

**MDM Bank**  
**Interim Consolidated Condensed**  
**Financial Statements for the Three-Month Period**  
**Ended 31 March 2010**

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## **Independent Auditors' Report on Review of the Interim Consolidated Condensed Financial Information**

To the Shareholders and Board of Directors  
MDM Bank, Open Joint Stock Company

### *Introduction*

We have reviewed the accompanying interim consolidated condensed statement of financial position of MDM Bank, Open Joint Stock Company, and its subsidiaries (the Group) as at 31 March 2010, and the related interim consolidated condensed statements of comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2010, and selected explanatory notes (the interim consolidated condensed financial information). Management is responsible for the preparation and presentation of this interim consolidated condensed financial information in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim consolidated condensed financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated condensed financial information of the Group as at 31 March 2010 and for the three-month period ended 31 March 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

ZAO KPMG

ZAO KPMG  
23 June 2010

**MDM Bank****Interim Consolidated Condensed Statement of Financial Position as at 31 March 2010**

(expressed in millions of Russian Roubles – refer to Note 3)

	Note	31 March 2010 Unaudited	31 December 2009
<b>Assets</b>			
Cash and cash equivalents	5	61 265	64 743
Mandatory cash balances with central banks		2 625	2 916
Due from other banks		36 690	42 265
Trading securities		80	35
Derivative financial instruments		2 589	2 816
Available-for-sale financial assets			
- owned by the Group		34 468	18 126
- pledged under sale and repurchase agreements		-	936
Investment securities held to maturity		-	3 657
Loans and advances to customers	6	215 374	236 709
Property, equipment and intangible assets		15 211	15 590
Assets held for sale		8 870	8 347
Deferred tax asset		1 025	1 485
Other assets		5 646	5 198
<b>Total assets</b>		<b>383 843</b>	<b>402 823</b>
<b>Liabilities</b>			
Due to other banks		57 592	69 813
Derivative financial instruments		2 310	1 238
Customer accounts	7	204 610	194 622
Debt securities in issue	8	44 027	61 137
Subordinated debt		11 075	12 373
Deferred tax liability		35	26
Other liabilities		2 268	2 038
<b>Total liabilities</b>		<b>321 917</b>	<b>341 247</b>
<b>Equity</b>			
Share capital	10	4 207	4 207
Share premium		31 852	31 852
Treasury shares		(14)	(14)
Revaluation of premises		3 143	3 143
Revaluation of available-for-sale financial assets		828	398
Cumulative translation reserve		232	423
Hedge reserve		(349)	(309)
Retained earnings		21 937	21 785
<b>Equity attributable to the Bank's equity holders</b>		<b>61 836</b>	<b>61 485</b>
<b>Non-controlling interest</b>		<b>90</b>	<b>91</b>
<b>Total equity</b>		<b>61 926</b>	<b>61 576</b>
<b>Total liabilities and equity</b>		<b>383 843</b>	<b>402 823</b>

Approved for issue by the Management Board and signed on its behalf on 23 June 2010.



Igor Kim  
Chief Executive Officer



Vadim Sorokin  
Chief Financial Officer

**MDM Bank****Interim Consolidated Condensed Statement of Comprehensive Income for the Three-Month Period Ended 31 March 2010**

(expressed in millions of Russian Roubles – refer to Note 3)

Note	Three-Month Period Ended 31 March 2010 Unaudited	Three-Month Period Ended 31 March 2009 Unaudited
Interest income	11 589	9 223
Interest expense	(6 185)	(5 121)
<b>Net interest income</b>	<b>5 404</b>	<b>4 102</b>
Loan impairment losses	(3 712)	(3 285)
<b>Net interest income after loan impairment losses</b>	<b>1 692</b>	<b>817</b>
Gains less losses from trading, available-for-sale financial assets and foreign exchange, net	11 1 357	1 190
Fee and commission income	916	828
Fee and commission expense	(211)	(186)
Impairment losses other than on loans	12 (115)	(489)
Other income	189	-
<b>Operating income</b>	<b>3 828</b>	<b>2 160</b>
Operating expenses	(3 500)	(1 983)
<b>Profit before taxation and other comprehensive income</b>	<b>328</b>	<b>177</b>
Income tax expense	(177)	(119)
<b>Profit after tax and before other comprehensive income</b>	<b>151</b>	<b>58</b>
<b>Other comprehensive income</b>		
Available-for-sale financial assets:		
Changes in fair value during the period	1 513	(401)
Less: reclassification adjustments for items included in profit	(975)	456
Currency translation differences	(191)	211
Hedge reserve	(50)	-
Income tax related to components of other comprehensive income	(98)	(11)
<b>Other comprehensive income for the period, net of tax</b>	<b>199</b>	<b>255</b>
<b>Total comprehensive income for the period</b>	<b>350</b>	<b>313</b>
<b>Profit attributable to:</b>		
Equity holders of the Bank	152	58
Non-controlling interest	(1)	-
<b>Profit after tax and before other comprehensive income</b>	<b>151</b>	<b>58</b>
<b>Basic and diluted earnings per share (in Roubles)</b>	<b>0.04</b>	<b>0.02</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Bank	351	313
Non-controlling interest	(1)	-
<b>Total comprehensive income for the period</b>	<b>350</b>	<b>313</b>



Igor Kim  
Chief Executive Officer



Vadim Sorokin  
Chief Financial Officer

**MDM Bank****Interim Consolidated Condensed Statement of Cash Flows for the Three-Month Period Ended 31 March 2010**

(expressed in millions of Russian Roubles – refer to Note 3)

	Note	Three-Month Period Ended 31 March 2010 Unaudited	Three-Month Period Ended 31 March 2009 Unaudited
<b>Net cash from/(used in) operating activities</b>		<b>7 250</b>	<b>(14 092)</b>
<b>Net cash from/(used in) investing activities</b>		<b>3 382</b>	<b>(45)</b>
<b>Net cash used in financing activities</b>		<b>(12 800)</b>	<b>(8 533)</b>
Effect of exchange rate changes on cash and cash equivalents		(1 310)	7 923
<b>Net decrease in cash and cash equivalents</b>		<b>(3 478)</b>	<b>(14 747)</b>
Cash and cash equivalents at the beginning of the period		64 743	77 271
<b>Cash and cash equivalents at the end of the period</b>	5	<b>61 265</b>	<b>62 524</b>

Igor Kim  
Chief Executive OfficerVadim Sorokin  
Chief Financial Officer

**MDM Bank**

**Interim Consolidated Condensed Statement of Changes in Equity for the Three – Month Period Ended 31 March 2010**

(expressed in millions of Russian Roubles – refer to Note 3)

	Equity attributable to the Bank's equity holders										
	Share capital	Share premium	Treasury shares	Revaluation of premises	Revaluation of available-for-sale financial assets	Cumulative translation reserve	Hedge reserve	Retained earnings	Total	Non-controlling interest	Total
<b>Balance as at 1 January 2009</b>	<b>1 794</b>	<b>14 198</b>	-	<b>3 143</b>	<b>(1 566)</b>	<b>326</b>	-	<b>23 179</b>	<b>41 074</b>	-	<b>41 074</b>
<b>Profit after tax and before other comprehensive income (Unaudited)</b>	-	-	-	-	-	-	-	<b>58</b>	<b>58</b>	-	<b>58</b>
<b>Other comprehensive income</b>											
Currency translation differences (Unaudited)	-	-	-	-	-	211	-	-	211	-	211
Revaluation of available-for-sale financial assets (Unaudited)	-	-	-	-	44	-	-	-	44	-	44
<b>Total other comprehensive income for the period (Unaudited)</b>	-	-	-	-	<b>44</b>	<b>211</b>	-	-	<b>255</b>	-	<b>255</b>
<b>Total comprehensive income for the period (Unaudited)</b>	-	-	-	-	<b>44</b>	<b>211</b>	-	<b>58</b>	<b>313</b>	-	<b>313</b>
<b>Balance as at 31 March 2009 (Unaudited)</b>	<b>1 794</b>	<b>14 198</b>	-	<b>3 143</b>	<b>(1 522)</b>	<b>537</b>	-	<b>23 237</b>	<b>41 387</b>	-	<b>41 387</b>
<b>Balance as at 1 January 2010</b>	<b>4 207</b>	<b>31 852</b>	<b>(14)</b>	<b>3 143</b>	<b>398</b>	<b>423</b>	<b>(309)</b>	<b>21 785</b>	<b>61 485</b>	<b>91</b>	<b>61 576</b>
<b>Profit after tax and before other comprehensive income (Unaudited)</b>	-	-	-	-	-	-	-	<b>152</b>	<b>152</b>	<b>(1)</b>	<b>151</b>
<b>Other comprehensive income</b>											
Currency translation differences (Unaudited)	-	-	-	-	-	(191)	-	-	(191)	-	(191)
Revaluation of available-for-sale financial assets (Unaudited)	-	-	-	-	430	-	-	-	430	-	430
Hedge reserve (Unaudited)	-	-	-	-	-	-	(40)	-	(40)	-	(40)
<b>Total other comprehensive income for the period (Unaudited)</b>	-	-	-	-	<b>430</b>	<b>(191)</b>	<b>(40)</b>	-	<b>199</b>	-	<b>199</b>
<b>Total comprehensive income for the period (Unaudited)</b>	-	-	-	-	<b>430</b>	<b>(191)</b>	<b>(40)</b>	<b>152</b>	<b>351</b>	<b>(1)</b>	<b>350</b>
<b>Balance as at 31 March 2010 (Unaudited)</b>	<b>4 207</b>	<b>31 852</b>	<b>(14)</b>	<b>3 143</b>	<b>828</b>	<b>232</b>	<b>(349)</b>	<b>21 937</b>	<b>61 836</b>	<b>90</b>	<b>61 926</b>



