

BANK VOZROZHDENIE

***International Financial
Reporting Standards
Interim Summarized
Consolidated Financial
Statements
(unaudited)***

30 June 2012

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Bank Vozrozhdenie
IFRS Interim Summarized Consolidated Statements
Statement of financial position as at June 30, 2012

(in millions of Russian Rubles)

1USD = 32,8169 Russian Ruble as at 30 June 2012

1USD = 32,1961 Russian Ruble as at 31 December 2011

June 30, 2012 **December 31, 2011**
(unaudited)

ASSETS

Cash and cash equivalents	31 547	37 755
Mandatory cash balances with the Central Bank of the Russian Federation	2 046	1 939
Trading securities held to maturity	8 154	7 347
Due from other banks	417	967
Loans and advances to customers	138 432	124 383
Investment securities available for sale	3 458	1 377
Property, equipment and intangible assets	3 069	3 048
Other financial assets	1 141	1 254
Non-current assets held for sale	1 070	975
Other assets	4 574	4 843

TOTAL ASSETS

193 908

183 888

LIABILITIES

Due to other banks	7 322	8 202
Customer accounts	151 827	145 142
Debt securities in issue	8 293	6 722
Subordinated loans	4 328	4 217
Other financial liabilities	1 728	588
Other liabilities	772	555

TOTAL LIABILITIES

174 270

165 426

EQUITY

Share capital	250	250
Share premium	7 306	7 306
Retained earnings	11 997	10 807
Other reserves/funds	85	99

TOTAL EQUITY

19 638

18 462

TOTAL LIABILITIES AND EQUITY

193 908

183 888

Bank Vozrozhdenie
IFRS Interim Summarized Consolidated Statements
Statement of Comprehensive income for the period ended on June 30, 2012

	6M ended 30 June		3M ended 30 June	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
(in millions of Russian Rubles)				
1USD = 32,8169 Russian Ruble as at 30 June 2012				
1USD = 28,0758 Russian Ruble as at 30 June 2011				
Interest income	7 887	6 674	4 118	3 528
Interest expense	(3 476)	(3 453)	(1 856)	(1 671)
Net interest income	4 411	3 221	2 262	1 857
Provision for loan impairment	(1 188)	(926)	(830)	(576)
Net interest income after provision for loan impairment	3 223	2 295	1 432	1 281
Fee and commission income	2 605	2 382	1 387	1 290
Fee and commission expense	(188)	(184)	(96)	(98)
(Losses less gains)/ Gains less losses arising from trading securities	(9)	2	(1)	(41)
Gains less losses from trading in foreign currencies	252	202	140	98
Foreign exchange translation losses less gains	(72)	(57)	(44)	(19)
Gains less losses from disposals of investment securities available for sale	3	3	(1)	3
Other operating income	173	135	126	75
Administrative and other operating expenses	(4 180)	(3 889)	(2 138)	(2 091)
Provision for impairment of other assets	(314)	2	(1)	(3)
Profit before tax	1 493	891	804	495
Income tax expense	(289)	(179)	(126)	(100)
PROFIT FOR THE REPORTING PERIOD	1 204	712	678	395
Other comprehensive income:				
Available-for-sale investments:				
Gains less losses/Losses less gains arising during the reporting period	25	(2)	17	8
Expense/Income tax recorded directly in other comprehensive income	(39)	10	(46)	-
Other comprehensive income for the reporting period	(14)	8	(29)	8
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	1 190	720	649	403
Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted (expressed in RUB per share)				
Ordinary shares	48	28	27	15

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Statement of Comprehensive income for the period ended on June 30, 2012

	Share capital	Share premium	Other reserves/ funds	Retained earnings	Total equity
Balance at December 31, 2011	250	7 306	95	10 807	18 462
Profit for 6M ended June 30, 2012	-	-	-	1 204	1 204
Other comprehensive income	-	-	(14)	-	(14)
Total comprehensive income for 2012	-	-	(14)	1 204	1 190
Dividends declared	-	-	-	(14)	(14)
Balance at June 30, 2012	250	7 306	85	11 997	19 638

	Share capital	Share premium	Other reserves/ funds	Retained earnings	Total equity
Balance at December 31, 2010	250	7 306	77	9 227	16 860
Profit for 6M ended June 30, 2011	-	-	-	712	712
Other comprehensive income	-	-	8	-	8
Total comprehensive income for 2011	-	-	8	712	720
Dividends declared	-	-	-	(14)	(14)
Balance at June 30, 2011	250	7 306	85	9 925	17 566

