Interest income	3 403 482	30 532 853	6 649 715	104 829	-	40 690 879
Interest expense	(4 427 469)	(16 924 408)	(5 775 510)	(57 545)	-	(27 184 932)
Gains less losses arising from financial assets at fair value through profit or loss	2 885 407	-	-	68 986	-	2 954 393
Gains less losses arising from financial liabilities at fair value through profit or loss	(496 813)	-	-	-	-	(496 813)
Gains less losses arising from financial assets available for sale	(2 656)	-	-	(185)	-	(2 841)
Gains less losses from dealing in foreign currency and precious metals and revaluation of foreign currency and precious metals	(641 837)	-	528 786	5 454	-	(107 597)
Net operating result on banking assets and liabilities	**720 114**	**13 608 445**	**1 402 991**	**121 539**	**-**	**15 853 089**
Income/(expense) on re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	(21 380)	15 215	6 165	-	-	-
Income/(expense) on re-allocation of funds maturing in more than 1 month and with no stated maturity	-	(2 215 741)	2 215 741	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	**698 734**	**11 407 919**	**3 624 897**	**121 539**	**-**	**15 853 089**
Fee and commission income	44 630	2 888 611	1 523 304	40 507	-	4 497 052
Fee and commission expense	(27 328)	(417 146)	(256 600)	(463)	-	(701 537)
Provisions for impairment of due from other banks and loans to customers	(25 967)	(7 639 341)	(3 739 214)	(6 022)	-	(11 410 544)
General and administrative expenses	(257 709)	(2 126 309)	(2 361 626)	(200 746)	(2 162 067)	(7 108 457)
Other income/(expense)	-	66 685	315 846	(210 769)	(204 077)	(32 315)
Profit before taxation	**432 360**	**4 180 419**	**(893 393)**	**(255 954)**	**(2 366 144)**	**1 097 288**
Income tax expense	-	-	-	(17 302)	(424 631)	(441 933)
Profit after taxation	**432 360**	**4 180 419**	**(893 393)**	**(273 256)**	**(2 790 775)**	**655 355**
Non-controlling interest	-	-	-	-	(5 266)	(5 266)
Net profit	**432 360**	**4 180 419**	**(893 393)**	**(273 256)**	**(2 796 041)**	**650 089**

(in thousands of Russian Roubles)

26. Contingent Liabilities

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

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

As at 30 June 2010, the management believes that the Group's interpretation of the respective legislation is appropriate, and the Group's tax, currency and customs positions will be sustained by controlling bodies.

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

	30 June 2010 (unaudited)	31 December 2009
Less than 1 year	1 124 558	1 010 061
From 1 to 5 years	184 071	293 320
Later than 5 years	7 332	9 425
Total operating lease commitments	**1 315 961**	**1 312 806**

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

Commitments to extend credit at a specific rate of interest during a fixed period of time are accounted for as derivative financial instruments unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting.

Credit related commitments of the Group are as follows:

	30 June 2010 (unaudited)	31 December 2009
Guarantees issued	52 890 128	53 662 681
Commitments to extend credit	39 338 104	31 387 205
Letters of credit	6 962 215	8 826 958
Total credit related commitments	**99 190 447**	**93 876 844**

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

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

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

(in thousands of Russian Roubles)

The Group's management estimates possibility of losses in connection with credit related commitments as immaterial. As at 30 June 2010 and 31 December 2009, the Group did not set up provisions for the related commitments.

27. Fair Value of Financial Instruments

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

The table below provides the estimated fair value of the Group's financial instruments as at 30 June 2010 and 31 December 2009:

	30 June 2010 (unaudited)		31 December 2009	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and cash equivalents	36 818 699	36 818 699	75 955 760	75 955 760
Financial assets at fair value through profit or loss	131 536 073	131 536 073	118 461 672	118 461 672
Due from other banks	63 459 157	63 459 157	50 703 283	50 703 283
Loans to customers	572 188 261	572 188 261	534 489 549	534 489 549
Financial assets available for sale	15 899 945	15 899 945	13 738 026	13 738 026
Investments held to maturity	300 455	247 946	265 211	167 625
Financial liabilities				
Due to other banks	143 071 534	143 071 534	225 714 723	225 714 723
Customer accounts	489 899 880	489 899 880	428 028 589	428 028 589
Financial liabilities at fair value through profit or loss	11 913 083	11 913 083	2 340 289	2 340 289
Debt securities issued	100 007 386	100 358 858	78 098 779	79 896 650

