

OJSC “ORIENT EXPRESS BANK”

**International Financial Reporting Standards
Consolidated Condensed Interim Financial
Information**

30 June 2012

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Report on review of interim financial information

To the Board of Directors and shareholders of OJSC "Orient Express Bank":

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of OJSC Orient Express Bank and its subsidiaries (the "Group") as of 30 June 2012 and the related consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

23 August 2012
Moscow, Russia

Orient Express Bank
Consolidated Condensed Interim Statement of Financial Position

<i>In thousands of Russian Roubles</i>	Note	30 June 2012 (Unaudited)	31 December 2011
ASSETS			
Cash and cash equivalents	7	14 481 329	12 282 513
Mandatory balances with the CBRF		1 601 888	1 362 659
Securities	8	7 399 461	4 410 841
Repurchase receivables	8	1 675 357	3 878 669
Due from other banks	9	230 671	1 376 952
Loans and advances to customers	10	139 128 531	107 441 443
Premises and equipment		3 508 044	3 506 852
Intangible assets		228 604	249 251
Other assets	11	2 215 686	2 610 458
TOTAL ASSETS		170 469 571	137 119 638
LIABILITIES			
Due to other banks	12	5 272 034	5 343 256
Customer accounts	13	134 338 725	106 035 274
Debt securities issued	14	5 102 814	5 089 314
Other borrowed funds	15	2 633 096	1 849 951
Other liabilities	16	1 584 376	1 309 702
Deferred tax liability		292 947	312 436
Subordinated debt	17	984 786	968 217
TOTAL LIABILITIES		150 208 778	120 908 150
EQUITY			
Share capital	18	859 521	814 413
Share premium		6 950 879	5 776 520
Retained earnings		12 431 666	9 605 083
Revaluation reserve		3 339	(63)
Translation reserve		2 888	3 035
Equity-settled employee benefits reserve	28	12 500	12 500
TOTAL EQUITY		20 260 793	16 211 488
TOTAL LIABILITIES AND EQUITY		170 469 571	137 119 638

Approved on behalf of the Management Board on 23 August 2012.


S.N. Vlasov, Chief Executive Officer




L.S. Proskurina, Chief Accountant

Orient Express Bank
Consolidated Condensed Interim Statement of Comprehensive Income

	Note	Six-Month Period Ended 30 June 2012 (Unaudited)	Six-Month Period Ended 30 June 2011 (Unaudited)
<i>In thousands of Russian Roubles</i>			
Interest income	20	17 602 654	11 368 931
Interest expense	20	(5 519 533)	(3 569 076)
Net interest income		12 083 121	7 799 855
Provision for loan impairment	10	(3 447 193)	(2 290 001)
Net interest income after provision for loan impairment		8 635 928	5 509 854
Fee and commission income	21	213 563	241 631
Fee and commission expense	21	(371 424)	(156 673)
Result on sale of loans and debts	10	128 336	(15 475)
Securities (loss)/gain, net		(15 731)	2 748
Gains less losses arising from dealing in foreign currencies		497 216	85 184
Foreign exchange translation (loss)/gain, net		(569 319)	48 678
Other operating income		94 358	117 062
Administrative and other operating expenses	22	(5 028 423)	(3 595 329)
Other provisions		(31 735)	2 511
Profit before tax		3 552 769	2 240 191
Income tax expense	23	(726 186)	(569 911)
PROFIT FOR THE PERIOD		2 826 583	1 670 280
Other comprehensive income:			
Revaluation of available for sale financial assets, net of tax		3 402	2 390
Change in translation reserve, net of tax		(147)	53
Other comprehensive income for the period, net of tax		3 255	2 443
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2 829 838	1 672 723

The notes set out on pages 5 to 38 form an integral part of these consolidated condensed interim financial information.

Orient Express Bank
Consolidated Condensed Interim Statement of Changes in Equity

	Share Capital	Share premium	Retained earnings	Revalua- tion reserve	Transla- tion reserve	Equity- settled employee benefits reserve	Total Equity
<i>In thousands of Russian Roubles</i>							
1 January 2011	773 546	4 792 298	5 029 342	(1 911)	(869)	-	10 592 406
Profit for the period	-	-	1 670 280	-	-	-	1 670 280
Other comprehensive income for the period	-	-	-	2 390	53	-	2 443
Total comprehensive income for the period	-	-	1 670 280	2 390	53	-	1 672 723
Share issue (Note18)	85 975	1 977 424	-	-	-	-	2 063 399
Acquisition of treasury shares (Note 18)	(45 108)	(993 202)	-	-	-	-	(1 038 310)
Dividends (Note 19)	-	-	(29 102)	-	-	-	(29 102)
Balance as at 30 June 2011	814 413	5 776 520	6 670 520	479	(816)	-	13 261 116
1 January 2012	814 413	5 776 520	9 605 083	(63)	3 035	12 500	16 211 488
Profit for the period	-	-	2 826 583	-	-	-	2 826 583
Other comprehensive income for the period	-	-	-	3 402	(147)	-	3 255
Total comprehensive income for the period	-	-	2 826 583	3 402	(147)	-	2 829 838
Sale of treasury shares (Note18)	45 108	1 174 359	-	-	-	-	1 219 467
Balance as at 30 June 2012	859 521	6 950 879	12 431 666	3 339	2 888	12 500	20 260 793

Orient Express Bank
Consolidated Condensed Interim Statement of Cash Flows

	Notes	Six-Month Period Ended 30 June 2012 (Unaudited)	Six-Month Period Ended 30 June 2011 (Unaudited)
<i>In thousands of Russian Roubles</i>			
Net cash from/(used in) operating activities		463 113	(1 165 219)
Net cash used in investing activities		(265 344)	(505 447)
Net cash from/(used in) financing activities		1 984 625	(306 902)
Net increase/(decrease) in cash and cash equivalents		2 182 394	(1 977 568)
Cash and cash equivalents, beginning of the period	7	12 282 513	7 044 951
Effect of changes in exchange rates on cash and cash equivalents		16 422	(66 490)
Cash and cash equivalents at the end of the period	7	14 481 329	5 000 893

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the six-month period ended 30 June 2012 for Open Joint Stock Bank “Orient Express Bank” (“the Bank”) and its subsidiaries (together referred to as the “Group”).

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is an open joint stock company limited by shares and was set up in accordance with Russian regulations.

The Bank does not have any immediate parent entity and due to the structure of shareholdings, as detailed in the table below, management is of the opinion that the Bank does not have a single ultimate controlling party.

As at 30 June 2012 and 31 December 2011 the shareholders of the Bank were:

	30 June 2012	31 December 2011
Shareholder		
Evizon Holdings Limited (on behalf of Baring Vostok Private Equity Fund IV and Baring Vostok Fund IV Supplemental Fund)	30.0	30.0
International Finance Corporation	13.9	13.9
Sergei Vlasov	12.4	12.4
Antof N.V. (controlled by I.Kim)	8.5	8.5
Andrey Bekarev	8.2	8.2
Alexander Taranov	7.3	7.3
Igor Kim	7.1	7.1
Evgeniya Schouplova (on behalf of Sergei Vlasov)	1.8	1.8
Orient Express Bank	-	6.1
Other shareholders – each less than 5%	10.8	4.7
Total	100.0	100.0

Principal activity. The Group’s principal business activity is retail banking operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation (“CBRF”) since 12 May 1991. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

As at 30 June 2012 the Group had 8 branches and over 1 464 offices located across the Russian Federation (31 December 2011: 10 branches and 1 198 offices). As at 30 June 2012 the Bank had 11 016 employees (at 31 December 2011: 9 287). During the six-month period ended 30 June 2012 the status of three branches was changed to the operating offices and one new branch was opened.

Registered address and place of business. The Bank’s registered office is located at 1 Svyatitelya Innokentiya Pereulok, Blagoveschensk, Amursky Region, 675000, Russian Federation.