Bank Vozrozhdenie
IFRS Interim Summarized Consolidated Statements
Statement of Cash Flows for the period ended on June 30, 2012

<i>(in millions of Russian Rubles)</i>	6M 2012 (unaudited)	6M 2011 (unaudited)
Cash flows from operating activities		
Interest received	7 642	7 027
Interest paid	(3 208)	(3 279)
Fees and commissions received	2 578	2 357
Fees and commissions paid	(188)	(184)
Net loss/income received from trading securities	(7)	(38)
Net income received from trading in foreign currencies	252	202
Other operating income received	153	91
Administrative and other operating expenses paid	(3 831)	(3 382)
Income tax paid	(472)	(391)
Cash flows from operating activities before changes in operating assets and liabilities	2 919	2 403
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	(107)	(861)
Net increase/decrease in trading securities	(664)	121
Net decrease in due from other banks	559	5 512
Net increase in loans and advances to customers	(14 931)	(19 063)
Net decrease in other financial assets	133	554
Net decrease in other assets	149	8
Net (decrease) / increase in due to other banks	(641)	248
Net increase in customer accounts	6 237	6 155
Net increase in debt securities in issue	1 452	2 105
Net increase in other financial liabilities	1 140	450
Net decrease in other liabilities	(111)	(124)
Net cash used in operating activities	(3 865)	(2 492)
Cash flows from investing activities		
Acquisition of investment securities available for sale	(2 052)	(283)
Acquisition of property and equipment and intangible assets	(277)	(258)
Acquisition of investment securities held to maturity	-	(176)
Proceeds from disposal of investment securities available for sale	61	158
Proceeds from disposal of non-current assets available for sale	47	14
Proceeds from disposal of investment property	21	181
Proceeds from disposal of property and equipment and intangible assets	16	-
Net cash used in investing activities	(2 184)	(364)
Cash flows from financing activities		
Repayment of deposit from international financial institutions	(235)	-
Dividends paid	(14)	(14)
Repayment of subordinated loans	-	(226)
Net cash used in financing activities	(249)	(240)
Effect of exchange rate changes on cash and cash equivalents	90	(627)
Net decrease in cash and cash equivalents	(6 208)	(3 723)
Cash and cash equivalents at the beginning of the year	37 755	32 151
Cash and cash equivalents at the end of the financial period	31 547	28 428

Bank Vozrozhdenie
Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012

1 Introduction

These interim summarized consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IAS) 34 "Interim financial statements" (the IFRS (IAS) 34) for six months ended June 30, 2012 for Bank Vozrozhdenie ("Bank") and its special-purpose entity, closed joint stock company "Ipotechny Agent Vozrozhdenie 1" (together referred to as the "Group").

Presentation currency: these financial statements are presented in millions of Russian Rubles ("RR millions") The principal rate of exchange used for translating foreign currency balances was USD1 = RR32.9412 as of June 29, 2012, USD1 = RR32.1961 as of December 31, 2011, and USD1 = RR28.0758 as of June 30, 2011 relatively RR41.1963, RR41.6714 and RR40.3870 per one EUR.

2 Principles of accounting policies, critical accounting estimates and judgments

This interim summarized consolidated financial statement is to be considered along with Group's annual financial statements for the year ended December 31, 2011.

This interim summarized consolidated financial statement doesn't contain all notes which are obligatory to disclosure in a full version of financial statement.

Principles and methods of accounting policy applied in this interim summarized consolidated financial statement comply with the principles and methods applied and described in the Group's annual Financial Statement for the year ended December 31, 2011.

Judgments made by the Group's management applying accounting policy comply with the judgments described in the Bank's annual Financial Statement for 2011. The Group's Management didn't apply any new estimates and judgments. As a result of applying estimates and judgments described in the Group's financial statements for the year ended December 31, 2011 the Group's assets, revenues and income for six months ended June 30, 2012 didn't change materially.

3 Cash and cash equivalents

<i>(in millions of Russian Rubles)</i>	2012	2011
Cash on hand	7 609	10 382
Correspondent accounts and overnight placements with other banks		
- Russian Federation	1 342	7 906
- other countries	16 701	13 482
Cash balances with the CBRF (other than mandatory reserve deposits)	5 473	5 785
Cash balances with other banks	422	200
Total cash and cash equivalents	31 547	37 755

Cash and cash equivalents are not impaired and are not collateralized.

