

**Novosibirsk Social Commercial Bank “Levoberezhny”
(Open Joint Stock Company)**

**Interim Condensed Financial Statements for the SixMonth Period
Ended 30 June 2010**

Bank “Levoberezhny” (OJSC)
Interim Condensed Financial Statements
for the Six Month Period Ended 30 June 2010

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STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the interim condensed financial statements and related notes of the Novosibirsk Social Commercial Bank "Levoberezhny" OJSC ('the Bank'). They have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on judgements and estimates by management.

The Bank maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Bank's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

Approved on behalf of the Board on 23 July 2010


Shaporenko V. V.
General Director




Kolesnikova S. V.
Chief Accountant

*Bank "Levoberezhny" (OJSC)
Interim Condensed Financial Statements
for the Six Month Period Ended 30 June 2010*

AUDITORS' REPORT ON REVIEW OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

To the Management and Board of Directors of Bank "Levoberezhny" OJSC:

Introduction

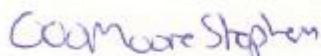
We have reviewed the accompanying interim condensed financial statements of Bank "Levoberezhny" OJSC ('the Bank') which comprise the interim condensed statement of financial position as of 30 June 2010, and the interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standards ('IAS') 34 *Interim Financial Reporting*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying accounting policies; and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of the 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 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 condensed financial statements of the Bank as at 30 June 2010 and for the six month period then ended are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



OOO Moore Stephens
38, Stremyanny Pereulok
Moscow, 115054
Russian Federation

23 July 2010

Bank "Levoberezhny" (OJSC)
Interim Condensed Statement of Financial Position as at 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

	Notes	31 June 2010 (Unaudited)	31 December 2009
Assets			
Cash and cash equivalents	5	2,261,848	3,025,973
Mandatory cash balances with the CBRF		68,466	54,497
Due from financial institutions		294,396	390,590
Financial assets at fair value through profit or loss	6	2,383,562	1,444,601
Derivative financial instruments		13,424	-
Financial assets held to maturity	7	650,042	375,075
Loans and advances to customers	8	4,971,495	4,454,740
Property, plant and equipment		700,989	685,414
Other assets		180,050	73,574
Total assets		11,524,272	10,504,464
Liabilities			
Due to financial institutions		73,866	275,613
Derivative financial instruments		10,796	-
Customer accounts	9	9,683,818	8,670,749
Debt securities issued		14,362	38,522
Subordinated loan		-	35,000
Deferred tax liability		79,783	69,924
Other liabilities		34,613	31,722
Total liabilities		9,897,238	9,121,530
Equity			
Share capital	12	549,956	549,956
Property revaluation reserve		175,905	178,305
Retained earnings		901,173	654,673
Total equity		1,627,034	1,382,934
Total liabilities and equity		11,524,272	10,504,464

Approved on behalf of the Board on 23 July 2010


 Shapovalenko V.V.
 General Director




 Kolesnikova S.V.
 Chief Accountant

The accompanying notes on pages 5 to 25 form an integral part of these interim condensed financial statements

Bank "Levoberezhny" (OJSC)
Interim Condensed Statement of Comprehensive Income
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

	Notes	Six Month Period Ended 30 June 2010 (Unaudited)	Six Month Period Ended 30 June 2009 (Unaudited)
Interest income	13	822,024	765,023
Interest expense	13	(305,730)	(224,743)
Net interest income		516,294	540,280
Allowance for impairment of interest bearing assets	18	(24,227)	(451,390)
Net interest income after allowance for impairment of interest bearing assets		492,067	88,890
Net gains from dealing with securities	14	18,827	5,361
Net gains from operations with foreign currencies		19,385	49,550
Net gains from revaluation of assets / liabilities denominated in foreign currencies		13,137	6,858
Transfer value on loans given and promissory notes purchased at less than commercial rates		(26,786)	269
Commission income	15	137,970	128,134
Commission expense	15	(22,008)	(20,913)
Net gains arising from sales of mortgage loans		109	970
Other operating income		9,398	14,170
Net operating income		642,099	273,289
Staff costs	16	(185,763)	(163,524)
Operating expenses	17	(160,612)	(131,867)
Movement on allowance for other assets	18	(204)	(15)
Profit / (loss) before taxation		295,520	(22,117)
Income tax		(22,378)	516
Net profit / (loss)		273,142	(21,601)
Other comprehensive income			
Annual release from revaluation reserve for premises to retained earnings		2,400	2,444
Annual release from revaluation reserve for premises		(2,400)	(2,444)
Other comprehensive income, net of tax		-	-
Comprehensive income / (loss)		273,142	(21,601)

Approved on behalf of the Board on 23 July 2010


 Shaparenko V.V.
 General Director




 Kolesnikova S.V.
 Chief Accountant

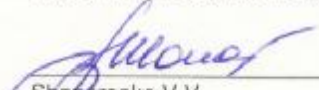
The accompanying notes, on pages 5 to 25 form an integral part of these interim condensed financial statements

Bank "Levoberezhny" (OJSC)
Interim Condensed Statement of Cash Flows
for the period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

MOORE STEPHENS

	Notes	Six Month Period Ended 30 June 2010 (Unaudited)	Six Month Period Ended 30 June 2009 (Unaudited)
Net cash (used in) / received from operating activities		(714,137)	1,142,302
Net cash used in investing activities		(34,083)	(351,642)
Net cash used in financing activities		(29,042)	-
Effect of foreign exchange movements on cash and cash equivalents		13,197	6,858
Net (decrease) / increase of cash and cash equivalents		(764,125)	797,518
Cash and cash equivalents at the beginning of the period	5	3,025,973	2,134,705
Cash and cash equivalents at the end of the period	5	2,261,848	2,932,223