Igor Kim  
Chief Executive Officer



Vadim Sorokin  
Chief Financial Officer

## MDM Bank

### Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2010 (Unaudited)

(expressed in millions of Russian Roubles – refer to Note 3)

#### 1 Organisation of the Group and its Principal Activities

These interim consolidated condensed financial statements include the financial statements of MDM Bank, Open Joint Stock Company, (“the Bank” or “MDM Bank”) and its subsidiaries. MDM Bank and its subsidiaries are hereinafter collectively referred to as the “Group”.

MDM Bank is the parent company and the lead operating entity of the Group. MDM Bank was created as a result of the combination of MDM Bank (Open Joint Stock Company) (“former MDM Bank”) and URSA Bank, Open Joint Stock Company. Former MDM Bank has been registered in the Russian Federation to carry out banking activities since 1993. Former MDM Bank and URSA Bank operated under general banking licenses issued by the Central Bank of the Russian Federation (“the CBRF”). MDM Bank operates under a general banking license previously granted to URSA Bank in 1990 which was re-issued due to a change of its name on 6 August 2009. The Bank also has broker and dealer licenses issued by the Russian Federal Financial Markets Service.

The Bank participates in the state deposit insurance system. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RUB 700 thousand per individual in case of the withdrawal of a license of a bank or the CBRF imposed moratorium on payments.

As at 31 March 2010, the Group operates a subsidiary bank in Latvia (“LTB”), securities trading and asset management companies and leasing companies.

The Group operates in six major business areas: Corporate and investment banking, Retail banking, Small and medium entrepreneurs (“SME”) banking, Private Banking and Asset Management, Asset Liability Management (“ALM”) and Treasury. Retail and SME banking are managed through the Network which is split in three territorial banks: European, Ural and Siberian. Corporate and investment banking, Private Banking and Asset Management, ALM and Treasury are managed through the Head Office.

The activities of the Group are conducted principally in the Russian Federation, although the Group also conducts operations on international markets.

The registered address of MDM Bank is 18, Lenina street, Novosibirsk, Russian Federation.

As at 31 March 2010 the Group has 37 branches (31 December 2009: 38). All branches are located in the Russian Federation. The Group also operates a number of sub-branches in the Russian Federation and cash exchange offices and a network of retail micro offices in Moscow. As at 31 March 2010, the total number of points of sale in MDM Bank’s network was 308 (31 December 2009: 308).

As at 31 March 2010 the Bank’s parent company is MDM Holding SE, a European company based in Cyprus, with a 73.6% direct interest. The shareholder structure of the Bank is presented in the table below:

Shareholder	Beneficial interest, % of voting shares
Mr. Sergey Popov	56.3
Mr. Igor Kim	11.0
Olivant Limited	6.7
Mr. Martin Andersson	6.3
European Bank for Reconstruction and Development	5.2
Russia Partners	4.5
International Financial Corporation	3.6
Troika Capital Partners	2.2
DEG	1.9
Mr. Andrey Bekarev	1.5
Other minority shareholders	0.8
	<b>100.0</b>

Mr. S. Popov, Mr. I. Kim and Mr. M. Andersson hold their stakes in the Bank through MDM Holding SE.

Olivant Limited has an option to purchase a further 3.3% of the shares in MDM Bank.

## **1 Organisation of the Group and its Principal Activities (Continued)**

For the purposes of these interim consolidated condensed financial statements, key management personnel of the Group, collectively, is referred to as “management”.

## **2 Operating Environment of the Group**

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets.

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates, high volatility in stock and currency markets and general economic downturn. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against.

Borrowers of the Group may be affected by the worsened liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for borrowers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

The amount of loan impairment allowance is based on management's appraisals of such loans at the reporting date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in the Russian Federation for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets and general economic downturn resulting in a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

Management is unable to reliably determine the effects of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets on the banking sector and on the Group's future financial position. Management believes it is taking all the necessary measures to support the sustainability and growth of the business in the current circumstances.

The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

## **3 Basis of Preparation**

### **(a) Statement of compliance**

These interim consolidated condensed financial statements are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009, as these interim consolidated condensed financial statements provide an update of previously reported financial information.

### **3 Basis of Preparation (Continued)**

#### **(b) Basis of measurement**

These interim consolidated condensed financial statements are prepared on the historical cost basis except that financial instruments held for trading, derivative financial instruments and available-for-sale financial instruments are stated at fair value, certain classes of property and equipment are stated at revalued amounts and assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

#### **(c) Presentation currency**

These interim consolidated condensed financial statements are presented in Russian Roubles ("RUB"). Amounts in Russian Roubles are rounded to the nearest million.

#### **(d) Use of estimates and judgements**

The preparation of financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these interim consolidated condensed financial statements the significant judgements made by management in applying accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2009.

### **4 Significant Accounting Policies**

The accounting policies applied in these interim consolidated condensed financial statements are consistent with those applied in the consolidated financial statements for the year ended 31 December 2009, except for changes resulting from the amendments to International Financial Reporting Standards ("IFRS") and segment reporting disclosures as described below.

#### *(i) Changes in accounting policies for operating segments*

Changes in the internal organizational structure and accounting policies used in the management reporting framework resulted in restatement of comparative information for the operating segments. From 1 January 2010 the Group reports separately Network (which combines de-centralized Retail and SME banking of European, Ural and Siberian territorial banks) and centralized Private Banking and Asset Management, ALM, Treasury and Corporate and Investment Banking business segments.

**MDM Bank****Notes to the Interim Consolidated Condensed Financial Statements  
for the Three-Month Period Ended 31 March 2010 (Unaudited)**

(expressed in millions of Russian Roubles – refer to Note 3)

**4 Significant Accounting Policies (Continued)***(ii) Changes resulting from the amendments to IFRS*

As at 1 January 2010, the Group adopted the revised version of International Accountant Standard 27 “Consolidated and Separate Financial Statements”. As a result the Group attributes total comprehensive income to the owners of the parent and to the non-controlling interests (previously “minority interests”) even if this results in the non-controlling interests having a deficit balance. The changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control is accounted for as equity transactions. At the date when control of a subsidiary is lost, any investment retained in the former subsidiary is measured at its fair value, with gain or loss recognized in profit or loss.

Various Improvements to IFRSs have been dealt with on a standard-by-standard basis.

*(iii) Comparative information*

Certain comparative information is reclassified to conform to changes in presentation in the current period, as follows.

Gains arising from trading in securities, net, of RUB 810 million, losses arising from trading in precious metals, net, of RUB 113 million, losses from foreign exchange, net, of RUB 118 million, losses from interest-based derivative financial instruments, net, of RUB 36 million, gains from early redemption of debt of RUB 647 million were presented separately in the interim consolidated condensed financial statements for the three-month period ended 31 March 2009. These amounts are included in gains less losses from trading, available-for-sale financial assets and foreign exchange, net in these interim consolidated condensed financial statements.