4 Trading securities

<i>Trading securities (in millions of Russian Rubles)</i>	2012	2011
Corporate Bonds	6 579	3 748
Federal loan bonds (OFZ)	623	457
Municipal Bonds	467	188
Corporate Eurobonds	458	2 954
Total debt securities	8 127	7 347
Corporate shares	27	-
Total trading securities	8 154	7 347

The entire trading securities portfolio includes trading securities quoted on the market.

4 Trading securities (continued)

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Bank does not analyze or monitor impairment indicators. Trading securities are used by Bank basically for managing liquidity risk.

The Bank is licensed by the Federal Commission on the Securities Markets for trading in securities.

5 Due from Other Banks

<i>(in millions of Russian Rubles)</i>	2012	2011
Insurance deposits with non-resident banks	416	366
Short-term placements with other banks	1	601
Total due from other banks	417	967

6 Loans and Advances to Customers

<i>(in millions of Russian Rubles)</i>	2012	2011
Corporate loans – large	42 673	40 168
Corporate loans – medium	56 397	50 306
Corporate loans – small	24 932	22 512
Mortgage loans	18 542	15 384
Other loans to individuals	9 732	8 978
Total loans and advances to customers (before provision for loan impairment)	152 276	137 348
Less: Provision for loan impairment	(13 844)	(12 965)
Total loans and advances to customers	138 432	124 383

In accordance with the annually approved Credit policy loans are divided into corporate and retail.

Taking into consideration the Bank's customer policy requirements for 2012 the corporate portion of borrowers is further divided on the basis of total amount owned by the customer into the following categories: large – in excess of RR 750 million, medium – from RR 100 million to RR 750 million, small less than RR 100 million (2011: large – in excess of RR 750 million, medium – from RR 100 million to RR 750 million, small less than RR 100 million).

Retail loans are divided into categories by product: mortgage loans and other loans to individuals including customer loans, car loans and bank card loans.

Mortgage loans include mortgage loans of RR 3,417 million securitized in December 2011. As at June 30, 2012 the carrying value of those mortgage loans equals their nominal value.

7 Loans and advances to customers (continued)

Movements in the provision for loan impairment during 6M 2012 are as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at January 1, 2012	3 514	5 501	2 876	432	642	12 965
Charges to provision for loan impairment during the financial period	813	296	24	49	6	1 188
Amounts written off during the period as uncollectible	-	-	(113)	-	(1)	(114)
Results from disposal of loans under cession agreements	-	(96)	-	-	(99)	(195)
Provision for loan impairment at June 30, 2012	4 327	5 701	2 787	481	548	13 844

Movements in the provision for loan impairment during 2011 are as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at January 1, 2011	2 014	5 086	3 026	480	584	11 190
Provision for loan impairment during the year	1 500	612	175	(48)	65	2 304
Amounts written off during the year as uncollectible	-	-	(146)	-	(7)	(153)
Results from disposal of loans under cession agreements	-	(197)	(179)	-	-	(376)
Provision for loan impairment at December 31, 2011	3 514	5 501	2 876	432	642	12 965

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

<i>(in millions of Russian Rubles)</i>	2012		2011	
	Amount	%	Amount	%
Manufacturing	41 963	27	37 743	27
Trade	34 148	22	31 510	23
Individuals	28 274	19	24 362	18
Construction	11 645	8	9 927	7
Agriculture	8 856	6	8 122	6
Real estate	7 666	5	7 693	5
Transport and communications	5 460	4	5 127	4
State and public organizations	3 353	2	2 711	2
Finance	1 259	1	5 125	4
Other	8 955	6	5 028	4
Total Loans and advances to customers (Before provisions for loan impairment)	152 276	100	137 348	100

State and public organizations exclude government owned profit oriented businesses.

Bank Vozrozhdenie

Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012

At June 30, 2012 the Bank had 32 borrowers with aggregated loan amounts equal or above RUB 750 million. The total aggregate amount of these loans was RUB 42 673 million or 28.0% of the gross loan portfolio.

At December 31, 2011 the bank had 32 borrowers with aggregated loan amounts equal or above RUB 750 million. The total aggregate amount of these loans was RUB 40 168 million or 29.2% of the gross loan portfolio.