Approved on behalf of the Board on 23 July 2010



 Shaporenko V.V.
 General Director



 Kolesnikova S.V.
 Chief Accountant



Bank «Levoberezhny» (OJSC)
Interim Condensed Statements of Changes in Equity
for the period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

MOORE STEPHENS

	Share capital	Property revaluation reserve	Retained earnings	Total equity
31 December 2008	549,956	188,992	466,104	1,205,052
Comprehensive loss				
Loss for the period (Unaudited)	-	-	(21,601)	(21,601)
Other comprehensive income				
Annual release of property revaluation (Unaudited)	-	(2,444)	2,444	-
Total comprehensive loss for the period (Unaudited)	-	(2,444)	(19,157)	(21,601)
30 June 2009 (Unaudited)	549,956	186,548	446,947	1,183,451
31 December 2009	549,956	178,305	654,673	1,382,934
Comprehensive income				
Profit for the period (Unaudited)	-	-	273,142	273,142
Other comprehensive income				
Annual release of property revaluation (Unaudited)	-	(2,400)	2,400	-
Total comprehensive income for the period (Unaudited)	-	(2,400)	275,542	273,142
Transactions with shareholders				
Dividends (Unaudited)	-	-	(29,042)	(29,042)
Total transactions with shareholders (Unaudited)	-	-	(29,042)	(29,042)
30 June 2010 (Unaudited)	549,956	175,905	901,173	1,627,034

Approved on behalf of the Board on 23 July 2010



 Shapovalenko V.V.
 General Director





 Kolesnikova S.V.
 Chief Accountant

The accompanying notes on pages 5 to 25 form an integral part of these interim condensed financial statements

Bank «Levoberezhny» (OJSC)
Notes to the Interim Condensed Financial Statements
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

1. Principal Activities

The Bank is a commercial bank owned by shareholders whose liability is limited. The Bank was established in 1991.

As at 30 June 2010, the Bank held the following licenses:

- § License № 1343 dated 27 August 2002 to carry out banking and foreign exchange activities; issued by the Central Bank of Russian Federation.
- § License № 1343 dated 27 August 2002 to carry out activities on receiving deposits from individuals in Russian Roubles ("RUB") and foreign currency; issued by the Central Bank of Russian Federation.
- § License as professional participant of the securities' stock exchange №054-02932-100000 dated 27 November 2000 to carry out broker activity; issued by the Federal Commission for the Securities' Stock Exchange.
- § License as professional participant of the securities' stock exchange №054-03039-010000 dated 27 November 2000 to carry out dealing activity; issued by the Federal Commission for the Securities' Stock Exchange.
- § License of professional participant of the securities' stock exchange №054-03158-000100 dated 4 December 2000 to carry out deposit activity; issued by the Federal Commission for the Securities' Stock Exchange.

The General Director of the Bank is Mr. Vladimir Viktorovich Shaporenko and the Board of Directors is headed by Mr. Dmitriy Borisovich Yarovoy.

The major shareholders of the Bank as at 30 June 2010 and 31 December 2009 were:

Shareholder	%
Dmitriy Borisovich Yarovoy	61.81
Ratto Holdings Limited	10.00
Forseti-2003 (LLC)	8.55
Primorsk Social Company (LLC)	5.35
Vyacheslav Mikhailovich Pertsev	5.00
Mikhail Fyodorovich Robkanov	5.00
Nadezda Pavlovna Ivashchenko	4.12
Other	0.17
	<hr/> 100.00 <hr/>

Mr. Dmitriy Borisovich Yarovoy is the ultimate controlling party by virtue of his shareholding.

The main activities of the Bank include cash services, loan transactions, dealing with securities, attraction of deposits, and dealing in foreign currencies. The main locations where the Bank actively operates are Novosibirsk city and Novosibirsk region. The headquarters of the Bank are situated at 25/1 Plakhotnogo Street, Novosibirsk, 630054, Russian Federation. As at 30 June 2010 and 31 December 2009 the Bank also has one branch situated at 1 Rogachyova street, Berdsk, Novosibirskaya Oblast, 633009, and 38 additional offices, 4 credit – cash offices and 2 operational outlets.

In the six month period ended 30 June 2010 the average number of employees of the Bank was 883 (sixmonth period ended 30 June 2009: 868).

Bank «Levoberezhny» (OJSC)
Notes to the Interim Condensed Financial Statements
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

1. Principal Activities (continued)

As at 30 June 2010 the Bank employed 795 members of staff (31 December 2009: 979).

2. Operating Environment of the Bank

After economic crisis in 2008 in 2009 the picture reversed in many ways, the Russian Rouble has appreciated strongly again, stock markets have increased substantially and commodity prices most notably gold and oil have also risen sharply. GDP which went through accelerating decline in the first half of 2009 has begun to recover and overall for 2009 was approximately 8% negative primarily thanks to gains in the second half of the year. Liquidity is still at substantially lower levels than pre 2008 but is improving, there has been widespread loan restructuring and non performing loans are believed to be peaking. Progressive cuts to the Central Bank of Russian Federation rate, from 13% to 8.75% at the end of 2009 have provided a form of stimulus and made credit more affordable and this policy is likely to continue.