Provision for impairment of available-for-sale financial assets of RUB 456 million, other assets impairment losses of RUB 231 million, release of other provisions of RUB 198 million were presented separately in the interim consolidated condensed financial statements for the three-month period ended 31 March 2009. These amounts are included in impairment losses other than on loans in these interim consolidated condensed financial statements.

Management believes that current period presentation better reflects the nature of the operations.

**5 Cash and Cash Equivalents**

	<b>31 March 2010</b>	<b>31 December 2009</b>
Cash on hand	14 184	18 509
Correspondent accounts with central banks	6 996	13 475
Correspondent accounts and overnight deposits with other banks	38 081	31 981
Settlement accounts with trading systems	2 004	778
<b>Total cash and cash equivalents</b>	<b>61 265</b>	<b>64 743</b>

**MDM Bank****Notes to the Interim Consolidated Condensed Financial Statements  
for the Three-Month Period Ended 31 March 2010 (Unaudited)**

(expressed in millions of Russian Roubles – refer to Note 3)

**6 Loans and Advances to Customers**

	<b>31 March 2010</b>	<b>31 December 2009</b>
Loans to corporate customers	148 412	153 917
Loans to individuals	79 221	91 416
Investment banking loans	12 925	13 433
Small business loans	10 135	12 827
Lease financing	8 373	9 237
<b>Gross loans and advances to customers</b>	<b>259 066</b>	<b>280 830</b>
Less: loan impairment	(43 692)	(44 121)
<b>Loans and advances to customers</b>	<b>215 374</b>	<b>236 709</b>

Movements in loan impairment allowance by classes of loans to customers for the three-month period ended 31 March 2010 are as follows:

	<b>Loans to corporate customers</b>	<b>Loans to individuals</b>	<b>Investment banking loans</b>	<b>Small business loans</b>	<b>Lease financing</b>	<b>Total</b>
<b>Loan impairment allowance as at 1 January 2010</b>	<b>24 421</b>	<b>14 963</b>	<b>492</b>	<b>2 473</b>	<b>1 772</b>	<b>44 121</b>
Loan impairment losses during the period	2 740	783	(94)	(215)	498	3 712
Loans written-off during the period as uncollectible	(5)	(3 733)	-	-	(15)	(3 753)
Loans sold during the period	-	(125)	-	(1)	-	(126)
Loans and terminated lease contracts settled through foreclosure of collateral	-	-	-	-	(47)	(47)
Effect of foreign currency translation	(126)	(68)	(2)	(9)	(10)	(215)
<b>Loan impairment allowance as at 31 March 2010</b>	<b>27 030</b>	<b>11 820</b>	<b>396</b>	<b>2 248</b>	<b>2 198</b>	<b>43 692</b>

Movements in loan impairment allowance by classes of loans to customers for the three-month period ended 31 March 2009 are as follows:

	<b>Loans to corporate customers</b>	<b>Loans to individuals</b>	<b>Investment banking loans</b>	<b>Small business loans</b>	<b>Lease financing</b>	<b>Total</b>
<b>Loan impairment allowance as at 1 January 2009</b>	<b>7 293</b>	<b>2 859</b>	<b>238</b>	<b>1 320</b>	<b>493</b>	<b>12 203</b>
Loan impairment losses during the period	1 745	1 225	38	179	98	3 285
Loans written off during the period as uncollectible	(494)	-	-	-	-	(494)
Loans sold during the period	-	(10)	-	-	-	(10)
Loans and terminated lease contracts settled through foreclosure of collateral	-	-	-	-	(134)	(134)
Effect of foreign currency translation	486	92	17	4	10	609
<b>Loan impairment allowance as at 31 March 2009</b>	<b>9 030</b>	<b>4 166</b>	<b>293</b>	<b>1 503</b>	<b>467</b>	<b>15 459</b>

**MDM Bank**

**Notes to the Interim Consolidated Condensed Financial Statements  
for the Three-Month Period Ended 31 March 2010 (Unaudited)**

(expressed in millions of Russian Roubles – refer to Note 3)

**6 Loans and Advances to Customers (Continued)**

The Group reviewed its loan portfolio as at 31 March 2010 and recognised loan impairment as follows:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans (%)
<b>Loans to corporate customers</b>				
Loans without individual impairment indicators				
Standard loans not past due	57 070	(1 420)	55 650	2.5
Watch list loans not past due	15 571	(458)	15 113	2.9
<i>Total loans without individual impairment indicators</i>	<i>72 641</i>	<i>(1 878)</i>	<i>70 763</i>	<i>2.6</i>
Loans with individual impairment indicators				
Watch list loans not past due	37 673	(6 754)	30 919	17.9
Overdue loans collectively assessed for impairment	4 433	(159)	4 274	3.6
Overdue loans individually assessed for impairment	23 940	(8 514)	15 426	35.6
Non-recoverable loans	9 725	(9 725)	-	100.0
<i>Total loans with individual impairment indicators</i>	<i>75 771</i>	<i>(25 152)</i>	<i>50 619</i>	<i>33.2</i>
<b>Total loans to corporate customers</b>	<b>148 412</b>	<b>(27 030)</b>	<b>121 382</b>	<b>18.2</b>
<b>Loans to individuals</b>				
Loans collectively assessed for impairment				
Consumer loans	36 696	(8 083)	28 613	22.0
Mortgage loans	28 218	(2 049)	26 169	7.3
Car loans	14 307	(1 688)	12 619	11.8
<b>Total loans to individuals</b>	<b>79 221</b>	<b>(11 820)</b>	<b>67 401</b>	<b>14.9</b>
<b>Investment banking loans</b>				
Loans without individual impairment indicators				
Reverse sale and repurchase agreements	6 105	(65)	6 040	1.1
Other standard loans	4 550	(75)	4 475	1.6
<i>Total loans without individual impairment indicators</i>	<i>10 655</i>	<i>(140)</i>	<i>10 515</i>	<i>1.3</i>
Loans with individual impairment indicators				
Watch list loans not past due	2 151	(137)	2 014	6.4
Non-recoverable loans	119	(119)	-	100.0
<i>Total loans with individual impairment indicators</i>	<i>2 270</i>	<i>(256)</i>	<i>2 014</i>	<i>11.3</i>
<b>Total investment banking loans</b>	<b>12 925</b>	<b>(396)</b>	<b>12 529</b>	<b>3.1</b>
<b>Small business loans</b>				
Loans without individual impairment indicators				
Standard loans to legal entities not past due	5 007	(164)	4 843	3.3
Watch list loans to legal entities not past due	1 356	(77)	1 279	5.7
<i>Total loans without individual impairment indicators</i>	<i>6 363</i>	<i>(241)</i>	<i>6 122</i>	<i>3.8</i>
Loans with individual impairment indicators				
Watch list loans not past due	395	(46)	349	11.6
Overdue loans collectively assessed for impairment	698	(38)	660	5.4
Overdue loans individually assessed for impairment	2 026	(1 270)	756	62.7
Non-recoverable loans	653	(653)	-	100.0
<i>Total loans with individual impairment indicators</i>	<i>3 772</i>	<i>(2 007)</i>	<i>1 765</i>	<i>53.2</i>
<b>Total small business loans</b>	<b>10 135</b>	<b>(2 248)</b>	<b>7 887</b>	<b>22.2</b>
<b>Lease financing</b>				
Loans without individual impairment indicators				
Standard loans not past due	2 327	(75)	2 252	3.2
Watch list loans not past due	1 784	(36)	1 748	2.0
<i>Total loans without individual impairment indicators</i>	<i>4 111</i>	<i>(111)</i>	<i>4 000</i>	<i>2.7</i>
Loans with individual impairment indicators				
Watch list loans not past due	2 682	(956)	1 726	35.6
Overdue loans collectively assessed for impairment	390	(11)	379	2.8
Overdue loans individually assessed for impairment	99	(29)	70	29.3
Non-recoverable loans	1 091	(1 091)	-	100.0
<i>Total loans with individual impairment indicators</i>	<i>4 262</i>	<i>(2 087)</i>	<i>2 175</i>	<i>49.0</i>
<b>Total lease financing</b>	<b>8 373</b>	<b>(2 198)</b>	<b>6 175</b>	<b>26.3</b>
<b>Total loans and advances to customers</b>	<b>259 066</b>	<b>(43 692)</b>	<b>215 374</b>	<b>16.9</b>