Bank Vozrozhdenie
Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012

6 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at June 30, 2012 is as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Neither past due nor impaired:</i>						
- Large borrowers with credit history over two years	26 857	-	-	-	-	26 857
- Large new borrowers	12 416	-	-	-	-	12 416
- Corporate loans assessed on a portfolio basis, issued in 2012	-	14 273	7 130	-	-	21 403
- Corporate loans assessed on a portfolio basis, issued before 2012	-	36 770	15 036	-	-	51 806
<i>Loans to individuals assessed on a portfolio basis:</i>						
- mortgage loans issued in 2012	-	-	-	4 413	-	4 413
- mortgage loans issued before 2012	-	-	-	13 855	-	13 855
- consumer loans	-	-	-	-	6 903	6 903
- credit cards	-	-	-	-	1 932	1 932
- car loans	-	-	-	-	394	394
Total neither past due nor impaired	39 273	51 043	22 166	18 268	9 229	139 979
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	54	38	31	52	175
- 30 to 90 days overdue	-	-	-	20	4	24
- 91 to 180 days overdue	-	-	-	15	4	19
- 181 to 360 days overdue	-	-	-	13	5	18
Total past due but not impaired	0	54	38	79	65	236
<i>Loans collectively determined to be impaired (gross)</i>						
- less than 30 days overdue	-	191	48	-	-	239
- 30 to 90 days overdue	-	60	114	-	12	186
- 91 to 180 days overdue	-	261	123	-	11	395
- 181 to 360 days overdue	-	-	151	-	17	168
- over 360 days overdue	-	2 931	2 149	-	95	5 175
Total loans collectively determined to be impaired (gross)	-	3 443	2 585	-	135	6 163
<i>Loans individually determined to be impaired (gross)</i>						
-not past due	1 598	-	-	-	-	1 598
- less than 30 days overdue	-	-	-	3	35	38
- 30 to 90 days overdue	960	-	-	12	15	987
- 91 to 180 days overdue	-	-	-	2	8	10
- 181 to 360 days overdue	-	477	-	6	21	504
- over 360 days overdue	842	1 380	143	172	224	2 761
Total loans individually determined to be impaired (gross)	3 400	1 857	143	195	303	5 898
Less impairment provisions	(4 327)	(5 701)	(2 787)	(481)	(548)	(13 844)
Total loans and advances to customers	38 346	50 696	22 145	18 061	9 184	138 432

Bank Vozrozhdenie
Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012

6 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at December 31, 2011 is as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Neither past due nor impaired:</i>						
- Large borrowers with credit history over two years	19 233	-	-	-	-	19 233
- Large new borrowers	18 955	-	-	-	-	18 955
- Corporate loans assessed on a portfolio basis, issued in 2011	-	34 446	16 713	-	-	51 159
- Corporate loans assessed on a portfolio basis, issued before 2011	-	10 942	2 948	-	-	13 890
<i>Loans to individuals assessed on a portfolio basis:</i>						
- mortgage loans issued in 2011	-	-	-	7 477	-	7 477
- mortgage loans issued before 2011	-	-	-	7 647	-	7 647
- consumer loans	-	-	-	-	6 063	6 063
- credit cards	-	-	-	-	1 948	1 948
- car loans	-	-	-	-	400	400
Total neither past due nor impaired	38 188	45 388	19 661	15 124	8 411	126 772
<i>Past due but not impaired</i>						
- less than 30 days overdue	215	21	35	23	34	328
- 30 to 90 days overdue	-	-	-	10	7	17
- 91 to 180 days overdue	-	-	-	16	2	18
- 181 to 360 days overdue	-	-	-	20	13	33
Total past due but not impaired	215	21	35	69	56	396
<i>Loans collectively determined to be impaired (gross)</i>						
- less than 30 days overdue	-	-	87	-	-	87
- 30 to 90 days overdue	-	-	133	-	13	146
- 91 to 180 days overdue	-	44	55	-	11	110
- 181 to 360 days overdue	-	220	296	-	18	534
- over 360 days overdue	-	2 776	2 025	-	188	4 989
Total loans collectively determined to be impaired (gross)	-	3 040	2 596	-	230	5 866
<i>Loans individually determined to be impaired (gross)</i>						
- not past due	923	-	-	-	-	923
- less than 30 days overdue	-	-	-	-	24	24
- 30 to 90 days overdue	-	477	-	-	13	490
- 91 to 180 days overdue	-	-	-	-	19	19
- 181 to 360 days overdue	-	-	-	-	12	12
- over 360 days overdue	842	1 380	220	191	213	2 846
Total loans individually determined to be impaired (gross)	1 765	1 857	220	191	281	4 314
Less impairment provisions	(3 514)	(5 501)	(2 876)	(432)	(642)	(12 965)
Total loans and advances to customers	36 654	44 805	19 636	14 952	8 336	124 383

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and reliability of related collateral, if any.