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

Due from other banks. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. In the opinion of the Group, the fair values of due from other banks as at 30 June 2010 and 31 December 2009 do not materially differ from respective carrying amounts (Note 7). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Loans to customers. Loans to customers are reported net of provisions for impairment. The estimated fair value of loans to customers represent the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. In the opinion of the Group, fair values of loans to customers as at 30 June 2010 and 31 December 2009 do not materially differ from respective carrying amounts (Note 8). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

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

(in thousands of Russian Roubles)

Borrowings. The estimated fair value of borrowings with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The Group believes that fair values of borrowings as at 30 June 2010 and 31 December 2009 do not materially differ from respective carrying amounts (Notes 13, 14). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

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

28. Related Party Transactions

In the normal course of business the Group enters into transactions with its main shareholders, directors and other related parties. For the purposes of these condensed interim consolidated financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions and if the parties are under common control as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. These transactions include settlements, issuance of loans, deposit taking, guarantees, trade finance and foreign currency transactions. According to the Group’s policy, the terms of related party transactions are equivalent to those that prevail in arm’s length transactions.

The outstanding balances at the end of the reporting period and asset transactions with related parties for the six months ended 30 June 2010 and 30 June 2009 are as follows:

	Shareholders		Directors and key management personnel		Associates and other related parties	
	For the six months ended 30 June 2010	For the six months ended 30 June 2009	For the six months ended 30 June 2010	For the six months ended 30 June 2009	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Financial assets at fair value through profit or loss						
Financial assets at fair value through profit or loss as at 1 January	-	262 363	-	-	12 166 430	4 784 408
Financial assets at fair value through profit or loss acquired during the reporting period	-	-	-	-	71 794 481	25 566 354
Financial assets at fair value through profit or loss sold or repaid during the reporting period	-	(262 363)	-	-	(67 444 619)	(24 179 329)
Financial assets at fair value through profit or loss as at 30 June	**-**	**-**	**-**	**-**	**16 516 292**	**6 171 433**
Due from other banks						
Due from other banks as at 1 January	-	-	-	-	-	500 000
Due from other banks placed during the reporting period	-	-	-	-	2 951 578	1 812 994
Due from other banks repaid during the reporting period	-	-	-	-	(2 904 710)	(1 812 994)
Due from other banks as at 30 June	**-**	**-**	**-**	**-**	**46 868**	**500 000**

(in thousands of Russian Roubles)

	Shareholders		Directors and key management personnel		Associates and other related parties	
	For the six months ended 30 June 2010	For the six months ended 30 June 2009	For the six months ended 30 June 2010	For the six months ended 30 June 2009	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Loans to customers						
Loans to customers as at 1 January (gross)	7 252 203	-	391 244	312 246	6 517 921	7 644 086
Loans to customers issued during the reporting period	7 173 501	4 869 642	342 452	234 097	26 400 340	13 205 296
Loans to customers repaid during the reporting period	(4 766 526)	(301 502)	(254 217)	(152 413)	(6 365 354)	(4 997 388)
Loans to customers as at 30 June (gross)	**9 659 178**	**4 568 140**	**479 479**	**393 930**	**26 552 907**	**15 851 994**
Provision for impairment of loans to customers						
Provision for impairment of loans to customers as at 1 January	10 593	-	3 913	3 123	1 923 355	92 584
Provision for impairment of loans to customers during the reporting period	48 097	47 242	882	816	3 571 959	640 225
Recovery of provision for impairment of loans to customers during the reporting period	(13 102)	(6 793)	-	-	(4 262 093)	(9 287)
Provision for impairment of loans to customers as at 30 June	**45 588**	**40 449**	**4 795**	**3 939**	**1 233 221**	**723 522**
Loans to customers as at 1 January (less provision for impairment)	**7 241 610**	**-**	**387 331**	**309 123**	**4 594 566**	**7 551 502**
Loans to customers as at 30 June (less provision for impairment)	**9 613 590**	**4 527 691**	**474 684**	**389 991**	**25 319 686**	**15 128 472**
Interest received on loans to customers and due from other banks	**249 410**	**156 326**	**3 571**	**13 520**	**613 209**	**946 115**