The Bank’s principal place of business is 22, Frunze Street, Khabarovsk, 680000, Russian Federation.

Presentation currency. These financial statements are presented in Russian Roubles (“RR”), unless otherwise stated.

2 Operating Environment of the Bank

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by banks operating in the Russian Federation (Note 26).

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period, and applied the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

At 30 June 2012 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 32.8169 (31 December 2011: USD 1 = 32.1961RR) and EUR 1 = 41.3230 (31 December 2011: EUR 1 = 41.6714).

The accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2011. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2011, became effective for the Group from 1 January 2012. They have not significantly affected this consolidated condensed interim financial information of the Group. Refer to Note 5.

This consolidated condensed interim financial information does not contain all the explanatory notes as required for a full set of financial statements, including certain disclosures introduced by IFRS 7, *Financial Instruments: Disclosures*.

Interim period measurement. Interim period income tax expense is accrued using the effective tax rate that would be applied to expected total annual earnings, i.e. the estimated weighted average annual effective income tax rate is applied to the pre-tax income of the interim period.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current period amounts.

3 Summary of Significant Accounting Policies (Continued)

The effect of reclassifications for presentation purposes was as follows on amounts for the six-month period ended 30 June 2011:

<i>In thousands of Russian Roubles</i>	As originally presented 30 June 2011	Reclassification	As reclassified 30 June 2011
Interest income	11 214 831	154 100	11 368 931
Fee and commission income	417 111	(175 480)	241 631
Result on sale of loans and debts	(36 855)	21 380	(15 475)
Administrative and other operating expenses	(3 592 818)	(2 511)	(3 595 329)
Other provisions	-	2 511	2 511

The reclassifications had an impact on information in Note 20 Interest Income and Expense, Note 21 Fee and Commission Income and Expense, Note 22 Administrative and Other Operating Expenses and had no impact on any other note disclosures.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In preparing this consolidated condensed interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2012:

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognized, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment did not have impact on this consolidated condensed interim financial information.

Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment*, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The amendment did not have impact on this consolidated condensed interim financial information.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position.

5 Adoption of New or Revised Standards and Interpretations (Continued)

The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes. The amendment did not have impact on this consolidated condensed interim financial information.

6 New Accounting Pronouncements

Since the Group published its last annual financial statements, certain new standards and interpretations have been published that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2013 or later periods and which the Group has not early adopted:

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers. The amended standard will not have impact on Group's financial statements.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing costs*, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 *Consolidated Financial Statements*. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, *Joint Arrangements*, and IFRS 12, *Disclosure of Interests in Other Entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Group is currently assessing the impact of the amendments on its financial statements.

The Group has not early adopted the new standards or interpretations described above that come into effect for the Group's accounting periods beginning on or after 1 January 2013 or later periods.

Orient Express Bank
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2012

7 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Cash on hand	5 509 613	4 647 423
Cash balances with the CBRF (other than mandatory reserves)	2 284 496	2 245 408
Correspondent accounts with other banks:		
- Russian Federation	254 404	797 032
- Other countries	6 152 229	3 779 569
Cash settlements in progress	280 587	813 081
Total cash and cash equivalents	14 481 329	12 282 513

Cash settlements in progress represent operations with plastic cards and non-bank financial institutions.

At 30 June 2012 the Group had 1 counterparty bank (31 December 2011: 1 bank) with aggregated cash and cash equivalent balances above RR 500 000 thousand. The total aggregate amount of these balances was RR 5 654 016 thousand (2011: RR 3 198 890 thousand) or 39% of the cash and cash equivalents (31 December 2011: 26%).

8 Securities and Repurchase Receivables

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Trading securities	6 931 343	4 025 160
Repurchase receivables related to trading securities	1 436 106	3 245 933
Investment securities held to maturity	355 378	150 796
Repurchase receivables related to securities held to maturity	239 251	632 736
Investment securities available for sale	138 156	240 847
Less: Provision for impairment of securities held to maturity	(25 416)	(5 962)
Total securities and repurchase receivables	9 074 818	8 289 510

At the period end securities pledged with the CBRF in order to obtain overdraft loans if necessary were RR 736 967 thousand of trading securities and RR 122 696 thousand of investment securities held to maturity (2011: RR 325 968 thousand and RR 447 409 thousand, respectively). The Group did not use the overdraft facility as at 30 June 2012 and 31 December 2011.

Trading securities and Repurchase receivables related to trading securities

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Trading securities		
Bonds of credit and finance organisations	4 001 484	2 171 044
Russian Federation bonds	1 206 099	1 403 920
Corporate bonds	1 055 886	365 935
Municipal bonds	667 874	84 261
Total trading securities	6 931 343	4 025 160

8 Securities and Repurchase Receivables (Continued)

<i>(Continued)</i> <i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Repurchase receivables related to trading securities		
Russian Federation bonds	540 111	-
Corporate bonds	476 746	1 164 474
Bonds of credit and finance organisations	343 732	1 685 693
Municipal bonds	75 517	395 766
Total repurchase receivables related to trading securities	1 436 106	3 245 933
Total trading securities and repurchase receivables related to trading securities	8 367 449	7 271 093

Bonds of credit and finance organisations represent bonds of domestic banks and financial companies of large domestic corporations.

Corporate bonds represent bonds of large domestic corporations.

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 Group does not analyse or monitor impairment indicators.

Repurchase receivables represent securities sold under direct sale and repurchase agreements with CBRF, which the counterparty has the right, by contract, to sell or repledge (Note 12). The repurchase agreements were short-term in nature and matured in July 2012 and January 2012, respectively.

Investment Securities available for sale

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Investment securities available for sale		
Bonds of credit and finance organisations	105 708	208 399
Shares	32 448	32 448
Total investment securities available for sale	138 156	240 847

Investment Securities Held to Maturity and Repurchase Receivables related to Investment Securities Held to Maturity

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Investment Securities Held to Maturity		
Bonds of credit and finance organisations	329 962	125 692
Corporate bonds	25 416	25 104
Less: Provision for impairment of securities held to maturity	(25 416)	(5 962)
Total investment securities held to maturity	329 962	144 834

8 Securities and Repurchase Receivables (Continued)

(Continued) In thousands of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Repurchase receivables related to investment securities held to maturity		
Bonds of credit and finance organisations	125 111	333 001
Municipal bonds	114 140	299 735
Total repurchase receivables related to investment securities held to maturity	239 251	632 736
Total investment securities held to maturity and repurchase receivables related to investment securities held to maturity	569 213	777 570

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or re-pledge. The repurchase agreements were short-term in nature and matured in July 2012 and January 2012, respectively. The debt securities classified as repurchase receivables were provided as collateral under direct sale and repurchase agreements with the CBRF.

At 30 June 2012 fair value of held to maturity securities and repurchase receivables related to investment securities held to maturity was RR 310 700 thousand and RR 250 705 thousand, respectively (2011: RR 146 053 thousand and 821 313 thousand, respectively).

9 Due from Other Banks

In thousands of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Promissory notes	163 257	-
Reverse sale and repurchase agreement	67 414	-
Interbank loans	-	1 376 952
Total due from other banks	230 671	1 376 952

10 Loans and Advances to Customers

This note covers both loans originated and purchased by the Group.

In thousands of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Loans and advances to individuals	143 643 855	109 943 236
Loans and advances to corporate customers	3 505 064	3 292 117
Total gross loans and advances to customers	147 148 919	113 235 353
Less: Provision for loan impairment	(8 020 388)	(5 793 910)
Total loans and advances to customers	139 128 531	107 441 443

10 Loans and Advances to Customers (Continued)

As at 30 June 2012 and 31 December 2011 loans and advances to individuals comprise:

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Consumer loans	75 820 161	62 787 892
Credit cards	38 038 077	24 608 511
SME loans	10 451 270	5 963 813
Car loans	9 754 433	5 606 712
Mortgage loans	1 688 998	1 581 503
Other loans	7 890 916	9 394 805
Total gross loans and advances to individuals	143 643 855	109 943 236
Less: Provision for loan impairment	(7 524 678)	(5 438 161)
Total loans and advances to individuals	136 119 177	104 505 075

Other loans represent retail loans purchased from other banks.