Bank Vozrozhdenie
Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012

6 Loans and advances to customers (continued)

The value of collateral at June 30, 2012 was as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Unsecured loans</i>	5 850	5 767	1 992	972	4 234	18 815
Secured loans:						
- residential real estate	-	-	-	14 827	39	14 866
- other real estate	14 290	23 442	10 590	40	1 084	49 446
- equipment and inventories, motor vehicles	7 217	13 567	7 464	-	536	28 784
- securities (shares, promissory notes)	-	-	1	57	18	76
- cash deposits	-	-	15	14	12	41
- state guarantees and guarantees of the RF constituents	801	1 680	737	-	-	3 218
- third parties' guarantees	12 709	9 461	3 976	53	3 666	29 865
- other assets (other types of property, rights)	1 806	2 480	157	2 579	143	7 165
Total loans and advances to customers (before provisions for loan impairment)	42 673	56 397	24 932	18 542	9 732	152 276

The value of collateral at December 31, 2011 was as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Unsecured loans</i>	3 731	5 157	1 649	1 003	3 049	14 589
Secured loans:						
- residential real estate	-	-	-	14 318	1 251	15 569
- production real estate	14 123	22 371	9 690	2	103	46 289
- equipment and inventories, motor vehicles	5 501	10 972	7 277	-	579	24 329
- securities (shares, promissory notes)	-	7	1	-	-	8
- cash deposits	-	-	11	-	5	16
- state guarantees and guarantees of the RF constituents	792	1 254	528	-	-	2 574
- third parties' guarantees	12 128	8 295	3 178	60	2 841	26 502
- other assets (other types of property, rights)	3 893	2 250	178	1	1 150	7 472
Total loans and advances to customers (before provisions for loan impairment)	40 168	50 306	22 512	15 384	8 978	137 348

Bank Vozrozhdenie
Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012

7 Investment securities available for sale

<i>(in millions of Russian Rubles)</i>	2012	20101
Corporate Eurobonds	2 436	831
Corporate bonds	501	-
RF Eurobonds	-	65
Total debt securities	2 937	896
Corporate shares	521	481
Total investment securities available for sale	3 458	1 377

8 Other Assets

<i>(in millions of Russian Rubles)</i>	2012	2011
Inventories	2 094	2 074
Investment properties	1 848	1 880
Deferred income tax asset	1 130	958
Non-current assets held for sale	1 073	984
Other	151	260
Total other assets (before provisions)	6 296	6 156
Less provisions on impairment of other assets	(652)	(338)
Total other assets	5 644	5 818

9 Due to Other Banks

<i>(in millions of Russian Rubles)</i>	2012	2011
Placements of other banks	7 287	7 940
Correspondent accounts of other banks	35	262
Total due to other banks	7 322	8 202

10 Customer Accounts

<i>(in millions of Russian Rubles)</i>	2012	2011
State and public organisations		
- Current/settlement accounts	124	254
- Term deposits	881	-
Other legal entities		
- Current/settlement accounts	31 921	33 053
- Term deposits	23 158	19 510
Individuals		
- Current/demand accounts	18 961	20 184
- Term deposits	76 782	72 141
Total customer accounts	151 827	145 142

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Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012

10 Customer Accounts (continued)

State and public organizations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

<i>(in millions of Russian Rubles)</i>	2012		2011	
	Amount	%	Amount	%
Individuals	95 743	63	92 325	64
Trade	20 705	14	18 466	12
Finance	10 681	7	10 203	7
Manufacturing	8 537	6	7 204	5
Construction	4 985	3	7 628	5
Transport and communications	4 713	3	5 607	4
Agriculture	3 680	2	254	0
State and public organisations	1 005	1	2 436	2
Other	1 778	1	1 019	1
Total customer accounts	151 827	100	145 142	100

11 Debt Securities in Issue

<i>(in millions of Russian Rubles)</i>	2012	2011
Promissory notes	5 570	3 600
Mortgage backed bonds in issue	2 527	2 931
Deposit certificates	196	191
Total debt securities in issue	8 293	6 722

12 Subordinated loans

Subordinated loans represent long-term deposits of the Bank's customers, which mature from 2013 to 2018 and bear contractual interest rate from 5.8% to 9.2% (2011: from 5.8% to 11.2%). The contractual interest rates are regularly revised in accordance with the terms of the subordinated loans agreements №6 and №7. The debt ranks after all other creditor's claims in case of liquidation.