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(expressed in millions of Russian Roubles – refer to Note 3)

**6 Loans and Advances to Customers (Continued)**

The Group reviewed its loan portfolio as at 31 December 2009 and recognised loan impairment as follows:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans (%)
<b>Loans to corporate customers</b>				
Loans without individual impairment indicators				
Standard loans not past due	54 492	(1 282)	53 210	2.4
Watch list loans not past due	29 896	(770)	29 126	2.6
<i>Total loans without individual impairment indicators</i>	<i>84 388</i>	<i>(2 052)</i>	<i>82 336</i>	<i>2.4</i>
Loans with individual impairment indicators				
Watch list loans not past due	37 385	(6 540)	30 845	17.5
Overdue loans collectively assessed for impairment	2 513	(75)	2 438	3.0
Overdue loans individually assessed for impairment	20 914	(7 037)	13 877	33.6
Non-recoverable loans	8 717	(8 717)	-	100.0
<i>Total loans with individual impairment indicators</i>	<i>69 529</i>	<i>(22 369)</i>	<i>47 160</i>	<i>32.2</i>
<b>Total loans to corporate customers</b>	<b>153 917</b>	<b>(24 421)</b>	<b>129 496</b>	<b>15.9</b>
<b>Loans to individuals</b>				
Loans to individuals collectively assessed for impairment				
Consumer loans	43 274	(9 390)	33 884	21.7
Mortgage loans	29 874	(2 897)	26 977	9.7
Car loans	18 268	(2 676)	15 592	14.6
<b>Total loans to individuals</b>	<b>91 416</b>	<b>(14 963)</b>	<b>76 453</b>	<b>16.4</b>
<b>Investment banking loans</b>				
Loans without individual impairment indicators				
Reverse sale and repurchase agreements	2 482	(47)	2 435	1.9
Other standard loans	8 354	(232)	8 122	2.8
<i>Total loans without individual impairment indicators</i>	<i>10 836</i>	<i>(279)</i>	<i>10 557</i>	<i>2.6</i>
Loans with individual impairment indicators				
Watch list loans not past due	2 478	(94)	2 384	3.8
Non-recoverable loans	119	(119)	-	100.0
<i>Total loans with individual impairment indicators</i>	<i>2 597</i>	<i>(213)</i>	<i>2 384</i>	<i>8.2</i>
<b>Total investment banking loans</b>	<b>13 433</b>	<b>(492)</b>	<b>12 941</b>	<b>3.7</b>
<b>Small business loans</b>				
Loans without individual impairment indicators				
Standard loans not past due	8 361	(232)	8 129	2.8
Watch list loans not past due	593	(17)	576	2.9
<i>Total loans without individual impairment indicators</i>	<i>8 954</i>	<i>(249)</i>	<i>8 705</i>	<i>2.8</i>
Loans with individual impairment indicators				
Watch list loans not past due	70	(21)	49	30.0
Overdue loans collectively assessed for impairment	862	(172)	690	20.0
Overdue loans individually assessed for impairment	2 183	(1 273)	910	58.3
Non-recoverable loans	758	(758)	-	100.0
<i>Total loans with individual impairment indicators</i>	<i>3 873</i>	<i>(2 224)</i>	<i>1 649</i>	<i>57.4</i>
<b>Total small business loans</b>	<b>12 827</b>	<b>(2 473)</b>	<b>10 354</b>	<b>19.3</b>
<b>Lease financing</b>				
Loans without individual impairment indicators				
Standard loans not past due	2 698	(74)	2 624	2.7
Watch list loans not past due	3 760	(106)	3 654	2.8
<i>Total loans without individual impairment indicators</i>	<i>6 458</i>	<i>(180)</i>	<i>6 278</i>	<i>2.8</i>
Loans with individual impairment indicators				
Watch list loans not past due	1 092	(557)	535	51.0
Overdue loans collectively assessed for impairment	89	(2)	87	2.2
Overdue loans individually assessed for impairment	771	(206)	565	26.7
Non-recoverable loans	827	(827)	-	100.0
<i>Total loans with individual impairment indicators</i>	<i>2 779</i>	<i>(1 592)</i>	<i>1 187</i>	<i>57.3</i>
<b>Total lease financing</b>	<b>9 237</b>	<b>(1 772)</b>	<b>7 465</b>	<b>19.2</b>
<b>Total loans and advances to customers</b>	<b>280 830</b>	<b>(44 121)</b>	<b>236 709</b>	<b>15.7</b>

**MDM Bank**

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**6 Loans and Advances to Customers (Continued)**

The following table shows the ageing analysis of loans to individuals as at 31 March 2010:

	<b>Gross loans</b>	<b>Impairment allowance</b>	<b>Net loans</b>	<b>Impairment allowance to gross loans (%)</b>
<b>Consumer loans</b>				
- Not past due	22 754	(281)	22 473	1.2
- Overdue less than 30 days	713	(114)	599	16.0
- Overdue 30-90 days	956	(440)	516	46.0
- Overdue 91-180 days	1 167	(659)	508	56.5
- Overdue 181-360 days	3 662	(2 119)	1 543	57.9
- Overdue more than 360 days	7 444	(4 470)	2 974	60.0
<b>Total consumer loans</b>	<b>36 696</b>	<b>(8 083)</b>	<b>28 613</b>	<b>22.0</b>
<b>Mortgage loans</b>				
- Not past due	23 257	(86)	23 171	0.4
- Overdue less than 30 days	667	(46)	621	6.9
- Overdue 30-90 days	959	(245)	714	25.5
- Overdue 91-180 days	698	(264)	434	37.8
- Overdue 181-360 days	1 211	(594)	617	49.1
- Overdue more than 360 days	1 426	(814)	612	57.1
<b>Total mortgage loans</b>	<b>28 218</b>	<b>(2 049)</b>	<b>26 169</b>	<b>7.3</b>
<b>Car loans</b>				
- Not past due	10 780	(48)	10 732	0.4
- Overdue less than 30 days	306	(22)	284	7.2
- Overdue 30-90 days	480	(113)	367	23.5
- Overdue 91-180 days	422	(155)	267	36.7
- Overdue 181-360 days	894	(360)	534	40.3
- Overdue more than 360 days	1 425	(990)	435	69.5
<b>Total car loans</b>	<b>14 307</b>	<b>(1 688)</b>	<b>12 619</b>	<b>11.8</b>
<b>Total loans to individuals</b>	<b>79 221</b>	<b>(11 820)</b>	<b>67 401</b>	<b>14.9</b>

The following table shows the ageing analysis of loans to individuals as at 31 December 2009:

	<b>Gross loans</b>	<b>Impairment allowance</b>	<b>Net loans</b>	<b>Impairment allowance to gross loans (%)</b>
<b>Consumer loans</b>				
- Not past due	28 214	(316)	27 898	1.1
- Overdue less than 30 days	1 408	(226)	1 182	16.1
- Overdue 30-90 days	1 051	(445)	606	42.3
- Overdue 91-180 days	1 382	(766)	616	55.4
- Overdue 181-360 days	4 451	(2 861)	1 590	64.3
- Overdue more than 360 days	6 768	(4 776)	1 992	70.6
<b>Total consumer loans</b>	<b>43 274</b>	<b>(9 390)</b>	<b>33 884</b>	<b>21.7</b>
<b>Mortgage loans</b>				
- Not past due	24 048	(95)	23 953	0.4
- Overdue less than 30 days	952	(62)	890	6.5
- Overdue 30-90 days	799	(215)	584	26.9
- Overdue 9-180 days	834	(344)	490	41.2
- Overdue 181-360 days	1 498	(833)	665	55.6
- Overdue more than 360 days	1 743	(1 348)	395	77.3
<b>Total mortgage loans</b>	<b>29 874</b>	<b>(2 897)</b>	<b>26 977</b>	<b>9.7</b>
<b>Car loans</b>				
- Not past due	12 674	(59)	12 615	0.5
- Overdue less than 30 days	595	(40)	555	6.7
- Overdue 30-90 days	601	(139)	462	23.1
- Overdue 91-180 days	557	(198)	359	35.5
- Overdue 181-360 days	1 222	(517)	705	42.3
- Overdue more than 360 days	2 619	(1 723)	896	65.8
<b>Total car loans</b>	<b>18 268</b>	<b>(2 676)</b>	<b>15 592</b>	<b>14.6</b>
<b>Total loans to individuals</b>	<b>91 416</b>	<b>(14 963)</b>	<b>76 453</b>	<b>16.4</b>

**6 Loans and Advances to Customers (Continued)**

As at 31 March 2010 uncollectable loans to individuals in amount of RUB 3 733 million were written off against the related 100% allowance for loan impairment. The loans were written off after all necessary procedures were completed.