In 2010 the Bank of Russia has continued the policy of slowly decreasing refinancing rate, and at the end of the period of six month 2010 the refinancing rate was 7.75%. This tendency allowed banks to decrease interest rates on loans, which consequently resulted in increase in loan portfolios. It also should be noted not only increase in the volume of loan portfolios but also in the credit quality of loans. This can be seen from the constant decrease in the portion of overdue loans, as most industries are recovering from the crisis.

Although, at the date of signing these financial statements Management, cannot fully determine the impact of the current economic situation on the Bank with any certainty it is clear that significant uncertainties are still present. The financial information reflects Management's assessment of the impact on the operations and the financial position of the Bank. The future business environment may differ from Management's assessment. They are unable to predict all developments that could have an impact on the banking sector and therefore the financial position of the Bank.

3. Basis of Presentation

a) Basis of Presentation

These interim condensed financial statements are prepared in accordance with International Accounting Standard ('IAS') 34 *Interim Financial Reporting*. As a result, they do not include all of the information required by International Financial Reporting Standards ('IFRS') for a complete set of financial statements. Operating results for the six month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010.

These interim condensed financial statements should be read in conjunction with the complete financial statements as at 31 December 2009.

The Bank maintains its accounting records in accordance with the Russian Accounting Standards ('RAS'). These interim condensed financial statements are based on those RAS records, as adjusted and reclassified to comply with IAS 34 *Interim Financial Reporting*.

The Bank does not have any subsidiary companies and therefore does not prepare consolidated financial statements.

Bank «Levoberezhny» (OJSC)
Notes to the Interim Condensed Financial Statements
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

3. Basis of Presentation (continued)

b) Basis of Measurement

These interim condensed financial statements have been prepared on the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, revaluation of premises and financial instruments carried at fair value through profit or loss.

c) Functional and Presentation Currency

The Bank considers the Russian Rouble ('RUB') to be its functional currency given the fact that all operations of the Bank are carried out in the Russian Federation and significant part of them and its cash flows are denominated in Russian Roubles. Management of the Bank believe this currency best reflects the economic substance of the underlying events and circumstances relevant to the Bank.

The RUB has been selected as the presentation currency for the financial statements of the Bank and amounts have been rounded to the nearest thousand.

d) Foreign Currency Translation

Transactions denominated in currencies other than Russian Roubles are recorded at the exchange rate prevailing at the date of transaction. Translation differences occurring as a result of transactions performed in foreign currencies are recorded in the statement of comprehensive income at the exchange rate prevailing on that date.

The official exchange rates of the CBRF as at 30 June 2010 were:

RUB 31.1954 for 1 USD (31 December 2009: RUB30.2442)

RUB38.1863 for 1 EUR (31 December 2009: RUB 43.3883).

e) Use of Estimates and Judgements

The preparation of financial statements in accordance with IAS 34 Interim Financial reporting requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. 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 judgments 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.

4. Significant Accounting Policies

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2009.

Bank «Levoberezhny» (OJSC)
Notes to the Interim Condensed Financial Statements
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

5. Cash and Cash Equivalents

	30 June 2010	31 December 2009
Cash on hand	964,849	1,719,230
Deposits placed with CBRF	1,100,085	950,137
Cash balances with CBRF (other than mandatory reserve deposits)	144,462	304,250
Correspondent accounts and overnight deposits with other banks:		
Russian Federation	30,250	14,072
Other countries	22,202	38,284
	<u>52,452</u>	<u>52,356</u>
	<u>2,261,848</u>	<u>3,025,973</u>

6. Financial Assets at Fair Value through Profit or Loss

	30 June 2010	31 December 2009
Bonds of other banks	323,085	255,592
Corporate bonds	173,838	246,623
Promissory notes	1,866,300	938,174
Corporate shares	1,216	1,262
Mortgage portfolio for sale	19,123	2,950
	<u>2,383,562</u>	<u>1,444,601</u>

Bonds of other banks comprise interest bearing securities issued by Russian banks and denominated in RUB and USD.

Corporate bonds comprise interest bearing securities issued by non banklegal entities and are denominated in RUB and USD.

Promissory notes comprise debt securities of large Russian credit institutions denominated in RUB and issued at a discount to nominal value.

Corporate shares include shares of Russian banks traded in the Siberian Interbank Currency Exchange ('SICEX') or the Moscow Interbank Currency Exchange ('MICEX').

Mortgage portfolio for sale comprises mortgages of individuals and denominated in RUB. The Bank has the intent and ability to sell them in the foreseeable future.

7. Financial Assets Held to Maturity

	30 June 2010	31 December 2009
Federal bonds (OFZ)	259,538	249,595
Bonds of other banks	75,300	36,424
Corporate bonds	315,204	89,056
	<u>650,042</u>	<u>375,075</u>

Bank «Levoberezhny» (OJSC)
Notes to the Interim Condensed Financial Statements
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

7. Financial Assets Held to Maturity (continued)

Russian Federal loan bonds ("OFZ") are securities issued by the Government of the Russian Federation and denominated in RUB.

Bonds of other banks are interest bearing securities issued by Russian banks and denominated in RUB.

Corporate bonds are interest bearing securities issued by non banklegal entities and denominated in RUB and USD.

8. Loans and Advances to Customers

	30 June 2010	31 December 2009
Current loans	5,296,682	4,871,399
Overdue loans	733,176	733,604
Promissory notes	-	233
Less: Allowance for impairment of loan portfolio	<u>(1,058,363)</u>	<u>(1,150,496)</u>
	<u>4,971,495</u>	<u>4,454,740</u>

Overdue loans represent the portion of principal and interest accrued in arrears at the balance sheet date.