As at 30 June 2012 and 31 December 2011 loans and advances to corporate customers comprise:

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Corporate loans	2 428 725	2 516 893
Reverse sale and repurchase agreements	857 943	516 536
SME loans	218 396	258 688
Total gross loans and advances to corporate customers	3 505 064	3 292 117
Less: Provision for loan impairment	(495 710)	(355 749)
Total loans and advances to corporate customers	3 009 354	2 936 368

The Group has a right to sell or repledge securities with a fair value of RR 1 030 144 thousand (31 December 2011: RR 604 303 thousand) received under reverse sale and repurchase agreements.

10 Loans and Advances to Customers (Continued)

Movements in the provision for impairment of loans to individuals during the six-month period ended 30 June 2012 and 2011 are as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Mortgage loans	Car loans	SME loans	Other loans	Total
Provision for impairment of loans to individuals at 1 January 2011	2 800 807	238 299	278 185	451 180	84 582	1 557 498	5 410 551
Provision for impairment during the period	1 632 270	145 990	(2 053)	53 387	23 215	394 293	2 247 102
Provision used on sale of loans	(1 245 477)	(5 392)	(5 233)	(108 698)	(21 097)	(112 211)	(1 498 108)
Provision for impairment of loans to individuals at 30 June 2011 (Unaudited)	3 187 600	378 897	270 899	395 869	86 700	1 839 580	6 159 545
Provision for impairment of loans to individuals at 1 January 2012	3 254 511	763 748	310 125	414 238	112 078	583 461	5 438 161
Provision/(recovery of provision) for impairment during the period	1 441 032	1 645 358	(27 611)	69 778	109 927	68 748	3 307 232
Provision used on sale of loans	(801 270)	(100 687)	(89)	(111 640)	(23 528)	(183 501)	(1 220 715)
Provision for impairment of loans to individuals at 30 June 2012 (Unaudited)	3 894 273	2 308 419	282 425	372 376	198 477	468 708	7 524 678

Movements in the provision for impairment of loans to corporate customers during the six-month period ended 30 June 2012 and 2011 are as follows:

<i>In thousands of Russian Roubles</i>	Corpo- rate loans	SME loans	Finance leasing	Total
Provision for impairment of loans to corporate customers at 1 January 2011	379 880	36 699	2 432	419 011
Provision/(recovery of provision) for impairment during the period	28 140	16 151	(1 392)	42 899
Provision used on sale of loans	(112 405)	-	-	(112 405)
Provision for impairment of loans to corporate customers at 30 June 2011 (Unaudited)	295 615	52 850	1 040	349 505
Provision for impairment of loans to corporate customers at 1 January 2012	322 067	33 682	-	355 749
Provision for impairment during the period	125 988	13 973	-	139 961
Provision for impairment of loans to corporate customers at 30 June 2012 (Unaudited)	448 055	47 655	-	495 710

10 Loans and Advances to Customers (Continued)

During the six-month period ended 30 June 2012 the Bank disposed of loans and advances to customers under cession agreements with the total gross value of RR 1 932 570 thousand (2011: RR 3 340 797 thousand) with cash proceeds of RR 835 510 thousand (2011: RR 1 693 429 thousand), receivable cash proceeds of RR 4 681 thousand (2011: nil), and service fee asset of RR nil (2011: RR 21 380 thousand). As of the date of disposal these loans were provided for impairment in the total amount of RR 1 220 715 thousand (2011: RR 1 610 513 thousand). The net financial result of a loan disposal during the six-month period ended 30 June 2012 recognized in the statement of comprehensive income was RR 128 336 thousand (2011: (15 475) thousand). The loans were disposed of by transferring the contractual rights to receive the cash flows to other banks, collection agencies, other legal entities and related parties (Note 28).

The disposed loans include mortgage loans with the total gross value of RR 582 226 thousand. The loans were not impaired at the moment of sale. According to the sale agreement the buyer may require the Bank to repurchase certain loans if a borrower misses three consecutive monthly payments within 120 days of sale. Respective 120-day period has not yet expired at 30 June 2012.

Management has assessed the risk of recourse as remote based on high credit quality of loans sold (the loans are not overdue at the date of sale and have not been overdue for over 30 days during 12 month period prior to sale) and based on historical experience with disposals of loans of similar credit quality. Management believes that the Bank transferred substantially all the risks and rewards of ownership of loans, therefore the loans were derecognized.

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

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)		31 December 2011	
	Amount	%	Amount	%
Individuals	143 643 855	97.6	109 943 236	97.1
Financial services	1 079 525	0.7	1 416 168	1.3
Manufacturing	517 805	0.4	524 970	0.5
Trade	432 450	0.3	398 168	0.4
Other	1 475 284	1.0	952 811	0.7
Total loans and advances to customers (before impairment provision)	147 148 919	100.0	113 235 353	100.0

10 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to individuals outstanding at 30 June 2012 is as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Mortgage loans	Car loans	SME loans	Other loans	Total
Neither past due nor impaired							
Non classified loans	5 803 201	1 783 875	73 423	1 151 136	1 205 232	-	10 016 867
Loans without overdue payments at reporting date							
- Loans with all payments (six payments or more), from origination date to reporting date, being done on time	14 556 988	3 335 830	416 827	1 528 456	1 545 708	-	21 383 809
- Loans with history of 1 to 6 on-time payments and no past due payments	21 853 604	12 436 564	218 793	3 788 595	4 382 460	2 775 943	45 455 959
- Loans with history of past due payments of up to 15 days	15 627 435	7 691 022	289 185	1 686 275	2 164 364	1 131 589	28 589 870
- Loans with history of past due payments of up to 30 days.	3 959 657	2 797 376	164 789	330 346	273 432	446 314	7 971 914
- Other loans	3 191 905	2 201 845	142 076	228 687	156 064	958 019	6 878 596
Total neither past due nor impaired (gross)	64 992 790	30 246 512	1 305 093	8 713 495	9 727 260	5 311 865	120 297 015
Overdue but not impaired loans							
- Loans with payments that are overdue by no more than 30 days at reporting date	4 267 596	3 491 514	25 402	422 331	356 941	517 927	9 081 711
Total overdue but not impaired loans	4 267 596	3 491 514	25 402	422 331	356 941	517 927	9 081 711
Loans individually determined to be impaired							
Loans with payments that are overdue by 30 – 90 days	2 192 503	2 093 652	62 618	192 886	153 629	338 614	5 033 902
Non-performing loans (loans overdue by 90 or more days)							
- Loans with payments that are overdue by 90 – 180 days	1 430 109	1 194 323	20 540	96 160	99 191	231 043	3 071 366
- Loans with payments that are overdue by 180 – 360 days	1 591 239	772 429	24 091	80 485	75 829	259 613	2 803 686
- Loans with payments that are overdue over 360 days	1 345 924	239 647	251 254	249 076	38 420	1 231 854	3 356 175
Total non-performing loans (loans overdue by 90 or more days)	4 367 272	2 206 399	295 885	425 721	213 440	1 722 510	9 231 227
Total individually impaired loans (gross)	6 559 775	4 300 051	358 503	618 607	367 069	2 061 124	14 265 129
Total loans and advances to individuals (gross)	75 820 161	38 038 077	1 688 998	9 754 433	10 451 270	7 890 916	143 643 855
Less impairment provisions	(3 894 273)	(2 308 419)	(282 425)	(372 376)	(198 477)	(468 708)	(7 524 678)
Total loans and advances to individuals (Unaudited)	71 925 888	35 729 658	1 406 573	9 382 057	10 252 793	7 422 208	136 119 177

10 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to corporate customers outstanding at 30 June 2012 is as follows:

	Corporate loans	SME loans	Reverse sale and repurchase agreements	Total
<i>In thousands of Russian Roubles</i>				
Neither past due nor impaired				
Non classified loans	7 421	370	-	7 791
Loans with all payments (six payments or more), from origination date to reporting date, being done on time	1 255 328	33 529	857 943	2 146 800
Other current loans	376 293	85 877	-	462 170
Rolled-over loans	111 111	2 678	-	113 789
Total neither past due nor impaired (gross)	1 750 153	122 454	857 943	2 730 550
Overdue but not impaired loans				
- Loans with payments that are overdue by no more than 30 days at reporting date	13 165	11 041	-	24 206
Total overdue but not impaired loans	13 165	11 041	-	24 206
Loans individually determined to be impaired				
Non-performing loans (loans overdue by 90 or more days)				
- Loans with payments that are overdue by 90 – 180 days	62 069	19 444	-	81 513
- Loans with payments that are overdue by 180 – 360 days	188 058	43 479	-	231 537
- Loans with payments that are overdue over 360 days	415 280	21 978	-	437 258
Total non-performing loans (loans overdue by 90 or more days)	665 407	84 901	-	750 308
Total individually impaired loans (gross)	665 407	84 901	-	750 308
Total loans and advances to legal entities (gross)	2 428 725	218 396	857 943	3 505 064
Less impairment provisions	(448 055)	(47 655)	-	(495 710)
Total loans and advances to legal entities (Unaudited)	1 980 670	170 741	857 943	3 009 354

10 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to individuals outstanding at 31 December 2011 is as follows:

<i>In thousands of Russian Roubles</i>	Consumer loans	Credit cards	Mortgage loans	Car loans	SME loans	Other loans	Total
Neither past due nor impaired							
Non classified loans	4 743 214	5 798 502	40 441	540 453	858 855	-	11 981 465
Loans without overdue payments at reporting date							
- Loans with all payments (six payments or more), from origination date to reporting date, being done on time	11 935 728	1 551 282	436 484	784 618	740 732	-	15 448 844
- Loans with history of 1 to 6 on-time payments and no past due payments	18 945 005	5 870 493	128 517	2 109 192	2 470 133	3 960 799	33 484 139
- Loans with history of past due payments of up to 15 days	13 436 874	3 488 126	313 326	1 040 654	1 290 806	1 357 754	20 927 540
- Loans with history of past due payments of up to 30 days.	2 625 587	1 178 196	135 859	192 450	128 574	383 570	4 644 236
- Other loans	3 303 662	3 960 226	159 687	221 207	136 833	1 188 421	8 970 036
Total neither past due nor impaired (gross)	54 990 070	21 846 825	1 214 314	4 888 574	5 625 933	6 890 544	95 456 260
Overdue but not impaired loans							
- Loans with payments that are overdue by no more than 30 days at reporting date	2 905 557	1 264 830	10 927	202 210	165 950	511 225	5 060 699
Total overdue but not impaired loans	2 905 557	1 264 830	10 927	202 210	165 950	511 225	5 060 699
Loans individually determined to be impaired							
- Loans with payments that are overdue by 30 – 90 days	1 393 140	690 182	39 121	77 353	57 037	334 452	2 591 285
Non-performing loans (loans overdue by 90 or more days)							
- Loans with payments that are overdue by 90 – 180 days	960 805	408 092	16 015	46 244	39 948	183 436	1 654 540
- Loans with payments that are overdue by 180 – 360 days	1 454 616	293 049	44 524	50 187	47 733	356 885	2 246 994
- Loans with payments that are overdue over 360 days	1 083 704	105 533	256 602	342 144	27 212	1 118 263	2 933 458
Total non-performing loans (loans overdue by 90 or more days)	3 499 125	806 674	317 141	438 575	114 893	1 658 584	6 834 992
Total individually impaired loans (gross)	4 892 265	1 496 856	356 262	515 928	171 930	1 993 036	9 426 277
Total loans and advances to individuals (gross)	62 787 892	24 608 511	1 581 503	5 606 712	5 963 813	9 394 805	109 943 236
Less impairment provisions	(3 254 511)	(763 748)	(310 125)	(414 238)	(112 078)	(583 461)	(5 438 161)
Total loans and advances to individuals	59 533 381	23 844 763	1 271 378	5 192 474	5 851 735	8 811 344	104 505 075

10 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans to corporate customers outstanding at 31 December 2011 is as follows:

	Corporate loans	SME loans	Reverse sale and repurchase agreements	Total
<i>In thousands of Russian Roubles</i>				
Neither past due nor impaired				
Non classified loans	220 771	163	-	220 934
Loans with all payments (six payments or more), from origination date to reporting date, being done on time	831 941	-	516 536	1 348 477
Other current loans	923 811	161 595	-	1 085 406
Rolled-over loans	51 240	8 071	-	59 311
Total neither past due nor impaired (gross)	2 027 763	169 829	516 536	2 714 128
Overdue but not impaired loans				
- Loans with payments that are overdue by no more than 30 days at reporting date	-	9 979	-	9 979
Total overdue but not impaired loans	-	9 979	-	9 979
Loans individually determined to be impaired				
- Loans with payments that are overdue by 30 – 60 days	24 321	14 016	-	38 337
- Loans with payments that are overdue by 60 – 90 days	116 075	16 122	-	132 197
Non-performing loans (loans overdue by 90 or more days)				
- Loans with payments that are overdue by 90 – 180 days	67 443	14 457	-	81 900
- Loans with payments that are overdue by 180 – 360 days	117 226	27 108	-	144 334
- Loans with payments that are overdue over 360 days	164 065	7 177	-	171 242
Total non-performing loans (loans overdue by 90 or more days)	348 734	48 742	-	397 476
Total individually impaired loans (gross)	489 130	78 880	-	568 010
Total loans and advances to legal entities (gross)	2 516 893	258 688	516 536	3 292 117
Less impairment provisions	(322 067)	(33 682)	-	(355 749)
Total loans and advances to legal entities	2 194 826	225 006	516 536	2 936 368

10 Loans and Advances to Customers (Continued)

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Group's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The Group's internal ratings scale includes the following categories:

- Non classified loans – loans originated close to the reporting date. No payments were due on those loans from the date of origination to the reporting date, and there is no evidence of impairment at the reporting date.
- Loans without overdue payments at reporting date, consisting of:
 - Loans with all payments (six payments or more), from origination date to reporting date, being done on time;
 - Other loans without overdue payments at reporting date – loans with no overdue payments at reporting date, but with at least one past due payment, from origination date to reporting date, which was paid by the reporting date.
- Other loans – include all other loans that do not fall into categories set out above.

Loans to entrepreneurs-individuals are classified as SME loans to individuals, loans to SME legal entities are classified as SME corporate loans.

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

Orient Express Bank
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11 Other Assets

<i>In thousands of Russian Roubles</i>	Note	30 June 2012 (Unaudited)	31 December 2011
Other financial assets			
Settlements with exchanges		543 617	953 087
Debtors for sale of loans		491 589	501 176
Settlements with payment systems		418 878	401 696
Service fee asset		74 618	83 219
Foreign currency forwards	27	29 885	-
Debtors and prepayments		22 527	39 197
Foreign currency spots		314	53 698
Settlements with State Insurance Agency (ASV)		-	5 276
Other financial assets		85 226	41 608
Total gross other financial assets		1 666 654	2 078 957
Less: Provision for impairment of other financial assets		(329 167)	(350 379)
Total other financial assets		1 337 487	1 728 578
Other non-financial assets			
Prepayments for services and equipment		622 817	454 645
Repossessed collateral		274 730	201 061
Prepayment for profit tax		46 698	272 859
Total gross other non-financial assets		944 245	928 565
Less: Provision for impairment of other non-financial assets		(66 046)	(46 685)
Total other non-financial assets		878 199	881 880
Total other assets		2 215 686	2 610 458

Settlements with exchanges represent a security deposit for trade in foreign currency and the balance depends on the size of the deals. The exchanges block the balances and the Bank's access to money is thus restricted until the relevant deals are complete.