	Start date	Maturity date	Currency	2012		2011	
				Contractual interest rate, %	Nominal value, RR million	Contractual interest rate, %	Nominal value, RR million
Subordinated loan 1	June 2005	June 2013	USD	5,75	330	5,75	322
Subordinated loan 2	December 2005	December 2013	USD	8,00	231	8,00	226
Subordinated loan 3	March 2006	March 2014	USD	6,50	165	6,50	161
Subordinated loan 4	May 2006	May 2014	USD	6,50	99	6,50	97
Subordinated loan 5	June 2006	June 2014	USD	6,50	165	6,50	161
Subordinated loan 6	December 2006	December 2013	RR	8,00	1 040	8,00	1 000
Subordinated loan 7	April 2007	April 2014	RR	8,00	520	8,00	500
Subordinated loan 8	July 2008	August 2018	USD	9,21	1 679	11,21	1 653
Subordinated loan 9	August 2010	August 2018	USD	8,00	99	8,00	97
Total subordinated loans					4 328		4 217

Subordinated loans №2, 9 received by the Bank from a related party.

Bank Vozrozhdenie
Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012

13 Interest Income and Expense

<i>(in millions of Russian Rubles)</i>	6M 2012 (unaudited)	6M 2011 (unaudited)
Interest income		
Loans and advances to customers - legal entities	5 591	4 887
Loans and advances to customers - individuals	1 860	1 339
Trading securities	313	279
Correspondent accounts and due from other banks	92	142
Investment securities available for sale	31	24
Investment securities held to maturity	-	3
Total interest income	7 887	6 674
Interest expense		
Term deposits of individuals	2 049	2 300
Term deposits of legal entities	744	584
Debt securities in issue	309	210
Due to other banks	188	171
Subordinated loans	167	164
Current/settlement accounts of legal entities	19	24
Total interest expense	3 476	3 453
Net interest income	4 411	3 221

14 Fee and Commission Income and Expense

<i>(in millions of Russian Rubles)</i>	6M 2012 (unaudited)	6M 2011 (unaudited)
Fee and commission income		
Settlement transactions	715	639
Credit/debit cards and cheques settlements	594	528
Cash transactions	565	526
Payroll projects	241	246
Guarantees issued	171	126
Cash collection	124	117
Other	195	200
Total fee and commission income	2 605	2 382
Fee and commission expense		
Credit/debit cards and cheques settlements	150	147
Settlement transactions	12	11
Settlements with currency and stock exchanges	7	9
Cash transactions	5	5
Guarantees received	-	4
Other	14	8
Total fee and commission expense	188	184
Net fee and commission income	2 417	2 198

15 Administrative and Other Operating Expenses

<i>(in millions of Russian Rubles)</i>	6M 2012 (unaudited)	6M 2011 (unaudited)
Staff costs	2 518	2 334
Administrative expenses	336	307
Other costs related to premises, equipment and intangible assets	228	201
Depreciation of premises, equipment and intangible assets	212	247
Contributions to the State Deposit Insurance Agency	180	167
Rent	152	146
Taxes other than income tax	137	131
Repairs of premises and equipment	59	52
Advertising and market services	50	56
Other	308	248
Total administrative and other operating expenses	4 180	3 889

Included in staff costs are statutory social security and pension contributions (unified social tax) of RR 520 million (2011: RR 506 million).

16 Segment analyses

Operating segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) with the purpose to generate income, whose operating results are regularly reviewed by the Bank's Management Board based on management accounts prepared in accordance with Russian accounting rules in terms of each operating segment. The functions of the chief operating decision maker (CODM) are performed by the Management Board of the Bank. Operating management and performance of an operating segment are the responsibility of the Deputy Chairman of the Management Board of the Bank supervising the corresponding business line.

Transactions between the operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between operating segments, resulting in funding cost transfers disclosed in interest income and expense. Interest rates for these funds are differentiated depending on the attraction terms and are based on market indicators.

Segment assets and liabilities include operating assets and liabilities representing a major part of the Bank's assets and liabilities, as well as funds reallocated between operating segments, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Segment performance is based on profitability and cost-effectiveness of operating assets.

The CODM evaluates performance of each segment based on profit before tax.

The table below represents the segment information of interest-bearing assets and interest-bearing liabilities per reportable segments for 6 months ended 30 June 2012 and 31 December 2011.

For the purpose of preparation of the management accounts the amount of assets and liabilities is calculated as average balances for the respective accounting period.

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16 Segment Analysis (continued)

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
30 June 2012							
Total assets of reportable segments	117 945	21 452	2 533	36 169	-	-	178 099
Total liabilities of reportable	62 516	72 248	17 949	4 683	-	1 531	158 927
31 December 2011							
Total assets of reportable segments	107 979	17 987	2 486	37 630	-	713	166 795
Total liabilities of reportable	59 826	68 552	16 095	5 520	-	1 469	151 462

The table below represents the information of income and expenses per reportable segments for 6 months ended 30 June 2012. The Group's management considers operating income before provision for loan impairment as a key measurement of reportable segments results.