Loans and advances to customers include the following portfolios:

	30 June 2010	31 December 2009
Loans and advances to customers		
<i>Individuals (retail customers)</i>		
Consumer loans	2,252,150	1,966,403
Overdrafts	82,894	34,463
Auto loans	16,537	18,905
Mortgages	309,976	207,257
<i>Corporate entities</i>		
Large corporate customers	1,760,361	1,760,084
SMEs	1,472,136	1,513,581
Federal, State and public	<u>136,803</u>	<u>104,543</u>
Gross loans and advances	6,029,858	5,605,236
Less: allowance for impairment	<u>(1,058,363)</u>	<u>(1,150,496)</u>
Loans and advances, net	<u>4,971,495</u>	<u>4,454,740</u>

Bank «Levoberezhny» (OJSC)
Notes to the Interim Condensed Financial Statements
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

8. Loans and Advances to Customers (continued)

The loan portfolio of the Bank is summarised as follows:

	30 June 2010	31 December 2009
Loans and advances		
Neither past due nor impaired	4,694,638	4,207,025
Past due but not impaired	115,038	78,124
Impaired	1,220,182	1,320,087
Gross loans and advances	6,029,858	5,605,236
Less: Allowance for impairment	(1,058,363)	(1,150,496)
Net loans and advances	4,971,495	4,454,740

Loans and advances neither past due nor impaired

As at 30 June 2010, loans and advances neither past due nor impaired to individuals comprised:

Risk category	Overdrafts	Consumer loans	Auto loans	Mortgages	Total
I	-	16,386	-	7,097	23,483
II	80,315	1,478,263	811	222,477	1,781,866
Total	80,315	1,494,649	811	229,574	1,805,349

As at 30 June 2010, loans and advances neither past due nor impaired to corporate entities comprised:

Risk category	Large corporate customers	SMEs	Federal, state and public organisations	Total
I	1,507,047	987,661	126,625	2,621,333
II	-	218,261	881	219,142
IV	-	48,814	-	48,814
Total	1,507,047	1,254,736	127,506	2,889,289

Summarizing, the credit quality of the loan portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the statutory rating system as follows:

Risk category	Individuals	Legal entities	Total
I	23,483	2,621,333	2,644,816
II	1,781,866	219,142	2,001,008
IV	-	48,814	48,814
Total	1,805,349	2,889,289	4,694,638

Bank «Levoberezhny» (OJSC)
Notes to the Interim Condensed Financial Statements
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

8. Loans and Advances to Customers (continued)

As at 31 December 2009 loans and advances neither past due nor impaired to individuals and corporate entities were composed by:

Risk category	Individuals	Legal entities	Total
I	13,310	2,631,656	2,644,966
II	1,396,479	165,580	1,562,059
Total	1,409,789	2,797,236	4,207,025

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired as at 30 June 2010 were as follows:

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due more than 90 days	Total	Fair value of collateral
Individuals (retail clients)						
Overdrafts	854	-	-	-	854	-
Consumer loans	54,477	-	-	-	54,477	-
Mortgages	12,641	-	-	6,645	19,286	22,520
Auto loans	2,373	-	-	-	2,373	5,445
Legal entities						
SMEs	6,180	4,579	5,110	22,179	38,048	100,053
Total	76,525	4,579	5,110	28,824	115,038	128,018

Bank «Levoberezhny» (OJSC)
Notes to the Interim Condensed Financial Statements
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

8. Loans and Advances to Customers (continued)

As at 31 December 2009 the gross amount of loans and advances past due but not impaired was as follows:

	<u>Past due up to 30 days</u>	<u>Past due 31-60 days</u>	<u>Past due 61-90 days</u>	<u>Past due more than 90 days</u>	<u>Total</u>	<u>Fair value of collateral</u>
Individuals (retail clients)						
Overdrafts	139	-	-	-	139	-
Consumer loans	50,276	-	-	-	50,276	-
Mortgages	7,080	1,779	-	-	8,859	9,266
Auto loans	293	-	-	-	293	606
Legal entities						
Federal, state and public organisations	8,273	-	-	-	8,273	42,592
SMEs	8,400	1,884	-	-	10,284	30,513
Total	<u>74,461</u>	<u>3,663</u>	<u>-</u>	<u>-</u>	<u>78,124</u>	<u>82,977</u>

Loans and advances individually impaired

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, was as follows:

	<u>30 June 2010</u>		<u>31 December 2009</u>	
	<u>Balance (gross)</u>	<u>Fair value of collateral</u>	<u>Balance (gross)</u>	<u>Fair value of collateral</u>
Individuals (retail customers)				
Overdrafts	1,726	-	1,396	-
Consumer loans	702,026	-	681,183	-
Auto loans	13,353	3,876	13,180	3,837
Mortgage	61,117	48,197	61,684	47,104
Corporate entities				
Large corporate customers	253,312	415,831	334,379	417,709
SMEs	179,351	24,871	228,265	120,591
Federal, state and public organisations	9,297	42,592	-	-
Total	<u>1,220,182</u>	<u>535,367</u>	<u>1,320,087</u>	<u>589,241</u>

Bank «Levoberezhny» (OJSC)
Notes to the Interim Condensed Financial Statements
for the six month period ended 30 June 2010
In thousands of Russian Roubles (unless otherwise indicated)

8. Loans and Advances to Customers (continued)

In the six month period ended 30 June 2010, the movement of the allowance for impairment of loans and advances to individuals was as follows:

	<u>Overdrafts</u>	<u>Consumer loans</u>	<u>Auto loans</u>	<u>Mortgages</u>	<u>Total</u>
1 January 2010	2,140	654,721	13,294	48,718	718,873
Movement for the period	574	63,924	(41)	(30,288)	34,169
Loans written off	-	(45,943)	-	-	(45,943)
30 June 2010	<u>2,714</u>	<u>672,702</u>	<u>13,253</u>	<u>18,430</u>	<u>707,099</u>

In the six month period ended 30 June 2010, the movement of the allowance for impairment of loans and advances to corporate entities was as follows:

	<u>Large corporate customers</u>	<u>SMEs</u>	<u>Federal, state and public organisations</u>	<u>Total</u>
1 January 2010	251,703	179,920	-	431,623
Movement for the period	(342)	(12,017)	2,417	(9,942)
Loans written off	(70,417)	-	-	(70,417)
30 June 2010	<u>180,944</u>	<u>167,903</u>	<u>2,417</u>	<u>351,264</u>

Summarizing, the movement of the allowance for impairment of loans and advances to individuals and corporate entities was as follows:

	<u>Individuals</u>	<u>Legal entities</u>	<u>Total</u>
1 January 2010	718,873	431,623	1,150,496
Charge for the period	34,169	(9,942)	24,227
Loans written off	(45,943)	(70,417)	(116,360)
30 June 2010	<u>707,099</u>	<u>351,264</u>	<u>1,058,363</u>

In the six month period ended 30 June 2009, the movement of the allowance for impairment of loans and advances to corporate entities was as follows:

	<u>Individuals</u>	<u>Legal entities</u>	<u>Total</u>
1 January 2009	340,790	256,864	597,654
Charge for the period	293,801	157,641	451,442
Loans written off	-	-	-
30 June 2009	<u>634,591</u>	<u>414,505</u>	<u>1,049,096</u>

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8. Loans and Advances to Customers (continued)

Loans and advances renegotiated

Restructuring activities included extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with similar accounts. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Renegotiated loans that would otherwise be past due or impaired comprised:

	<u>30 June 2010</u>	<u>31 December 2009</u>
Individuals (retail customers)		
Consumer loans	420	491
Mortgages	47,047	44,541
Corporate entities		
Large corporate customers	427,950	573,508
SMEs	168,452	218,146
	<u>643,869</u>	<u>836,686</u>

Included in loans neither past due nor impaired as at 30 June 2010 were seventeen renegotiated loans with total value of 296,815 which would otherwise be past due or impaired (31 December 2009: sixteen loans with total value of 376,054).

Repossessed collateral

During the six month period ended 30 June 2010 the Bank took possession of collateral held as security. The following table provides details of assets repossessed by the Bank:

	<u>Residential property</u>	<u>Commercial property</u>	<u>Industrial property</u>	<u>Other</u>	<u>Total</u>
1 January 2010	21,154	36,815	50,068	191,531	299,568
Additions	25,985	2,451	-	39	28,475
30 June 2010	<u>47,139</u>	<u>39,266</u>	<u>50,068</u>	<u>191,270</u>	<u>328,043</u>

During the six month period ended 30 June 2009 the Bank did not take possession of any collateral held as security.

Repossessed properties may be sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness or utilised by the bank where they feel appropriate. Repossessed property to be sold is classified in the balance sheet within other assets, and property to be utilised by the Bank is capitalised under property, plant and equipment.

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8. Loans and Advances to Customers (continued)

Industry analysis of loans and advances to customers

The structure of the Bank's loan portfolio per economic sector is presented below:

	30 June 2010	%	31 December 2009	%
Individuals	2,660,559	44.1	2,227,028	39.7
Trade and services	1,225,559	20.3	1,444,238	25.8
Manufacture	682,341	11.3	423,826	7.6
Construction	516,913	8.6	543,284	9.7
Transaction with property, rent and services	399,961	6.6	547,782	9.8
Social services	144,052	2.4	109,542	2.0
Agriculture	134,070	2.2	96,643	1.7
Heating and power production	93,297	1.5	41,518	0.7
Hotels and restaurants	93,558	1.6	1,134	0.0
State organisations	41,977	0.7	68,475	1.2
Transport and telecommunication	37,236	0.6	13,902	0.2
Extraction of natural resources	138	0.0	3,202	0.1
Financial activity	-	-	84,098	1.5
Other	-	-	564	0.0
	6,029,858	100.0	5,605,236	100.0

Fair value of collateral

Collateral taken depends on the type of exposure; for legal entities usually is represented by a charge over buildings or other assets or inventories, for mortgage loans by a charge over the property purchased and for other type of credit operations different types of collateral including cash and guarantees from third parties.

The table discloses the estimated fair value of collateral received by the Bank for its loan portfolio by type of collateral and its estimated fair value:

	30 June 2010	31 December 2009
Real estate	3,636,341	4,371,517
Goods in turnover	422,493	665,819
Vehicles	259,846	217,891
Fixed assets and equipment	526,323	959,962
Cash	2,592	1,270,256
Securities	2	1,032,044
Seizing rights	821,611	131,292
Total amount of collateral	5,669,208	8,648,781

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8. Loans and Advances to Customers (continued)

As at 30 June 2010 the Bank's rating, determined based on regulations issued by the CBRF, and the associated impairment allowance for each of the Bank's internal rating categories were as follows:

Risk category	Loans and advances (%)	Impairment allowance (%)	Loans and advances (%)	Impairment allowance (%)
I	43.9	-	47.4	-
II	34.8	2.8	29.2	4.0
III	1.4	1.5	2.6	1.7
IV	3.7	10.8	3.0	7.7
V	16.2	84.9	17.8	86.6
	100.0	100.0	100.0	100.0

Information on loans to related parties is disclosed in Note 20.