Debtors for sale of loans are balances due from counterparties for loans sold to them.

Debtors and prepayments represent settlements with suppliers, employees, and other debtors.

Settlements with the State Insurance Agency represent amounts compensated to customers of a bankrupt bank "SIR" and due to be received from State Insurance Agency under agency agreement between the Bank and State Insurance Agency.

Repossessed collateral is represented by real estate, cars, inventory and other items acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future.

11 Other Assets (Continued)

Movements in the provision for impairment of other assets during 2012 are as follows:

<i>In thousands of Russian Roubles</i>	Debtors and prepayments	Debtor for sale of loans	Other financial assets	Total
Provision for impairment at 1 January 2012	101 172	287 116	8 776	397 064
Provision for impairment during the year	(11 157)	6 199	3 107	(1 851)
Provision for impairment at 30 June 2012 (Unaudited)	90 015	293 315	11 883	395 213

Movements in the provision for impairment of other assets during 2011 are as follows:

<i>In thousands of Russian Roubles</i>	Debtors and prepayments	Debtor for sale of loans	Other financial assets	Total
Provision for impairment at 1 January 2011	102 559	315 216	10 669	428 444
Provision for impairment during the year	(2 007)	14 712	(1 835)	10 870
Provision for impairment at 30 June 2011 (Unaudited)	100 552	329 928	8 834	439 314

At 30 June 2012 the provision for impairment of other assets includes provision for impairment of RR 66 046 thousand (31 December 2011: RR 46 685 thousand) in respect of prepayments for services and equipment.

12 Due to Other Banks

<i>In thousands of Russian Roubles</i>	Note	30 June 2012 (Unaudited)	31 December 2011
Loans from CBRF		2 504 918	-
Loans and deposits from other banks		1 228 996	2 249 098
Direct sale and repurchase agreements with CBRF	8,26	907 196	3 012 633
Correspondent accounts and overnight placements of other banks		630 924	81 525
Total due to other banks		5 272 034	5 343 256

At 30 June 2012, loans from CBRF bear interest rates ranging from 7.0% to 7.5% per annum, mature from July 2012 to October 2012, and guaranteed by Russian commercial banks.

At 30 June 2012, included in amounts due to other banks are liabilities of RR 907 196 thousand (31 December 2011: RR 3 012 633 thousand) from sale and repurchase agreements. Refer to Notes 8 and 26.

At 30 June 2012, loans and deposits from other banks bear an interest rate from 0.75% to 11.0% (31 December 2011: 5.6%) and mature from July 2012 to April 2014 (31 December 2011: January 2012).

Orient Express Bank
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13 Customer Accounts

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
State and public organisations		
- Current/settlement accounts	971 466	250 173
- Term deposits	1 923 722	1 635 860
Other legal entities		
- Current/settlement accounts	6 500 854	4 357 761
- Term deposits	6 565 711	5 283 303
- Direct sale and repurchase agreements	559 567	-
Individuals		
- Current/demand accounts	22 311 516	18 404 937
- Term deposits	95 505 889	76 103 240
Total customer accounts	134 338 725	106 035 274

At 30 June 2012, included in customer accounts are liabilities of RR 559 567 thousand (31 December 2011: nil) from sale and repurchase agreements. Refer to Notes 8 and 26.

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)		31 December 2011	
	Amount	%	Amount	%
Individuals	117 817 404	87.7%	94 508 177	89.2%
Financial intermediation	7 995 439	6.0%	4 383 044	4.2%
Construction	1 839 071	1.4%	1 566 238	1.5%
Manufacturing	1 298 279	1.0%	1 188 949	1.1%
Wholesale and retail trade	1 224 726	0.9%	1 052 594	1.0%
Education	539 337	0.4%	648 717	0.6%
Trade unions, non-for-profit organizations, individuals entrepreneurs	473 100	0.4%	283 954	0.3%
Electricity, gas and water supply	308 043	0.2%	471 703	0.4%
Real estate, renting	307 285	0.2%	429 827	0.4%
Transport, storage and communications	273 904	0.2%	292 237	0.3%
Fishing (sourcing, processing and distribution)	101 549	0.1%	8 427	0.0%
Agriculture, hunting and forestry	93 978	0.1%	140 294	0.1%
Health and social work	57 605	0.0%	36 155	0.0%
Hotels and restaurants	14 979	0.0%	49 806	0.0%
Shipping	947	0.0%	42 669	0.0%
Other	1 993 079	1.4%	932 483	0.9%
Total customer accounts	134 338 725	100%	106 035 274	100%

At 30 June 2012 deposits and current accounts of the Group's ten largest depositors amounted to RR 8 263 542 thousand or 6.15 % of total customer accounts (2011: RR 5 655 010 thousand or 5.33 %).

The Group has several deposits from related parties. Information on related party deposits is disclosed in Note 28.

14 Debt Securities Issued

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Bonds issued on domestic market, 2nd tranche (RR 2 000 000 thousand), matures in September 2014, coupon 10.5%	2 053 500	2 053 500
Bonds issued on domestic market, 5th tranche (RR 2 000 000 thousand), matures in October 2013, coupon 10.0%	2 039 328	2 035 500
Bonds issued on domestic market, 1st tranche (RR 1 000 000 thousand), matures in March 2013, coupon 7.5%	1 009 977	1 000 193
Promissory notes	9	121
Total debt securities issued	5 102 814	5 089 314

In March 2010 the Bank issued on MICEX a tranche of RR denominated non-convertible bonds with a nominal amount of RR 1 000 000 thousand with a coupon rate of 12.5% per annum. The holders of these bonds have a right to require the Bank to repurchase these bonds at nominal amount on 10 March 2011 and on 7 March 2013. On 14 March 2011 at official offer the Bank redeemed bonds in the amount of RR 958 971 thousand of this tranche at par value. In April and August 2011 the Bank disposed of these repurchased bonds again with a coupon rate of 7.5% per annum.

In October 2010 the Bank issued on MICEX a tranche of RR denominated non-convertible bonds with a nominal amount of RR thousand 2 000 000 thousand with a coupon rate of 9.0% per annum. The holders of these bonds have a right to require the Bank to repurchase these bonds at nominal amount on 19 April 2012 and on 17 October 2013. On 23 April 2012 at official offer the Bank redeemed bonds of this tranche in the amount of RR 1,062,002 thousand at par value. In April 2012 the Bank floated these repurchased bonds again with a coupon rate of 10.0% per annum.

In September 2011 the Bank issued on MICEX a tranche of RR denominated non-convertible bonds for RR 2 000 000 thousand with a coupon rate of 10.5% per annum. The holders of these bonds have a right to require the Bank to repurchase these bonds at nominal amount on 2 October 2012.

15 Other Borrowed Funds

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
<i>Loans from European Bank for Reconstruction and Development ("EBRD"):</i>		
1 st credit facility of RR 2 345 000 Mosprime+4.7% 3 rd tranche due Feb 2015	810 293	-
1 st credit facility of RR 2 345 000 Mosprime+4.7% 2 nd tranche due Aug 2014	786 218	786 495
1 st credit facility of RR 2 345 000 Mosprime+4.7% 1 st tranche due Nov 2013	775 563	771 703
2 nd credit facility of RR 450 000 Mosprime+5.00% 2 nd tranche due Aug 2015	229 189	229 284
2 nd credit facility of RR 450 000 Mosprime+4.00% 1 st tranche due Dec 2012	31 833	62 469
Total other borrowed funds	2 633 096	1 849 951

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16 Other Liabilities

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Other financial liabilities		
Accrued expenses	272 155	226 591
Foreign currency spots	62 905	-
Warranty on loans sold	20 237	24 285
Settlements with payment systems	-	191 912
Other	175 589	209 169
Total other financial liabilities	530 886	651 957
Other non-financial liabilities		
Taxes other than on income	337 222	130 743
Accrued vacation liability to employees	281 339	182 808
Settlements with employees for salary	171 568	55
Provision for legal claims	137 723	123 590
Accrued short-term bonuses	71 870	206 620
Current tax liability	51 190	11 086
Other	2 578	2 843
Total other non-financial liabilities	1 053 490	657 745
Total other liabilities	1 584 376	1 309 702

Accrued expenses comprise accrued expense for deposit insurance, and other accruals.