The table below shows the ageing analysis of loans to corporate customers with individual impairment indicators as at 31 March 2010:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans (%)
<b>Loans not past due</b>	<b>40 638</b>	<b>(9 719)</b>	<b>30 919</b>	<b>23.9</b>
<b>Overdue loans</b>				
- Overdue less than 30 days	941	(72)	869	7.7
- Overdue 30-90 days	6 937	(2 213)	4 724	31.9
- Overdue 91-180 days	5 044	(1 090)	3 954	21.6
- Overdue 181-360 days	8 370	(2 866)	5 504	34.2
- Overdue more than 360 days	13 841	(9 192)	4 649	66.4
<b>Total overdue loans</b>	<b>35 133</b>	<b>(15 433)</b>	<b>19 700</b>	<b>43.9</b>
<b>Total loans to corporate customers with individual impairment indicators</b>	<b>75 771</b>	<b>(25 152)</b>	<b>50 619</b>	<b>33.2</b>

The table below shows the ageing analysis of loans to corporate customers with individual impairment indicators as at 31 December 2009:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans (%)
<b>Loans not past due</b>	<b>40 328</b>	<b>(9 483)</b>	<b>30 845</b>	<b>23.5</b>
<b>Overdue loans</b>				
- Overdue less than 30 days	304	(29)	275	9.5
- Overdue 30-90 days	5 577	(936)	4 641	16.8
- Overdue 91-180 days	6 429	(1 746)	4 683	27.2
- Overdue 181-360 days	7 741	(4 020)	3 721	51.9
- Overdue more than 360 days	9 150	(6 155)	2 995	67.3
<b>Total overdue loans</b>	<b>29 201</b>	<b>(12 886)</b>	<b>16 315</b>	<b>44.1</b>
<b>Total loans to corporate customers with individual impairment indicators</b>	<b>69 529</b>	<b>(22 369)</b>	<b>47 160</b>	<b>32.2</b>

The table below shows the ageing analysis of investment banking loans with individual impairment indicators as at 31 March 2010:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans (%)
<b>Loans not past due</b>	<b>2 151</b>	<b>(137)</b>	<b>2 014</b>	<b>6.4</b>
<b>Overdue loans</b>				
- Overdue 181-360 days	6	(6)	-	100.0
- Overdue more than 360 days	113	(113)	-	100.0
<b>Total overdue loans</b>	<b>119</b>	<b>(119)</b>	<b>-</b>	<b>100.0</b>
<b>Total investment banking loans with individual impairment indicators</b>	<b>2 270</b>	<b>(256)</b>	<b>2 014</b>	<b>11.3</b>

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**6 Loans and Advances to Customers (Continued)**

The table below shows the ageing analysis of investment banking loans with individual impairment indicators as at 31 December 2009:

	<b>Gross loans</b>	<b>Impairment allowance</b>	<b>Net loans</b>	<b>Impairment allowance to gross loans (%)</b>
<b>Loans not past due</b>	<b>2 478</b>	<b>(94)</b>	<b>2 384</b>	<b>3.8</b>
<b>Overdue loans</b>				
- Overdue 181 - 360 days	21	(21)	-	100.0
- Overdue more than 360 days	98	(98)	-	100.0
<b>Total overdue loans</b>	<b>119</b>	<b>(119)</b>	<b>-</b>	<b>100.0</b>
<b>Total investment banking loans with individual impairment indicators</b>	<b>2 597</b>	<b>(213)</b>	<b>2 384</b>	<b>8.2</b>

The table below shows the ageing analysis of small business loans with individual impairment indicators as at 31 March 2010:

	<b>Gross loans</b>	<b>Impairment allowance</b>	<b>Net loans</b>	<b>Impairment allowance to gross loans (%)</b>
<b>Loans not past due</b>	<b>409</b>	<b>(61)</b>	<b>348</b>	<b>14.9</b>
<b>Overdue loans</b>				
- Overdue less than 30 days	97	(6)	91	6.2
- Overdue 30-90 days	270	(47)	223	17.4
- Overdue 91-180 days	347	(184)	163	53.0
- Overdue 181-360 days	784	(468)	316	59.7
- Overdue more than 360 days	1 865	(1 241)	624	66.5
<b>Total overdue loans</b>	<b>3 363</b>	<b>(1 946)</b>	<b>1 417</b>	<b>57.9</b>
<b>Total small business loans with individual impairment indicators</b>	<b>3 772</b>	<b>(2 007)</b>	<b>1 765</b>	<b>53.2</b>

The table below shows the ageing analysis of small business loans with individual impairment indicators as at 31 December 2009:

	<b>Gross loans</b>	<b>Impairment allowance</b>	<b>Net loans</b>	<b>Impairment allowance to gross loans (%)</b>
<b>Watch list loans not past due</b>	<b>70</b>	<b>(21)</b>	<b>49</b>	<b>30.0</b>
<b>Overdue loans</b>				
- Overdue less than 30 days	167	(17)	150	10.2
- Overdue 30-90 days	467	(124)	343	26.6
- Overdue 91-180 days	568	(289)	279	50.9
- Overdue 181-360 days	1 404	(854)	550	60.8
- Overdue more than 360 days	1 197	(919)	278	76.8
<b>Total overdue loans</b>	<b>3 803</b>	<b>(2 203)</b>	<b>1 600</b>	<b>57.9</b>
<b>Total small business loans with individual impairment indicators</b>	<b>3 873</b>	<b>(2 224)</b>	<b>1 649</b>	<b>57.4</b>

**6 Loans and Advances to Customers (Continued)**

The table below shows the ageing analysis of lease financing with individual impairment indicators as at 31 March 2010:

	Gross loans	Impairment	Net loans	Impairment to gross loans (%)
<b>Watch list contracts not past due</b>	<b>3 252</b>	<b>(1 526)</b>	<b>1 726</b>	<b>46.9</b>
<b>Overdue lease financing</b>				
- Overdue less than 30 days	8	-	8	-
- Overdue 30-90 days	10	(2)	8	20.0
- Overdue 91-180 days	59	(14)	45	23.7
- Overdue 181-360 days	612	(241)	371	39.4
- Overdue more than 360 days	321	(304)	17	94.7
<b>Total overdue lease financing</b>	<b>1 010</b>	<b>(561)</b>	<b>449</b>	<b>55.5</b>
<b>Total lease financing with individual impairment indicators</b>	<b>4 262</b>	<b>(2 087)</b>	<b>2 175</b>	<b>49.0</b>

The table below shows the ageing analysis of lease financing with individual impairment indicators as at 31 December 2009:

	Gross loans	Impairment	Net loans	Impairment to gross loans (%)
<b>Watch list contracts not past due</b>	<b>1 483</b>	<b>(948)</b>	<b>535</b>	<b>63.9</b>
<b>Overdue lease financing</b>				
- Overdue less than 30 days	13	(1)	12	7.7
- Overdue 30-90 days	44	(6)	38	13.6
- Overdue 91-180 days	664	(177)	487	26.7
- Overdue 181-360 days	216	(110)	106	50.9
- Overdue more than 360 days	359	(350)	9	97.5
<b>Total overdue lease financing contracts</b>	<b>1 296</b>	<b>(644)</b>	<b>652</b>	<b>49.7</b>
<b>Total lease financing with individual impairment indicators</b>	<b>2 779</b>	<b>(1 592)</b>	<b>1 187</b>	<b>57.3</b>

As at 31 March 2010 included in the loan portfolio are renegotiated loans to corporate customers that would otherwise be past due or impaired of RUB 25 540 million or 14.2% of the gross loan portfolio excluding loans to individuals (31 December 2009: RUB 29 697 million or 15.7% of the gross loan portfolio excluding loans to individuals) and renegotiated loans to individuals that would otherwise be past due or impaired of RUB 3 490 million or 4.4% of the gross loans to individuals (31 December 2009: RUB 3 078 million or 3.4% of the gross loans to individuals). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. The Group's policy is to renegotiate loans only if there is objective evidence that the borrower will be able to serve its debt at renegotiated terms, and to obtain additional collateral as a pre-requisite for renegotiation. Renegotiated loans are shown as standard loans not past due unless the borrower is unable to meet the renegotiated terms.