9. Customer Accounts

	30 June 2010	31 December 2009
Individuals		
Current and on demand accounts	1,671,046	1,256,385
Term deposits	5,139,288	4,101,246
	6,810,334	5,357,631
State organisations		
Current and settlement accounts	864,533	1,099,265
Term deposits	13,600	14,200
	878,133	1,113,465
Legal entities		
Current and settlement accounts	1,652,892	1,650,372
Term deposits	340,666	546,179
	1,993,558	2,196,551
Other customer accounts	1,793	3,102
	9,683,818	8,670,749

Information on customer accounts of related parties is disclosed in Note 20.

10. Subordinated Loan

On 27 May 2010 the Bank repaid a subordinated loan from SCBP Primotsbank (OJSC) of 35,000 before the due date.

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11. Significant Exposures and Concentrations

As at 30 June 2010, the Bank had two counterparties with aggregate balances greater than 10% of the overall balance on correspondent accounts and overnight deposits with other banks (31 December 2009: three counterparty). The total aggregate amount of these balances was 45,141 or 86.06% of the overall balance (31 December 2009: 39,929 or 76.26% of the overall balance).

As at 30 June 2010 the twenty largest borrowers have an outstanding debt totalling 1,653,687, which represent 27.42% of the total loan portfolio (31 December 2009: 2,068,125 and 36.90%, respectively). As at 30 June 2010 the largest borrower has a total debt of 225,239 which represented 3.74% of the total loan portfolio (31 December 2009: 231,178 and 4.12%, respectively).

As at 30 June 2010 deposits and current accounts of the Bank's ten largest customers accounted for 1,266,035 or 13.09% of the overall balance (31 December 2009: 1,906,640 or 21.99%).

As at 30 June 2010, included in due to other banks are balances due to two counterparties, that are greater than 10% of overall balance at that date (31 December 2009: one counterparty). The total aggregate amount of these balances as at 30 June 2010 is 64,445, or 91.95% of due to other banks (31 December 2009: 248,755, or 90.26% of due to other banks balances).

12. Share Capital

The share capital of the Bank has been contributed by shareholders in Russian Roubles. Shareholders are entitled to dividends and any capital distribution in Russian Roubles. As at 30 June 2010 and 31 December 2009, share capital of the Bank consisted of 350,250 authorized, issued and fully paid ordinary shares with a fixed nominal value of 1,000RUB(not thousands) each.

Ordinary shares carry the right to vote at annual general and extraordinary meetings, right to receive dividends and a residual interest in the assets of the Bank after deducting all its liabilities on liquidation. All ordinary shares provide equal rights to their owners.

Dividends payable to the Bank's shareholders are restricted to the maximum retained earnings of the Bank, which are determined in accordance with legislation in the Russian Federation. As at 30 June 2010 the Bank's reserves available for distribution amounted to 1,011,952 (31 December 2009: 985,042). During the six month period ended 30 June 2010 the Bank paid dividends for the year ended 31 December 2009 amounting in total to 29,042 (82.92 RUB (not thousands) per each ordinary share) (six months period ended 30 June 2009: no dividends paid).

The share capital of the Bank, as at 30 June 2010 and 31 December 2009, comprised the following:

	<u>Nominal value</u>	<u>Inflation adjustment</u>	<u>Total share capital</u>
Ordinary shares	350,250	199,706	549,956
	350,250	199,706	549,956

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13. Net Interest Income

	Six Month Period Ended 30 June 2010	Six Month Period Ended 30 June 2009
Interest income		
Loans to customers	702,135	695,410
Due from financial institutions	12,950	48,848
Financial assets at fair value through profit or loss	90,021	11,569
Financial assets held to maturity	16,918	9,196
	<u>822,024</u>	<u>765,023</u>
Interest expense		
Customers' deposits	(302,055)	(212,328)
Due to financial institutions	(968)	(8,716)
Debt securities issued	(1,386)	(1,270)
Subordinated loan	(1,321)	(2,429)
	<u>(305,730)</u>	<u>(224,743)</u>
Net interest income	<u>(516,294)</u>	<u>540,280</u>

14. Net Gains from Dealing with Securities

	Six Month Period Ended 30 June 2010			Six Month Period Ended 30 June 2009		
	Gains			Gains		
	Fair value adjustments	realised on disposal	Total	Fair value adjustments	realised on disposal	Total
Financial assets at fair value through profit or loss	13,030	5,797	18,827	1,157	4,204	5,361
	<u>13,030</u>	<u>5,797</u>	<u>18,827</u>	<u>1,157</u>	<u>4,204</u>	<u>5,361</u>

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15. Net Commission Income

	Six Month Period Ended 30 June 2010	Six Month Period Ended 30 June 2009
Commission income		
Transactions with plastic cards	24,701	28,818
Settlement transactions	24,112	23,984
Cash transactions	82,738	68,343
Anticipated redemption of promissory notes	294	594
Guarantees issued	1,300	959
Dealing with securities	102	53
Dealing with currency	737	1,142
Other transactions	3,986	4,241
	<u>137,970</u>	<u>128,134</u>
Commission expenses		
Transactions on plastic cards	(11,585)	(11,056)
Cash transactions	(1,643)	(1,942)
Settlement transactions	(488)	(792)
Dealing with securities	(188)	(23)
Dealing with currency	(422)	(2,579)
Other commissions	(7,682)	(4,521)
	<u>(22,008)</u>	<u>(20,913)</u>
Net commission income	<u>115,962</u>	<u>107,221</u>

Other commission expenses are represented by commission expenses for transfer foreign currencies for individuals and legal entities.