The provision for legal claims represents the present value of the director's best estimate of the future outflows of economic benefits that will be required under the Group's obligation to reimburse some credit related commissions that the Group collected from its customers before such practice of Russian banks was questioned by the courts. The estimate has been made on the basis of historical trends for such claims and court practice and may vary as a result of new developments in the legislation and business practice.

The warranty on loans sold arose on the Bank's obligation to repurchase qualifying loans sold to State Agency on Mortgage Lending.

17 Subordinated debt

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Subordinated debt	984 786	968 217
Total Subordinated debt	984 786	968 217

On 21 June 2007 the Group issued USD denominated subordinated notes in the amount of USD 43 000 thousand. The notes bear a fixed interest rate of 11% per annum payable semi-annually from the issuance until 26 June 2012 and a floating interest rate thereafter set at a rate per annum representing the aggregate of the US Treasury Rate plus 7.45 per cent per annum payable semi-annually until maturity on 26 June 2017. As at 30 June 2012 the floating interest rate amounted to 8.17% per annum.

The debt ranks after all other creditors in the case of liquidation.

18 Share Capital

Statutory capital authorised, issued and fully paid comprises:

<i>In thousands of Russian Roubles except for number of shares</i>	Number of Ordinary outstanding shares	Number of Preference outstanding shares	Ordinary shares	Preference shares	Inflation effect on share capital	Total
At 1 January 2011	64 565 705 131	805 170 000	645 657	8 052	119 837	773 546
New shares issued	8 597 500 000	-	85 975	-	-	85 975
Treasury shares purchased	(3 705 660 960)	(805 150 000)	(37 056)	(8 052)	-	(45 108)
At 30 June 2011 (Unaudited)	69 457 544 171	20 000	694 576	-	119 837	814 413
At 1 January 2012	69 457 544 171	20 000	694 576	-	119 837	814 413
Treasury shares sold	3 705 660 960	805 150 000	37 056	8 052	-	45 108
At 30 June 2012 (Unaudited)	73 163 205 131	805 170 000	731 632	8 052	119 837	859 521

All ordinary shares carry equal rights and have a nominal value of RR 0.01. Preference shares have a nominal value of RR 0.01 and are not redeemable, carry no voting rights but rank ahead of the ordinary shares in the event of liquidation of the Bank. Holders of 1 170 000 preference shares are entitled to receive annual dividends of RR 0.017 per share. Holders of 804 000 000 preference shares are entitled to receive 14.08% of the banking interest rate valid at 31 December each year from nominal value per share. Share premium represents the excess of contributions received over the nominal value of shares issued. If the dividends are not paid, preference shareholders carry the right to vote at annual and general meetings until the dividends are paid. At 30 June 2012 holders of the preference shares have the right to vote at annual and general meetings.

On 9 March 2011 the Bank issued 8 597 500 000 ordinary shares with nominal value of RR 0.01 per share. On 4 May 2011 the International Financial Corporation (“IFC”) purchased 8 597 500 000 ordinary shares of the Bank with respective increase in share capital of RR 85 975 thousand and increase in share premium of RR 1 977 424 thousand recorded in the consolidated statement of changes in equity.

Following the directors’ approval in June 2011, a purchase of treasury shares of the Bank took place during the period. Details of the purchase are stated below:

Type of shares	Number of treasury shares purchased	Price per share	Purchase amount
Ordinary	3 705 660 960	0.24	889 357
Preference	805 150 000	0.185	148 953
Total	4 510 810 960		1 038 310

The shares at their par value reduced the Bank’s share capital by RR 45 108 thousand and the remaining difference with the purchase price decreased the share premium account by RR 993 202 thousand at 30 June 2011.

In May 2012 the Bank sold to an unrelated party 3 705 660 960 ordinary treasury shares with a nominal value of RR 0.01 per share for RR 0.29 per share. In June 2012 the Bank sold to an unrelated party 805 150 000 preference treasury shares with nominal value of RR 0.01 per share for RR 0.19 per share. These two sales resulted in an increase in share capital of RR 45 108 thousand and an increase in share premium of RR 1 174 359 thousand recorded in the consolidated statement of changes in equity for the period ended 30 June 2012.

19 Dividends

A dividend of RR 8 793 thousand that relates to the year to 31 December 2010 was declared by the Bank on 22 June 2011. The dividend was declared on preference shares only. In April 2011 a subsidiary of Bank declared a dividend of RR 205 356 thousand relating to its results for 2010 and interim profits for 2011. To the extent that the above dividends represented an intra-group transaction they have been completely eliminated on consolidation. Tax on dividends paid amounted to RR 20 309 thousand. No dividends were declared for six-months periods ended 30 June 2011 and 30 June 2012.

All dividends are declared and paid in Russian Roubles.

20 Interest Income and Expense

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June 2012 (Unaudited)	Six-Month Period Ended 30 June 2011 (Unaudited)
Interest income		
Loans and advances to individuals	16 927 646	10 741 543
Securities	412 221	282 073
Loans and advances to legal entities	213 037	245 676
Due from other banks	28 597	78 879
Interest income on reverse repo transactions	21 153	19 705
Finance lease	-	1 055
Total Interest income	17 602 654	11 368 931
Interest expense		
Term deposits of individuals	4 529 584	3 015 862
Term deposits of legal entities	369 431	289 938
Debt securities issued	248 467	116 356
Other borrowed funds	124 365	71 990
Term deposits of other banks	85 191	1 896
Subordinated debt	67 832	64 845
Interest expense on direct repo transactions	70 495	601
Current/settlement accounts	24 168	7 354
Other	-	234
Total Interest expense	5 519 533	3 569 076
Net interest income	12 083 121	7 799 855

Interest income includes RR 186 786 thousand (2011: RR 119 852 thousand) of interest income, recognised on impaired loans to customers.

21 Fee and Commission Income and Expense

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June 2012 (Unaudited)	Six-Month Period Ended 30 June 2011 (Unaudited)
Commission on settlement and foreign currency exchange	96 394	135 663
Commission on cash transactions	39 911	41 259
Commission on plastic cards	28 393	21 582
Commission for account maintenance	18 715	23 727
Agency fees	7 240	11 411
Other	22 910	7 989
Total fee and commission income	213 563	241 631
Commission on settlement and foreign currency exchange	168 704	53 470
Collection agency fees	123 317	48 344
Cash collection	38 692	33 631
Commission on cash transactions	9 716	7 920
Other	30 995	13 308
Total fee and commission expense	371 424	156 673
Net fee and commission (expense)/income	(157 861)	84 958

22 Administrative and Other Operating Expenses

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June 2012 (Unaudited)	Six-Month Period Ended 30 June 2011 (Unaudited)
Staff costs	1 994 092	1 639 659
Social security tax	544 610	391 796
Advertising and marketing	324 383	142 611
Expenses related to premises and equipment	299 803	173 900
Rent expense	296 192	230 823
Insurance	283 800	37 008
Taxes other than on income	219 431	166 061
Deposit insurance fee	202 571	135 624
Depreciation of premises and equipment	160 313	137 781
Communication and postage	152 977	104 693
Low-value items write-off	123 857	101 855
Security	105 551	102 425
IT Expenses	50 761	51 676
Amortisation of intangible assets	45 451	49 994
Other	224 631	129 423
Total administrative and other operating expenses	5 028 423	3 595 329

23 Income Taxes

Income tax comprised the following:

<i>In thousands of Russian Roubles</i>	Six-Month Period Ended 30 June 2012 (Unaudited)	Six-Month Period Ended 30 June 2011 (Unaudited)
Current tax	746 489	406 331
Deferred tax	(20 303)	163 580
Income tax expense for the period	726 186	569 911

The income tax rate applicable to the majority of the Group's income was 20% (2011: 20%).