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**7 Customer Accounts**

	<b>31 March 2010</b>	<b>31 December 2009</b>
<b>State organisations</b>		
- Current/settlement accounts	3 705	11 086
- Term deposits	16 676	9 319
<b>Other legal entities</b>		
- Current/settlement accounts	38 910	22 464
- Term deposits	45 522	59 642
- Sale and repurchase agreement	-	480
<b>Individuals</b>		
- Current/demand accounts	9 835	9 482
- Term deposits	89 962	82 149
<b>Total customer accounts</b>	<b>204 610</b>	<b>194 622</b>

**8 Debt Securities in Issue**

	<b>31 March 2010</b>	<b>31 December 2009</b>
Domestic bonds	19 019	18 778
Unsecured loan participation notes	14 953	27 625
Promissory notes	10 055	14 734
<b>Total debt securities in issue</b>	<b>44 027</b>	<b>61 137</b>

During the three-month period ended 31 March 2010 the Group repurchased its loan participation notes with a total notional amount of RUB 606 million at a price above their carrying value. As a result, a loss of RUB 38 million was recorded in the interim consolidated condensed statement of comprehensive income for the three-month period ended 31 March 2010 (three-month period ended 31 March 2009: gain of RUB 647 million). On 25 January 2010 the Group fully repaid USD denominated unsecured loan participation notes of USD 289 million.

**9 Significant Exposures and Concentrations**

As at 31 March 2010, the Group has one counterparty with aggregated balances on correspondent accounts and overnight deposits, which are part of cash and cash equivalents, greater than 10% of equity at that date (31 December 2009: no such counterparties). The total aggregate amount of these balances as at 31 March 2010 is RUB 8 513 million, or 14% of cash and cash equivalents.

As at 31 March 2010, the Group has balances due from one bank that are greater than 10% of equity at that date (31 December 2009: one bank). The total aggregate amount of these balances is RUB 16 704 million, or 46% of due from other banks balances (31 December 2009: RUB 6 749 million, or 16% of due from other banks balances).

As at 31 March 2010, credit exposure to ten largest borrowers (or groups of borrowers), totals RUB 36 581 million, or 14% of the gross loan portfolio of the Group (31 December 2009: RUB 33 289 million, or 12% of the gross loan portfolio).

As at 31 March 2010, included in due to other banks are balances due to one counterparty, that are greater than 10% of equity at that date (31 December 2009: two counterparties). The total aggregate amount of these balances as at 31 March 2010 is RUB 10 902 million, or 19% of due to other banks (31 December 2009: RUB 23 882 million, or 34% of due to other banks balances).

As at 31 March 2010, aggregate balances of ten largest customers (or groups of customers) totals RUB 47 140 million, or 23% of customer accounts balances (31 December 2009: RUB 38 376 million, or 20% of customer accounts balances).

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**9 Significant Exposures and Concentrations (Continued)**

As at 31 March 2010, the Group has two customers with aggregated balances on customer accounts greater than 10% of equity at that date (31 December 2009: two customers). The total aggregate amount of these balances is RUB 21 661 million, or 11% of customer accounts balances (31 December 2009: RUB 14 878 million, or 8% of customer accounts balances).

**10 Share Capital**

The share capital as at 31 March 2010 and 31 December 2009 comprises the following:

	<b>Number of shares</b>	<b>Nominal value</b>	<b>Inflation adjustment</b>	<b>Total share capital</b>
Ordinary shares	3 580 986 527	3 581	274	3 855
Preference shares:				
- fixed-dividend preference shares	150 000	-	8	8
- preference shares of the third type	284 163 460	284	-	284
- preference shares of the fourth type	1 415 280	1	-	1
- preference shares of the fifth type	1 210	-	-	-
- preference shares of the sixth type	21 450	-	-	-
- preference shares of the seventh type	2 530 800	3	-	3
- preference shares of the eighth type	55 710 289	56	-	56
<b>Total share capital</b>	<b>3 924 979 016</b>	<b>3 925</b>	<b>282</b>	<b>4 207</b>

All shares have a fixed nominal value of 1 Russian Rouble.

**11 Gains less Losses from Trading, Available-for-Sale Financial Assets and Foreign Exchange, net**

	<b>Three-Month Period Ended 31 March 2010</b>	<b>Three-Month Period Ended 31 March 2009</b>
Gains arising from trading securities, net	106	854
Gains less losses arising from available-for-sale financial assets	975	(44)
Losses arising from trading in precious metals, net	(101)	(113)
(Losses)/gains from early redemption of debt	(38)	647
Gains/(losses) from foreign exchange, net	829	(118)
Losses from interest-based derivative financial instruments, net	(414)	(36)
<b>Total gains from trading, available-for-sale financial assets and foreign exchange, net</b>	<b>1 357</b>	<b>1 190</b>

**12 Impairment Losses Other than on Loans**

Impairment losses other than on loans are presented below:

	<b>Three-Month Period Ended 31 March 2010</b>	<b>Three-Month Period Ended 31 March 2009</b>
Release of impairment/(impairment) of available-for-sale financial assets	27	(456)
Impairment of assets held for sale	(76)	-
Other assets impairment losses	(50)	(231)
(Other provisions)/release of other provisions	(16)	198
<b>Total impairment losses other than losses on loans</b>	<b>(115)</b>	<b>(489)</b>

**13 Analysis by Segment**

Changes in the internal organizational structure and accounting policies used in the management reporting framework resulted in a change in segment reporting. From 1 January 2010 the Group separately reports the follows:

- Network – comprises the results of the de-centralized business operations within European, Urals and Siberian territories of the Russian Federation. It includes a full range of deposit taking and lending services to corporate clients, individuals and small and medium enterprises and individual entrepreneurs as well as other banking services such as leasing, factoring, settlements, cash management, cash collection, trade finance, forfeit financing, corporate finance and export credit agency financing, money transfer and foreign exchange services, range of banking card products provided to individual customers, settlements, cash management and cash collection for small and medium sized enterprises.
- Corporate and investment banking – represents centrally managed business unit for lending to strategic industry sectors and major clients of the Group.
- Treasury – includes debt and equity capital markets, money markets, trading and brokerage in securities, foreign exchange and precious metals, repo transactions, banknote trading, and trading in derivatives.
- Private banking and asset management – includes active advisory, discretionary portfolio management, and financial planning services to high wealth individuals, and administration and management of the asset management products, including mutual funds.
- ALM – includes operations initiated by the Asset Liability Management Committee, that manages liquidity portfolio and funding and centralized risk management activities through wholesale borrowings, including issue of debt securities, use of derivatives for risk management and investing in liquid assets such as short-term placements.

The Group evaluates performance of its operating segments on the basis of total comprehensive income. The accounting policies of the operating segments are the same as are used for the preparation of these interim consolidated condensed financial statements.

All assets and liabilities of operating segments are subject to mandatory placement/funding through the centralized Treasury, which results in internal funding charges related to such placement/funding. Such charges are calculated using internal rates, which are based on current market borrowing rates.

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**13 Analysis by Segment (Continued)**

The Group also has a central administrative function that manages its premises and certain corporate costs. Cost sharing agreements are used to allocate central costs to operating segments on a reasonable basis.

The majority of operations, credit related commitments, capital expenditure, and revenues relate to residents of the Russian Federation (including subsidiaries or associates of these customers registered outside the Russian Federation). Revenues from external customers domiciled in foreign countries represent mainly interest income on placement with international banks.