16. Staff Costs

	Six Month Period Ended 30 June 2010	Six Month Period Ended 30 June 2009
Salaries and bonuses	(149,831)	(133,543)
Unified social tax	(35,234)	(29,077)
Education	(556)	(14)
Other staff payments	(142)	(890)
	<u>(185,763)</u>	<u>(163,524)</u>

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17. Operating Expenses

	Six Month Period Ended 30 June 2010	Six Month Period Ended 30 June 2009
Operating leases	(23,059)	(24,696)
Taxes other than on income	(21,282)	(21,523)
Other expenses related to fixed assets	(21,004)	(23,837)
Depreciation of fixed assets	(18,508)	(18,619)
Security	(12,660)	(11,898)
Office expenses	(11,822)	(9,890)
Insurance of customers' deposits	(11,564)	(4,299)
Professional services	(11,159)	(2,133)
Advertising and marketing	(9,979)	(8,045)
Issuing plastic cards	(7,132)	(18)
Materials written off	(3,685)	(427)
Business travel	(2,068)	(723)
Charity	(1,309)	(678)
Insurance	(379)	(473)
Representation	(182)	(129)
Other	(4,820)	(4,479)
	(160,612)	(131,867)

18. Allowances for Impairment and Provisions

The movements in allowances of due from financial institutions, loans and advances to customers, other assets and credit-related commitments were as follows (unaudited):

	Due from financial institu- tions	Loans and advances to customers	Other assets	Total
1 January 2009	24,750	597,654	52	622,456
Charge / (recovery) of allowance for impairment during the period	(50)	451,442	15	451,405
30 June 2009 (unaudited)	24,700	1,049,096	67	1,073,863
1 January 2010	24,103	1,150,496	69	1,174,668
Charge / (recovery) of allowance for impairment during the period	-	24,227	204	24,431
Written off during the period as unrecoverable	(24,103)	(116,360)	-	(140,463)
30 June 2010 (unaudited)	-	1,058,363	273	1,058,636

Allowances for impairment of assets are deducted from the carrying amounts of the related assets.

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19. Contingencies and Commitments

Legal proceedings

In the normal course of business, the Bank receives claims from customers. Management of the Bank does not consider that legal proceedings might lead to substantial losses therefore there is no need in creating a provision in this respect in the financial statements.

Tax legislation

Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgement of business activities, management's judgement of the Bank's business activities may not coincide with the interpretation of the same activities by tax authorities.

If a particular treatment was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years.

Capital commitments

As at 30 June 2010 and 31 December 2009 the Bank had no material 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 at their nominal amounts are as follows:

	30 June 2010	31 December 2009
Undrawn overdrafts	488,540	297,190
Undrawn loan commitments	10,296	3,451
Guarantees issued on mortgages sold	3,122	14,424
Other guarantees issued	185,182	154,062
	469,127	469,127

Management evaluated the likelihood of impairment in respect of other credit related commitments in 177 as at 30 June 2010 (31 December 2009: 3,391). The total outstanding contractual amount of loan commitments and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

20. Related Party Transactions

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

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20. Related Party Transactions (continued)

Members of the Board of Directors of the Bank, key management, including Management Board as well are considered related parties as they can influence the activities of the Bank.

As at 30 June 2010 the list of such individuals and entities considered by the management as related parties on the basis of different reasons is as follows:

№	Name	Type of activity
I. Shareholders		
1.	Primorsk Social Company (LLC)	Rent
2.	Forseti-2003 (LLC)	Investments
3.	Ratto Holding (Cyprus) Ltd.	Holding Company for Investment Vehicle
4.	Dmitriy Borisovich Yarovoy	Social Commercial Bank of Primorye Primots Bank (OJSC), President of the Bank
5.	Vyacheslav Mikhailovich Pertsev	VladMorTorgPort (OJSC), General Director
6.	Mikhail Fyodorovich Robkanov	VladMorTorgPort (OJSC), honoured President
II. Entities and individuals affiliated through key management and their shareholdings ('Other' in the following table)		
1.	Social Commercial Bank of Primorye Primots Bank (OJSC)	Banking
2.	VladMorTorgPort (OJSC)	Port
3.	Beau Site Ltd.	Holding Company
4.	Forpost – V (LLC)	Investments
5.	Dalnevostochnoe Bureau of Credit Histories (LLC)	Financial intermediary
6.	Dal Machinery (LLC)	Investments
7.	Primorye	Pension Fund
8.	Zolotye Gory (LLC)	Investments
9.	Zolotaya Rossyp (CJSC)	Trade
10.	Rantie	Not-for profit organisation
11.	Compliance Brock (LLC)	Rent
12.	Dalinvestment (LLC)	Lease
13.	Port Aktiv (CJSC)	Transportation
14.	Marcenter – TEK (CJSC)	Transportation
15.	Alex (LLC)	Construction
16.	Oleg Vladimirovich Shumilin	Forseti-2003 (LLC), General Director

III. Key management

Members of the Board of Directors

1. Galina Sergeevna Dotcenko
2. Nadezda Pavlovna Ivashchenko
3. Sergey Pertovich Nazarov
4. Vyacheslav Mikhailovich Pertsev
5. Mikhail Fyodorovich Robkanov
6. Vladimir Viktorovich Shaporenko
7. Alexander Dmitrievich Yarovoy
8. Dmitriy Borisovich Yarovoy
9. Sergey Viktorovich Babichev

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20. Related Party Transactions (continued)

Members of the Board of Management

1. Sergey Mikhailovich Shatilov
2. Ludmila Alekseevna Glushkova
3. Artem Vladimirovich Zenkov
4. Svetlana Valentinovna Kolesnikova
5. Vladimir Viktorovich Shaporenko
6. Anna Alexeevna Nasonova *

Note: * Denotes new related parties during the year

During the reporting period the Bank entered into transactions with related parties, which included loan and deposit agreements and other banking activities.