For the six-month period ended 30 June 2012 the income tax recorded directly in equity amounts to RR 814 thousand (2011: RR 611 thousand).

24 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by Chief Executive Officer and executive directors from the Board of Directors of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of four main business segments:

- Corporate banking – includes deposit taking and lending to corporate clients, small and medium enterprises and individual entrepreneurs, leasing, settlements, cash management and cash collection.
- Retail banking – includes deposit taking and lending to individuals, money transfer and foreign exchange services, settlements and cash management.
- Mortgage banking – includes issuing loans to potential owners of certain types of residential properties and secured by the properties. The segment also includes purchase of portfolios of such loans from other banks and selling them both to banks and State Agency for Mortgage Lending.
- Treasury operations – includes trading in securities and currencies, subordinated and interbank loans taking and lending.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and client services.

(c) Measurement of operating segment profit or loss, assets and liabilities

The Group uses IFRS as a measurement basis for segment reporting and evaluates performance of its operating segments on the basis of profit or loss before tax. The accounting policies used for preparation of the segment information are the same as those described in the summary of significant accounting policies.

The CODM reviews financial information prepared based on IFRS accounting policies adjusted to meet the requirements of internal reporting. Income taxes are not allocated to segments.

24 Segment Analysis (Continued)

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

(d) Information about reportable segment profit or loss, assets and liabilities

Segment breakdown of assets and liabilities of the Group is set out below:

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Corporate banking	3 403 278	3 490 085
Retail banking	135 672 382	103 308 144
Treasury	25 963 495	24 318 866
Mortgage lending	4 742 179	5 299 352
Unallocated assets	688 237	703 191
Total reportable segment assets	170 469 571	137 119 638
Corporate banking	16 536 584	11 534 046
Retail banking	118 195 375	94 852 761
Treasury	14 056 736	13 260 257
Mortgage lending	20 237	24 285
Unallocated liabilities	1 399 846	1 236 801
Total reportable segment liabilities	150 208 778	120 908 150

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24 Segment Analysis (Continued)

Segment information for the six months ended 30 June 2012 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Interest income	213 037	16 358 727	461 971	568 919	-	17 602 654
Interest expense	(369 431)	(4 377 350)	(620 518)	(152 234)	-	(5 519 533)
Net interest income	(156 394)	11 981 377	(158 547)	416 685	-	12 083 121
Provision for loan impairment	(139 961)	(3 196 080)	-	(111 152)	-	(3 447 193)
Net interest income after provision for loan impairment	(296 355)	8 785 297	(158 547)	305 533	-	8 635 928
Fee and commission income	83 921	111 795	-	-	17 847	213 563
Fee and commission expense	(15 857)	(280 469)	(26 484)	-	(48 614)	(371 424)
Result on sale of loans and debts	-	-	-	128 336	-	128 336
Securities loss, net	-	-	(15 731)	-	-	(15 731)
Gains less losses arising from dealing in foreign currencies	-	-	497 216	-	-	497 216
Foreign exchange translation loss, net	-	-	(569 319)	-	-	(569 319)
Other operating income	23 408	55 228	577	4 048	11 097	94 358
Administrative and Other Operating Expenses	(117 038)	(4 535 810)	(136 234)	(229 052)	(10 289)	(5 028 423)
Other provisions	(9 314)	(14 502)	(19 453)	-	11 534	(31 735)
(Loss)/profit before tax	(331 235)	4 121 539	(427 975)	208 865	(18 425)	3 552 769
Income tax expense	-	-	-	-	(726 186)	(726 186)
(LOSS)/PROFIT FOR THE PERIOD	(331 235)	4 121 539	(427 975)	208 865	(744 611)	2 826 583
Other comprehensive income						
Revaluation of available for sale financial assets, net of tax	-	-	3 402	-	-	3 402
Change in translation reserve, net of tax	-	-	(147)	-	-	(147)
Other comprehensive income for the period, net of tax	-	-	3 255	-	-	3 255
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD (UNAUDITED)	(331 235)	4 121 539	(424 720)	208 865	(744 611)	2 829 838

24 Segment Analysis (Continued)

Segment information for the six months ended 30 June 2011 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Interest income	268 324	9 683 080	359 051	1 058 476	-	11 368 931
Interest expense	(297 893)	(2 698 830)	(255 321)	(317 032)	-	(3 569 076)
Net interest income	(29 569)	6 984 250	103 730	741 444	-	7 799 855
Provision for loan impairment	(42 899)	(1 998 451)	-	(248 651)	-	(2 290 001)
Net interest income after provision for loan impairment	(72 468)	4 985 799	103 730	492 793	-	5 509 854
Fee and commission income	128 395	83 952	(10 338)	39 487	135	241 631
Fee and commission expense	-	(48 418)	(5 891)	-	(102 364)	(156 673)
Result on sale of loans and debts	99 543	(107 226)	(10 117)	2 325	-	(15 475)
Securities gain, net	-	-	2 748	-	-	2 748
Gains less losses arising from dealing in foreign currencies	-	48	85 136	-	-	85 184
Foreign exchange translation (loss)/gain, net	-	(8 423)	57 101	-	-	48 678
Other operating income	-	1 366	1 716	50 441	63 539	117 062
Administrative and Other Operating Expenses	(213 434)	(2 978 421)	(21 423)	(128 729)	(253 322)	(3 595 329)
Other provisions	(8 999)	(5 356)	16 446	-	420	2 511
(Loss)/profit before tax	(66 963)	1 923 321	219 108	456 317	(291 592)	2 240 191
Income tax expense	-	-	-	-	(569 911)	(569 911)
(LOSS)/PROFIT FOR THE PERIOD	(66 963)	1 923 321	219 108	456 317	(861 503)	1 670 280
Other comprehensive income						
Revaluation of available for sale financial assets, net of tax	-	-	2 390	-	-	2 390
Change in translation reserve, net of tax	-	-	53	-	-	53
Other comprehensive income for the period, net of tax	-	-	2 443	-	-	2 443
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD (UNAUDITED)	(66 963)	1 923 321	221 551	456 317	(861 503)	1 672 723

24 Segment Analysis (Continued)

Capital expenditures and depreciation and amortisation charge by the segment for the six months ended 30 June 2012 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	7 927	282 179	53 935	9 863	1 432	355 336
Depreciation and amortisation	4 590	163 402	31 232	5 711	829	205 764

Capital expenditures and depreciation and amortisation charge by the segment for the six months ended 30 June 2011 is set below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Treasury	Mortgage lending	Unallocated	Total
Capital expenditures	21 982	312 190	58 632	37 297	1 663	431 764
Depreciation and amortisation	9 560	135 773	25 499	16 220	723	187 775

Outstanding credit related commitments (Note 26) by the segment are set out below:

<i>In thousands of Russian Roubles</i>	30 June 2012	31 December 2011
	(Unaudited)	
Retail banking	16 309 748	11 977 325
Corporate banking	5 153 589	350 672
Total credit related commitments	21 463 337	12 327 997

25 Capital Adequacy

The Bank's international risk based capital adequacy ratio, computed in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The ratio exceeds the minimum ratio of 8% recommended by Basle Accord for the total capital and of 4% for Tier 1 capital.