Segment breakdown of assets and liabilities is set out below:

	<b>31 March 2010</b>	<b>31 December 2009</b>
<b>Assets</b>		
Network	150 635	172 488
Corporate and investment banking	96 610	89 855
Treasury	114 836	123 103
Private banking and asset management	-	105
ALM	9 896	5 986
Unallocated assets	11 866	11 286
<b>Total assets</b>	<b>383 843</b>	<b>402 823</b>
<b>Liabilities</b>		
Network	113 193	106 519
Corporate and investment banking	67 387	75 151
Treasury	26 748	23 963
Private banking and asset management	24 178	22 877
ALM	89 527	109 282
Unallocated liabilities	884	3 455
<b>Total liabilities</b>	<b>321 917</b>	<b>341 247</b>

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(expressed in millions of Russian Roubles – refer to Note 3)

**13 Analysis by Segment (Continued)**

Segment information for the reportable segments for the three-month period ended 31 March 2010 is set out below:

	<b>Network</b>	<b>Corporate and investment banking</b>	<b>Treasury</b>	<b>Private banking and asset management</b>	<b>ALM</b>	<b>Unallocated</b>	<b>Consolidated Group</b>
Net interest income	2 810	1 515	2 840	15	(1 776)	-	5 404
Internal funding charge <sup>1</sup>	(811)	(416)	(1 313)	285	1 910	345	-
Net fee and commission income	591	74	35	5	-	-	705
Gains less losses from trading, available-for-sale financial assets and foreign exchange, net	-	-	387	-	970	-	1 357
Other income, net	139	-	-	-	-	50	189
<b>Total operating income before impairment losses and provisions</b>	<b>2 729</b>	<b>1 173</b>	<b>1 949</b>	<b>305</b>	<b>1 104</b>	<b>395</b>	<b>7 655</b>
Operating expenses	(2 586)	(64)	(23)	(9)	(5)	(813)	(3 500)
(Impairment losses and provisions)/reversal of impairment losses	(2 262)	(1 450)	27	-	-	(142)	(3 827)
<b>(Loss)/profit before taxation and other comprehensive income</b>	<b>(2 119)</b>	<b>(341)</b>	<b>1 953</b>	<b>296</b>	<b>1 099</b>	<b>(560)</b>	<b>328</b>
Income tax expense						(177)	(177)
<b>Profit after tax and before other comprehensive income</b>							<b>151</b>
Gains on revaluation of available-for-sale financial assets and items reclassified to profit or loss	-	-	538	-	-	-	538
Currency translation differences	-	-	-	-	-	(191)	(191)
Hedge reserve	-	-	(50)	-	-	-	(50)
Income tax related to components of other comprehensive income	-	-	-	-	-	(98)	(98)
<b>Total segments result</b>	<b>(2 119)</b>	<b>(341)</b>	<b>2 441</b>	<b>296</b>	<b>1 099</b>	<b>(1 026)</b>	<b>350</b>

<sup>1</sup> Refer to description of internal funding charges above. The amount included in "Unallocated" category represents notional income on placement of excessive capital to treasury.

**MDM Bank****Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2010 (Unaudited)**

(expressed in millions of Russian Roubles – refer to Note 3)

**13 Analysis by Segment (Continued)**

Segment information for the reportable segments for the three-month period ended 31 March 2009 is set out below:

	<b>Network</b>	<b>Corporate and investment banking</b>	<b>Treasury</b>	<b>Private banking and asset management</b>	<b>ALM</b>	<b>Unallocated</b>	<b>Consolidated Group</b>
Net interest income/(expense)	3 359	2 039	1 306	(438)	(2 164)	-	4 102
Internal funding charge <sup>1</sup>	(1 618)	(362)	(1 269)	454	2 245	550	-
Net fee and commission income	268	168	204	3	(2)	1	642
Gains less losses from trading, available-for-sale financial assets and foreign exchange, net	204	-	1 395	-	(85)	(324)	1 190
Other income, net	9	-	1	-	-	(10)	-
<b>Total operating income before impairment losses and provisions</b>	<b>2 222</b>	<b>1 845</b>	<b>1 637</b>	<b>19</b>	<b>(6)</b>	<b>217</b>	<b>5 934</b>
Operating expenses	(1 706)	(42)	(15)	(46)	(3)	(171)	(1 983)
Impairment losses and provisions	(1 997)	(1 288)	(456)	-	-	(33)	(3 774)
<b>(Loss)/profit before taxation and other comprehensive income</b>	<b>(1 481)</b>	<b>515</b>	<b>1 166</b>	<b>(27)</b>	<b>(9)</b>	<b>13</b>	<b>177</b>
Income tax expense						(119)	(119)
<b>Profit after tax and before other comprehensive income</b>							<b>58</b>
Gains on revaluation of available-for-sale financial assets and items reclassified to profit or loss	-	-	55	-	-	-	55
Currency translation differences	-	-	-	-	-	211	211
Income tax related to components of other comprehensive income	-	-	-	-	-	(11)	(11)
<b>Total segments result</b>	<b>(1 481)</b>	<b>515</b>	<b>1 221</b>	<b>(27)</b>	<b>(9)</b>	<b>94</b>	<b>313</b>

<sup>1</sup> Refer to description of internal funding charges above. The amount included in "Unallocated" category represents notional income on placement of excessive capital to treasury.

**MDM Bank****Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2010 (Unaudited)**

(expressed in millions of Russian Roubles – refer to Note 3)

**14 Capital Management**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The CBRF sets and monitors regulatory capital requirements for MDM Bank, the lead operating entity of the Group. The Central Bank of Latvia sets and monitors capital requirements for LTB.

Under the current capital requirements set by the CBRF, banks have to maintain a ratio of capital to risk weighted assets ("statutory capital adequacy ratio") above the prescribed minimum level. As at 31 March 2010, this minimum level is 10% (31 December 2009: 10%).

MDM Bank was in compliance with the statutory capital adequacy ratio during the three-month period ended 31 March 2010 and during the year ended 31 December 2009. As at 31 March 2010, the statutory capital of MDM Bank on a standalone basis is RUB 52 266 million (31 December 2009: RUB 60 051 million). The statutory capital adequacy ratio of MDM Bank as at 31 March 2010 is 16.1% (31 December 2009: 17.3%).

The Group and the Bank also are subject to minimum capital requirements established by covenants under liabilities incurred by the Bank or the Group, including capital adequacy levels calculated 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 Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. As at 31 March 2010 and 31 December 2009, such minimum externally imposed capital requirement for the total capital ratio is 12%.

The following table shows the composition of the Group's capital position calculated in accordance with the requirements of the Basel Accord, as at 31 March 2010 and 31 December 2009:

	<b>31 March 2010</b>	<b>31 December 2009</b>
<b>Tier 1 capital</b>		
Share capital	4 207	4 207
Share premium	31 852	31 852
Cumulative translation reserves	232	423
Retained earnings	21 937	21 785
Minority interest	90	91
less goodwill	(162)	(162)
less treasury shares	(14)	(14)
<b>Total tier 1 capital</b>	<b>58 142</b>	<b>58 182</b>
<b>Tier 2 capital</b>		
Asset revaluation reserve	3 971	3 541
Hedge reserve	(349)	(309)
Subordinated debt (unamortised portion)	3 365	4 078
<b>Total tier 2 capital</b>	<b>6 987</b>	<b>7 310</b>
<b>Total capital</b>	<b>65 129</b>	<b>65 492</b>
<b>Risk-weighted assets</b>		
Banking book	299 740	298 435
Trading book	9 564	9 582
<b>Total risk weighted assets</b>	<b>309 304</b>	<b>308 017</b>
<b>Total capital expressed as a percentage of risk-weighted assets ("total capital ratio")</b>	<b>21.1</b>	<b>21.3</b>
<b>Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")</b>	<b>18.8</b>	<b>18.9</b>

## **14 Capital Management (Continued)**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for credit related commitments, with some adjustments to reflect the more contingent nature of potential losses.

The Group and the Bank comply with all externally imposed capital requirements as at 31 March 2010 and 31 December 2009.

Management believes that a 10% tier I capital ratio and a 12% total capital ratio, calculated in accordance with the requirements of the Basel Accord, are the appropriate minimum capitalization levels for the Group and MDM Bank.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. Although maximization of return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the Group's longer term strategic objectives. The policies in respect of capital management and allocation are regularly reviewed by the Board of Directors through approval and review of annual budgets, including those for various business segments.

## **15 Contingent Liabilities**

### **(a) Legal proceedings**

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial position or the results of future operations.

### **(b) Tax legislation**

The Group operates in a number of tax jurisdictions. In the normal course of business, management must interpret and apply existing legislation to transactions with third parties and its own activities.