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
2012							
- Interest income	5 369	1 410	191	426	-	-	7 396
- Non-interest income	1 572	490	859	146	-	(17)	3 050
- Transfer income	1 476	2 876	159	135	1 809	70	6 525
Total revenues	8 417	4 776	1 209	707	1 809	53	16 971
- Interest expense	(1 123)	(2 011)	(38)	(99)	-	(70)	(3 341)
- Non-interest expense	(40)	(7)	(160)	(22)	-	(4)	(233)
- Transfer expense	(5 190)	(1 065)	(82)	(188)	-	-	(6 525)
Total expenses	(6 353)	(3 083)	(280)	(309)	-	(74)	(10 099)
Operating income before provision for loan impairment	2 064	1 693	929	398	1 809	(21)	6 872
Provision for loan impairment	(1 557)	(37)	(5)	-	-	(9)	(1 608)
Operating income	507	1 656	924	398	1 809	(30)	5 264
Administrative and other operating expenses	(1 637)	(1 188)	(675)	(37)	-	(15)	(3 552)
Depreciation of premises and equipment and intangible assets	(86)	(59)	(37)	(2)	-	(1)	(185)
Losses from cession	97	-	3	-	-	-	100
Profit/(loss) before tax (Segment result)	(1 119)	409	215	359	1 809	(46)	1 627

16 Segment Analysis (continued)

The reconciliation of assets, liabilities, income and expenses of the Group's reportable segments for 6 months ended 30 June 2012.

Reconciliation of reportable segment assets

<i>(in millions of Russian Rubles)</i>	2012 (unaudited)	2011
Total reportable segment assets	178 099	166 795
Assets unallocated between operating segments	17 410	20 553
Interest claim	939	932
Differences in financial statements format *	(4 228)	(6 210)
Deviation due to recording of reportable segment assets without regard to the events after the end of the reporting period	-	(18)
Differences in fair valuation of securities	127	102
Adjustment of provisions for loan impairment based on the incurred loss model	(331)	(594)
Recognition of commission income from lending using the effective interest method	(98)	(147)
Recognition of financial instruments using the effective interest method	125	96
Provision for impairment of inventories	(652)	(338)
Consolidation	2 517	2 717
Total assets under IFRS	193 908	183 888

Reconciliation of reportable segment liabilities

<i>(in millions of Russian Rubles)</i>	2012 (unaudited)	2011
Total reportable segment liabilities	158 927	151 462
Liabilities unallocated between operating segments	2 500	1 144
Liabilities on interest payment	2 177	2 017
Differences in financial statements format *	8 230	8 108
Deviation due to recording of reportable segment liabilities without regard to the events after the end of the reporting period	-	(8)
Recognition of liabilities at amortised cost	(12)	(10)
Consolidation	2 448	2 713
Total liabilities	174 270	165 426

* Differences in financial statements format arise from presentation of assets and liabilities of reportable segments calculated as average balances for the reporting period for the purpose of management account preparation.

Bank Vozrozhdenie
Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012

16 Segment Analysis (continued)

Reconciliation of income and expense before tax of the reportable segments

Reconciliation of profit before tax and other material income or expenses (interest income and expense, non-interest income and expense, provision for loan impairment, administrative and other operating expenses) for the reportable segments with the statement on comprehensive income under IFRS for 6 months ended 30 June 2012:

<i>(in millions of Russian Rubles)</i>	Before tax profit	Interest income	Non-interest income	Interest expense	Non interest income	Provision for loan impairment	Administrative and other operating expenses
Total reportable segment result	1 627	7 396	3 050	(3 341)	(233)	(1 508)	(3 737)
Recognition of commission income from lending using the effective interest method	48	51	(3)	-	-	-	-
Recognition of other fees and commissions by reference to completion of the specific transaction	30	-	30	-	-	-	-
Recognition of interest income/expense using the effective interest method	29	29	-	-	-	-	-
Differences in fair valuation of trading securities	1	-	1	-	-	-	-
Adjustment of provisions for loan impairment based on the incurred loss model	358	-	(13)	-	-	371	-
Accrued Bank's liabilities on unused vacation payments, and other	(330)	-	-	-	-	-	(330)
Differences in depreciation charge on fixed assets,	(21)	-	-	-	-	-	(21)
Recognition of financial instruments using the effective interest method	2	-	3	(1)	-	-	-
Reclassification of management accounts items	-	175	88	(134)	(27)	(51)	(51)
Provision for impairment of other assets	(314)	-	-	-	-	(314)	-
Consolidation	69	236	(143)	-	-	-	(24)
Other	(6)	-	11	-	-	-	(17)
IFRS	1 493	7 887	3 024	(3 476)	(260)	(1 502)	(4 180)

17 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk, liquidity risk and geographical risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Policy and methods of financial risk management accepted by the Bank comply with the policy and methods described and applied in the Bank's annual financial report for the year ended December 31, 2011.