The outstanding balances and liability transactions with related parties for the six months ended 30 June 2010 and 30 June 2009 are as follows:

	Shareholders		Directors and key management personnel		Associates and other related parties	
	For the six months ended 30 June 2010	For the six months ended 30 June 2009	For the six months ended 30 June 2010	For the six months ended 30 June 2009	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Due to other banks						
Due to other banks as at 1 January	-	-	-	-	154 118	51 101
Due to other banks received during the reporting period	-	-	-	-	17 394 175	8 709 738
Due to other banks repaid during the reporting period	-	-	-	-	(17 338 898)	(8 735 021)
Due to other banks as at 30 June	**-**	**-**	**-**	**-**	**209 395**	**25 818**

(in thousands of Russian Roubles)

	Shareholders		Directors and key management personnel		Associates and other related parties	
Customer accounts						
Customer accounts as at 1 January	62 805 472	91 722 002	975 159	522 599	33 354 094	18 041 503
Amounts deposited during the reporting period	216 215 398	278 953 886	1 014 642	1 808 073	425 958 104	424 694 076
Amounts withdrawn during the reporting period	(209 190 566)	(229 355 789)	(984 808)	(1 336 831)	(419 931 698)	(408 078 355)
Customer accounts as at 30 June	**69 830 304**	**141 320 099**	**1 004 993**	**993 841**	**39 380 500**	**34 657 224**
Interest expense on deposits	**2 081 787**	**5 862 689**	**38 365**	**35 868**	**16 719**	**165 500**
Fee and commission income for the reporting period	**7 735**	**13 138**	**-**	**-**	**321 539**	**360 956**
Guarantees and sureties issued by the Group at the end of the reporting period	**-**	**2 049 521**	**-**	**-**	**14 050**	**3 681 500**
Guarantees and sureties received by the Group at the end of the reporting period	**-**	**-**	**-**	**-**	**39 481 252**	**30 686 910**
Import letters of credit at the end of the reporting period	**-**	**-**	**-**	**-**	**-**	**360 615**

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

Remuneration to members of the Executive Board for the six months ended 30 June 2010 amounted to RUR 201 169 thousand (for the six months ended 30 June 2009: RUR 297 963 thousand).

29. Capital Adequacy

The Central Bank of the Russian Federation requires banks and banking groups to maintain a capital adequacy ratio at more than 10% of risk weighted assets. During six months 2010 and 2009 the Group and the Bank complied with all capital requirements.

As at 30 June 2010 and 31 December 2009, the capital adequacy ratio of the Group calculated in accordance with the Basle Capital Accord dated 1988 exceeded the recommended minimum of 8%:

	30 June 2010	**31 December 2009**
Core capital (Tier 1 capital)	88 545 404	82 513 113
Secondary capital (Tier 2 capital)	39 456 771	39 081 598
Total equity (capital)	**128 002 175**	**121 594 711**
Risk-weighted assets	**720 583 821**	**643 161 747**
Capital adequacy ratio	**17.8%**	**18.9%**
Core capital adequacy ratio	**12.3%**	**12.8%**
Minimum capital adequacy ratio	8.0%	8.0%

30. Events after the Reporting Period

In July 2010 the Group's share in the share capital of AS Eesti Krediidipank was increased to 91.75%.

On 26 July 2010, the CBR registered the 14th issue of the Bank of Moscow ordinary voting shares in the amount of 21 632 017 at the nominal value of RUR 100. The shares were offered at the following prices: RUR 1 003 per share under the pre-emptive rights offer and RUR 1 003 per share under open subscription, totalling RUR 21 696 913 thousand, including share premium of RUR 19 533 711 thousand. Based on the results of the additional share issue, the total interest of the Government of the City of Moscow in the Bank of Moscow share capital totalled 63.8% (direct shareholding of the Government of the City of Moscow in the Bank of Moscow totalled 46.48%, and the shareholding of the Government of the City of Moscow in the Bank of Moscow through O.J.S.C. "Metropolitan Insurance Group" (including its subsidiaries) totalled 17.32%).

On 10 September 2010 Bank of Moscow finalized the eurobond issue in the amount of CHF 350 million with the coupon rate of 4.50% per annum and maturity in 2013.