Current Russian tax legislation is principally based on the form in which transactions are documented and the underlying accounting treatment as prescribed by Russian Accounting Rules. The interpretation of Russian tax legislation by the tax authorities and court practice, which are constantly changing, in the future may focus less on the form and more on the substance of a transaction. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Tax years remain open to normal audit by the Russian tax authorities for three years; during such time any change in interpretation or practice, even if there is no change in the Russian tax legislation, could be applied retroactively. The interpretation and practice in other jurisdictions in which the Group operates are also changing, sometimes with retroactive effect.

In management's opinion, the Group is in substantial compliance with the tax and other laws governing its operations in the Russian Federation and in other tax jurisdictions. However, a risk remains that the relevant authorities could take different positions with regard to interpretative issues or that court practice could develop adversely to positions taken by the Group and the effect on the financial position of the Group, should the authorities succeed in asserting their positions, could be significant.

In August 2008, former MDM Bank received the final results of the tax audit for 2005-2006 from the Federal Tax Service of the Ministry of Finance. In accordance with the resolution, the tax authorities assessed additional taxes against former MDM Bank of approximately RUB 194 million and fines and penalties at a maximum of RUB 63 million.

**15 Contingent Liabilities (Continued)****(b) Tax legislation (continued)**

Former MDM Bank filed a complaint in arbitration to overrule the tax inspectors' claim. The first hearing on the issue took place on 20 February 2009 in St. Petersburg Arbitration Court and the complaint of the former MDM Bank was upheld by the Court, while the inspectors' claim was overruled. Federal Tax Service appealed the Arbitration Court decision and on 4 June 2009 the Court of Appeal let the decision stand. Federal Tax Service protested the Court of Appeal's decision and appealed to the Federal Arbitration Court, which forwarded the case for a new trial to the St. Petersburg Federal Arbitration Court. The latter provided the Bank with collateral on tax claim in the full amount of the tax claim for the period of court trial. The next hearing will take place on 13 July 2010. Management believes that this appeal will be decided in the Bank's favour. Accordingly, the Group did not record provisions in respect of this issue in these interim consolidated condensed financial statements.

**16 Related Party Transactions**

For the purposes of these interim consolidated condensed financial statements, parties are considered to be related if one party has the ability directly or indirectly to control the other party, exercise significant influence over the other party in making financial or operational decisions or has joint control over the entity as defined by International Financial Reporting Standard IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties comprise immediate and more senior parent companies and ultimate beneficiaries of the Group, directors and key management personnel, and other related parties. Other related parties are entities that are under common control with the Group, and entities, which are controlled or significantly influenced by the Group's beneficiaries, directors and key management personnel. As at 31 March 2010, these primarily consisted of companies controlled by key management, Joint Stock Company Siberian Coal Energy Company (SUEK) (coal and energy), holding companies for SUEK, and other fellow subsidiaries.

Banking transactions are entered into in the normal course of business with the related parties. These include settlements, loans, deposit taking, trade finance and foreign currency transactions. These transactions are priced mainly on normal market terms.

The following table shows exposure of the Group to related parties as at 31 March 2010 and 31 December 2009:

	31 March 2010		31 December 2009	
	Amount	% of Total assets	Amount	% of Total assets
Total credit exposure for assets recognised in the interim consolidated condensed statement of financial position (net of impairment)	1 867	0.5	610	0.2
Total credit exposure (net of impairment)	1 887	0.5	642	0.2

The total remuneration of the members of the Board of Directors of MDM Bank, including discretionary compensation, amounts to RUB 14 million for the three-month period ended 31 March 2010 (31 March 2009: RUB 9 million).

The total remuneration of key management personnel, including discretionary compensation, amounts to RUB 98 million for the three-month period ended 31 March 2010 (31 March 2009: RUB 52 million).

Key management personnel comprise members of the Management Board of MDM Bank and heads of core business units. As at 31 March 2010, key management personnel comprised 22 persons (31 December 2009: 22 persons).

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(expressed in millions of Russian Roubles – refer to Note 3)

**16 Related Party Transactions (Continued)**

The Group does not provide post-employment, share-based or other long-term benefits to the directors and key management personnel.

The outstanding balances as at 31 March 2010 with related parties are as follows:

	<b>Benefi- ciaries</b>	<b>Directors and key management</b>	<b>Immediate and indirect parent companies of the Bank</b>	<b>Companies controlled by key management and beneficiaries</b>	<b>Total</b>
<b>Assets</b>					
Due from other banks	-	-	-	40	40
Available-for-sale financial assets					
- Corporate shares	-	-	-	4	4
- Corporate bonds	-	-	-	31	31
Loans and advances to customers (gross)	-	179	-	1 797	1 976
Loan impairment	-	(2)	-	(182)	(184)
<b>Total assets</b>	<b>-</b>	<b>177</b>	<b>-</b>	<b>1 690</b>	<b>1 867</b>
<b>Liabilities</b>					
Due to other banks	-	-	4 778	204	4 982
Customer accounts					
- Current accounts	54	5	3	8 563	8 625
- Term deposits	2 013	186	-	88	2 287
Subordinated debt	-	-	599	15	614
<b>Total liabilities</b>	<b>2 067</b>	<b>191</b>	<b>5 380</b>	<b>8 870</b>	<b>16 508</b>
<b>Credit related commitments</b>	<b>6</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>20</b>

The results of transactions with related parties for the three-month period ended 31 March 2010 are as follows:

	<b>Benefi- ciaries</b>	<b>Directors and key management</b>	<b>Immediate and indirect parent companies of the Bank</b>	<b>Companies controlled by key management and beneficiaries</b>	<b>Total</b>
Interest income on amounts due from other banks	-	-	-	1	1
Interest income on loans and advances to customers	-	4	-	10	14
Loan impairment charge	-	(5)	-	(156)	(161)
Interest income received from securities issued by related parties	-	-	-	-	-
Interest expense on due to other banks	-	-	(140)	(3)	(143)
Interest expense on customer accounts	(54)	(5)	-	(3)	(62)
Results from trading in foreign currencies	-	-	-	4	4
Operating expenses	-	(112)	-	(28)	(140)
Fee and commission expenses, net	-	-	-	(4)	(4)
Interest expense on subordinated debt	-	-	(10)	-	(10)

**MDM Bank****Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2010 (Unaudited)**

(expressed in millions of Russian Roubles – refer to Note 3)

**16 Related Party Transactions (Continued)**

The outstanding balances as at 31 December 2009 with related parties are as follows:

	<b>Benefi- ciaries</b>	<b>Directors and key management</b>	<b>Immediate and indirect parent companies of the Bank</b>	<b>Companies controlled by key management and beneficiaries</b>	<b>Total</b>
<b>Assets</b>					
Due from other banks	-	-	-	25	<b>25</b>
Loans and advances to customers (gross)	13	159	-	427	<b>599</b>
Loan impairment	-	(6)	-	(8)	<b>(14)</b>
<b>Total assets</b>	<b>13</b>	<b>153</b>	<b>-</b>	<b>444</b>	<b>610</b>
<b>Liabilities</b>					
Due to other banks	-	-	11 828	479	<b>12 307</b>
Customer accounts					
- Current accounts	10	10	8	983	<b>1 011</b>
- Term deposits	1 637	207	-	273	<b>2 117</b>
Subordinated debt	-	-	607	15	<b>622</b>
<b>Total liabilities</b>	<b>1 647</b>	<b>217</b>	<b>12 443</b>	<b>1 750</b>	<b>16 057</b>
<b>Credit related commitments</b>	<b>1</b>	<b>23</b>	<b>-</b>	<b>8</b>	<b>32</b>

The results of transactions with related parties for the three-month period ended 31 March 2009 are as follows:

	<b>Benefi- ciaries</b>	<b>Directors and key management</b>	<b>Immediate and indirect parent companies of the Bank</b>	<b>Companies controlled by key management and beneficiaries</b>	<b>Total</b>
Interest income on amounts due from other banks	-	-	-	1	<b>1</b>
Interest income on loans and advances to customers	-	-	-	4	<b>4</b>
Loan impairment charge	-	-	-	(3)	<b>(3)</b>
Interest income received from securities issued by related parties	-	-	-	2	<b>2</b>
Interest expense on due to other banks	-	-	-	(5)	<b>(5)</b>
Interest expense on customer accounts	(48)	(5)	-	(4)	<b>(57)</b>
Results from trading in foreign currencies	-	-	-	26	<b>26</b>
Operating expenses	-	(61)	-	(19)	<b>(80)</b>
Fee and commission income, net	-	-	-	16	<b>16</b>