The tables below summarize the Group's exposure to currency risk and Bank's liquidity position taking into account expected contractual time left before redemption of assets and liabilities.

Bank Vozrozhdenie**Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012**

Currency risk. The Bank is exposed to currency risk due to the fact that its assets and liabilities are denominated in different currencies as well as due to existence of open currency positions resulting from foreign currency transactions.

17 Financial Risk Management (continued)

The table below summarises the Group's exposure to currency risk at 30 June 2012:

<i>(in millions of Russian Rubles)</i>	RR	USD	Euro	Other	Total
Monetary financial assets					
Cash and cash equivalents	13 771	10 549	7 184	43	31 547
Mandatory cash balances with the CBRF	1 513	360	173	-	2 046
Trading securities	7 668	373	86	-	8 127
Due from other banks	-	416	1	-	417
Loans and advances to customers	124 450	9 984	3 998	-	138 432
Investment securities available for sale	501	1 734	702	-	2 937
Other financial assets	896	237	8	-	1 141
Total monetary financial assets	148 799	23 653	12 152	43	184 647
Monetary financial liabilities					
Due to other banks	3 132	1 489	2 701	-	7 322
Customer accounts	123 128	19 384	9 307	8	151 827
Debt securities in issue	5 745	21	-	-	5 766
Subordinated loans	1 560	2 768	-	-	4 328
Mortgage backed bonds in issue	2 527	-	-	-	2 527
Other financial liabilities	1 700	22	6	-	1 728
Total monetary financial liabilities	137 792	23 684	12 014	8	173 498
Net balance sheet position	11 007	(31)	138	35	11 149
Credit related commitment	24 006	986	2 056	-	27 048

The analysis given above includes only monetary assets and liabilities. The Group considers that investments to equity instruments and non-monetary assets do not result into material currency risk.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities due to discrepancies between terms of climes on active operations and maturity of liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments.

17 Financial Risk Management (continued)

The analyses of Group's liquidity risk as at June 30, 2012 is as follows:

<i>(in millions of Russian Rubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Financial assets					
Cash and cash equivalents	31 547	-	-	-	31 547
Mandatory cash balances with the CBRF	783	562	344	357	2 046
Trading securities	8 154	-	-	-	8 154
Due from other banks	-	1	-	416	417
Loans and advances to customers	8 656	47 284	27 017	55 475	138 432
Investment securities available for sale	521	2 034	903	-	3 458
Other financial assets	1 141	-	-	-	1 141
Other assets	84	-	-	-	84
Total financial assets	50 886	49 881	28 264	56 248	185 279
Financial liabilities					
Due to other banks	280	433	544	6 065	7 322
Customer accounts	58 681	39 729	25 937	27 480	151 827
Debt securities in issue	1 626	3 528	591	2 548	8 293
Subordinated loans	-	106	-	4 222	4 328
Other financial liabilities	1 728	-	-	-	1 728
Total financial liabilities	62 315	43 796	27 072	40 315	173 498
Net liquidity gap based on expected maturities at 30 June 2012	(11 429)	6 085	1 192	15 933	11 781
Cumulative liquidity gap at 30 June 2012	(11 429)	(5 344)	(4 152)	11 781	
Financial quarantees	12 747	-	-	-	12 747
Other credit related commitments	14 301	-	-	-	14 301

The above analysis is based on expected maturities. The entire portfolio of trading securities is therefore classified within demand and less than one month based on management's assessment of the portfolio's realisability.

The expected maturity of investment securities available for sale is based on offer agreement date.

18 Contingencies and Commitments

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank 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 Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

Bank Vozrozhdenie**Notes to the Interim Summarized Consolidated Financial Statement according to IFRS as at June 30, 2012**

<i>(in millions of Russian Rubles)</i>	2012	2011
Guarantees issued	12 747	9 736
Unused limits on overdraft loans	10 743	12 076
Undrawn credit facilities	2 629	1 684
Import letters of credit	929	992
Total credit related commitments	27 048	24 488

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