Details of transactions and balances with related parties are set out in the tables below (all balances are unsecured unless otherwise stated). Balances and transactions with shareholders are included as such below regardless of whether the shareholders concerned also belong to another category of related party.

	Share- holders	Other	Key manage ment	Total balances/ transactions/ with related parties	Parties that ceased to be related during the year	Total for the category
30 June 2010						
Balances						
Corresponding accounts and overnight deposits with other banks	-	25,999	-	25,999	-	52,452
Loans to customers	-	-	5,052	5,052	-	6,029,858
Allowance for impairment of loans	-	-	36	36	-	1,058,363
Balances on current/settlement accounts	-	-	573	573	-	5,493,554
Term deposits	-	-	5,907	5,907	-	4,188,471
Six month period ended 30 June 2010						
Transactions						
Interest income on loans issued	-	-	393	393	-	702,135
Interest expense on deposits	-	-	259	259	-	302,055
Interest expense on subordinated loan	-	1,321	-	1,321	-	1,321

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20. Related Party Transactions (continued)

	Share- holders	Other	Key manage ment	Total balances/ transactions with related parties	Parties that ceased to be related during the year	Total for the category
31 December 2009						
Balances						
Financial assets at fair value through profit or loss	-	-	-	-	1,262	1,444,601
Loans to customers	-	50,234	5,859	56,093	-	5,605,236
Allowance for impairment of loans	-	-	14	14	-	1,150,496
Assets under construction	-	200,401	-	200,401	-	200,401
Balances on current/settlement accounts	-	5,788	-	5,788	-	4,006,022
Term deposits	-	-	4,285	4,285	-	4,661,625
Subordinated loan	-	35,000	-	35,000	-	35,000
Six month period ended 30 June 2009						
Transactions						
Interest income on interbank loans	-	5	-	5	5,763	48,848
Interest income on loans issued	-	-	149	149	-	695,410
Interest expense on interbank loans	-	25	-	25	-	8,716
Interest expense on deposits	357	-	230	587	-	212,328
Interest expense on subordinated loan	-	2,429	-	2,429	-	2,429
Transfer value on loans given and promissory notes purchased at less than commercial rates	-	-	31	31	-	269

In the first six months of 2010 the Bank purchased six loans in aggregate amount of 7,712 from Social Commercial Bank of Primorye Primots Bank (OJSC).

Total remuneration, comprising entirely short term employee benefits, paid to the General Director and the 6 members of management of the Bank (Six Month period ended 30 June 2009: General Director and 5 employees) in their capacity as employees for the Six Month period ended 30 June 2010 amounted to 10,607 (Six Month period ended 30 June 2009: 18,106).

There were no long term benefits, post-employment benefits, termination benefits or share based payments.

The interests of members of management in the share capital of the Bank is indicated in Note 1.

21. Capital Management

Among the main objectives of the management of capital are the following:

- § Comply with capital requirements regulated by the CBRF,
- § Support the Bank in functioning as a going concern.

The compliance with the capital adequacy ratio required by the CBRF is monitored through monthly reports checked and approved by the General Director and the Chief Accountant of the Bank. The following other targets of capital management are daily monitored:

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21. Capital Management (continued)

- § Participation in the deposit insurance scheme and corresponding to the quality of capital recommended by the Agency of insurance scheme;
- § Increasing the amount of active operations of the Bank;
- § Controlling the ability to finance long-term investments.

The CBRF sets and monitors capital requirements for the Bank. Currently banks have to maintain a ratio of capital to risk weighted assets, the total capital ratio, computed under CBRF reporting, above the prescribed minimum of 10% (2009: 10%).

Further, the State Deposit Insurance Scheme requires banks to maintain a total capital ratio under such reporting exceeding of 11%. The Bank complied with these limits during the year and preceding year. The capital ratio of the Bank was, at 30 June 2010 16.1% (31 December 2009:19.7%)

The Bank's primary aim with regard to capital is to meet these requirements.

The Bank also periodically calculates capital in accordance with international guidelines. Its chosen measure for this is to calculate in accordance with the Basel Capital Accord, originally published in 1988, subsequently known as 'Basel I'. Basel I includes definitions of items comprising capital and a structure of risk weights to be applied to assets to give risk weighted assets. It therefore only takes account of credit risk with no allowance for market or operational risk. It was adopted by many countries in amended or non-amended forms and the Bank applies the original guidelines not adjusted to any country specific scenario. Subsequent amendments including Basel I and II have not been applied.

The capital adequacy ratios in accordance with the Basel I were as follows:

	30 June 2010	31 December 2009
Tier 1 capital		
Share capital	549,956	549,956
Retained earnings	901,173	654,673
Total tier 1 capital	1,451,129	1,204,629
Tier 2 capital		
Revaluation of fixed assets	175,905	178,305
Subordinated loan	-	14,000
Total tier 2 capital	175,905	192,305
Total capital	1,627,034	1,396,934
Risk-weighted assets	8,980,517	7,040,540
Total capital expressed as percentage of risk-weighted assets ("total capital ratio")	18.1%	19.8%
Total tier 1 capital expressed as percentage of risk-weighted assets ("tier 1 capital ratio")	16.2%	17.1%