The capital adequacy as at 30 June 2012 and 31 December 2011 was computed as follows:

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Constituents of capital		
Core capital (Tier 1)		
Share capital, ordinary and fully paid up	859 521	814 919
Disclosed reserves	19 382 545	15 393 596
Total Tier 1	20 242 066	16 208 515
Supplementary capital (Tier 2)		
Subordinated term debt	984 786	968 217
Revaluation reserve	6 227	2 972
Total Tier 2	991 013	971 189
Total capital	21 233 079	17 179 704
Capital adequacy ratio	13.51%	14.20%

26 Contingencies and Commitments

Legal Proceedings

From time to time and in the normal course of business, claims against the Group may be received. At 30 June 2012 the Group was engaged in litigations in relation to loan servicing fees that were charged to borrowers in previous periods. A provision of RR 137 723 thousand (2011: RR 123 590 thousand) was created by management for these litigations (Note 16).

Tax contingencies

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

26 Contingencies and Commitments (Continued)

Russian transfer pricing legislation enacted in 2011 is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also provides the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

The Group includes company incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that this company is not subject to Russian profits tax, because it does not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the entity.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Capital expenditure commitments

As at 30 June 2012 and 31 December 2011 the Group had no significant capital commitments.

Credit Related Commitments

Credit related commitments comprise loan commitments and guarantees. The contractual amount of these commitments represents the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. Outstanding credit related commitments are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Undrawn credit lines and unused limits on credit cards	16 639 344	12 158 978
Guarantees issued to third parties	4 823 993	169 019
Total credit related commitments	21 463 337	12 327 997

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

26 Contingencies, Commitments and Derivative Financial Instruments (Continued)

Assets pledged and restricted

The Group had assets pledged as collateral with the following carrying value:

	Notes	30 June 2012 (Unaudited)		31 December 2011	
		Asset pledged	Related liability	Asset pledged	Related liability
<i>In thousands of Russian Roubles</i>					
Repurchase receivables related to trading securities	8,12,13	1 436 106	1 245 764	3 245 933	2 381 182
Repurchase receivables related to investment securities held to maturity	8,12,13	239 251	220 999	632 736	631 451
Total		1 675 357	1 466 763	3 878 669	3 012 633

At the period end securities pledged with the CBRF in order to obtain overdraft loans if necessary were RR 736 967 thousand of trading securities and RR 122 696 thousand of investment securities held to maturity (2011: RR 325 968 thousand and RR 447 409 thousand, respectively). The Group did not use the overdraft facility as at 30 June 2012 and 31 December 2011.

In addition, mandatory cash balances with the CBRF of RR 1 601 888 thousand (2010: RR 1 362 659 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

Operating lease commitments

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

<i>In thousands of Russian Roubles</i>	30 June 2012 (Unaudited)	31 December 2011
Not later than 1 year	456 420	393 665
Later than 1 year and not later than 5 years	686 138	574 954
Later than 5 years	21 789	27 565
Total operating lease commitments	1 164 347	996 184

27 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature.

	Notes	30 June 2012 (Unaudited)		31 December 2011	
		Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
<i>In thousands of Russian Roubles</i>					
Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of					
- USD receivable on settlement (+)		328 169	-	-	-
- RR payable on settlement (-)		(298 284)	-	-	-
Net fair value of foreign exchange forwards and swaps	11	29 885	-	-	-

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

28 Related Party Transactions

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

At 30 June 2012, the outstanding balances with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders with significant influence	Members of BOD	Management (excluding BOD)	Other related parties
Cash and cash equivalents (contractual interest rate: 0 % p.a.)	-	-	-	609 512
Securities (contractual interest rate: 11 % p.a.)	-	-	-	105 707
Loans issued (contractual interest rate: 10 % - 18 % p.a.)	-	71 555	3 006	875 183
Other assets	-	-	-	531
Due to other banks (contractual interest rate: 9% p.a.)	-	-	-	356 000
Customer accounts (contractual interest rate: 5.1 % - 13.5 % p.a.)	1 553 599	112 316	77 026	320 838
Credit related commitments	3 010	4 681	10 473	107 138

28 Related Party Transactions (Continued)

The income and expense items with related parties for the six-month period ended 30 June 2012 were as follows:

	Shareholders with significant influence	Members of BOD	Management (excluding BOD)	Other related parties
<i>In thousands of Russian Roubles</i>				
Interest income on loans issued	1 735	8 880	285	51 779
Interest income from securities	-	-	-	5 772
Interest expense	64 452	4 357	2 957	8 770
Fee and commission income	185	68	67	539
Fee and commission expense	-	19	-	22 550
Other income	-	-	1	2 506
Rent expense	-	-	-	2 418
Other expense	-	-	-	18 072

Included in the “other related parties” category above are balances and income and expenses from transactions with the companies controlled by shareholders of the Group. At 31 December 2011, the outstanding balances with related parties were as follows:

	Shareholders with significant influence	Members of BOD	Management (excluding BOD)	Other related parties
<i>In thousands of Russian Roubles</i>				
Securities (contractual interest rate: 11 % p.a.)	-	-	-	208 399
Loans issued (contractual interest rate: 10 % - 18 % p.a.)	126 663	143 782	5 862	1 155 090
Due to other banks (contractual interest rate: 0% - 0.5 % p.a.)	-	-	-	61 561
Customer accounts (contractual interest rate: 5.1 % - 13.5 % p.a.)	1 533 708	117 775	93 049	351 805
Credit related commitments	3 010	4 418	14 206	139 993

The income and expense items with related parties for the year 2011 were as follows:

	Shareholders with significant influence	Members of BOD	Management (excluding BOD)	Other related parties
<i>In thousands of Russian Roubles</i>				
Interest income on loans issued	5 048	6 509	386	120 443
Interest income from securities	-	-	-	33 177
Interest expense	164 581	9 082	13 088	27 970
Fee and commission income	306	74	157	1 696
Fee and commission expense	-	-	-	111 739
Other income	1 591	-	21	8 715
Rent expense	-	-	413	4 086
Other expense	687	-	-	7 640

28 Related Party Transactions (Continued)

Key management compensation is presented below:

	30 June 2012 (Unaudited)	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)	31 December 2011
<i>In thousands of Russian Roubles</i>	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>				
- Salaries	67 542	-	54 466	-
- Short-term bonuses	192 149	67 766	170 458	206 620
<i>Long-term benefits:</i>				
- Long-term bonuses	12 237	4 104	31 167	-
Total	271 928	71 870	256 091	206 620

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

During the year ended 31 December 2011 the Bank introduced a short term bonus plan for the key management of the Bank. The key management is entitled to a cash payment equal to individual packages based on individual performance of a manager and up to a fixed percentage of a bonus pool eligible for distribution to management. A cash distribution under this short term bonus plan shall be made within 30 days period since a Board of Directors meeting on the results of the audited consolidated financial statements for the financial year.

During the year ended 31 December 2011 the Bank also introduced an employee share option plan as a long-term incentive and retention tool for the key management of the Bank. The key management is entitled to cash payment or ordinary shares of the Bank at the individual choice of a manager equal to individual packages based on individual performance of a manager and up to a fixed percentage of a bonus pool eligible for distribution to management.

The share option plan vests in two-year period since the date when the Board of Directors of the Bank determines a bonus pool as a percentage from the profit for the financial year based on the audited consolidated financial statements or at early vesting conditions. These early vesting conditions include a change in the shareholders structure of the Bank as a result of a new shareholder entry controlling more than 50% of the shares or in case of early termination of a service agreement with employee.

The quantity of ordinary shares eligible for distribution to the share option plan participants is being determined by the Board of Directors of the Bank on the basis of their estimates with respect to the equity value of the Bank.

The bonus pool eligible for the short term bonus plan and the share option plan is being determined by the Board of Directors of the Bank based on a percentage of the profit for the financial year. The maximum amount of the bonus pool eligible for the short term bonus plan and share option plan for the financial year ending 31 December 2012 is 6.6% (31 December 2011: 7.8%) and 1.0% (31 December 2011: 1.7%) of the profit for the financial year respectively.

29 Events after the end of the reporting period

On 17 August 2012 the Bank issued bonds at total nominal amount of RR 3 000 000 thousand that mature on 14 August 2015. The interest is paid quarterly and set at 11% per annum for the first 4 interest payments. Subsequent interest rate is to be set by the Bank.