Egidaco Investments PLC Group

International Financial Reporting Standards Consolidated Condensed Interim Financial Information (unaudited)

30 June 2012

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Report on review of Interim Financial Information to the Board of Directors of Egidaco Investments PLC

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of Egidaco Investments PLC as of 30 June 2012 and the related consolidated condensed interim statements of comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2012. The Board of Directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (International Accounting Standard 34 "Interim Financial Reporting"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Chartered Accountants

Limassol, 30 August 2012

Egidaco Investments Limited Group
Consolidated Condensed Interim Statement of Financial Position

In thousands of USD	Note	30 June 2012 (Unaudited)	31 December 2011
ASSETS			
Cash and cash equivalents	6	156,491	163,191
Mandatory cash balances with the CBRF		13,171	6,975
Securities at fair value through profit or loss		1,548	-
Due from banks		4,754	2,236
Loans and advances to customers	7	1,038,679	663,413
Derivative financial instruments		5,993	15,271
Current income tax assets		114	-
Deferred income tax assets		3,798	1,356
Mastercard guarantee deposit		31,473	24,030
Fixed assets		11,907	4,511
Intangible assets		9,557	7,695
Other financial assets		14,933	21,963
Other non-financial assets		4,471	4,482
TOTAL ASSETS		**1,296,889**	**915,123**
LIABILITIES			
Customer accounts	8	584,993	361,664
Debt securities in issue	9	476,894	412,875
Derivative financial instruments		237	-
Current income tax liabilities		-	4,950
Other financial liabilities		26,715	13,687
Other non-financial liabilities		8,888	4,857
TOTAL LIABILITIES		**1,097,727**	**798,033**
EQUITY			
Share capital	10	6,777	6,370
Share premium	10	118,724	81,631
Treasury shares	10	(77)	(77)
Retained earnings		100,273	48,014
Translation reserve		(26,535)	(18,848)
TOTAL EQUITY		**199,162**	**117,090**
TOTAL LIABILITIES AND EQUITY		**1,296,889**	**915,123**

Approved for issue and signed on behalf of the Board of Directors on 30 August 2012.

Constantinos Economides
Director

Mary Trimithiotou
Director

The notes set out on pages 5 to 18 form an integral part of this Consolidated Condensed Interim Financial Information.

Egidaco Investments Limited Group
Consolidated Condensed Interim Statement of Comprehensive Income

In thousands of USD	Note	6 months ended 30 June 2012 (Unaudited)	6 months ended 30 June 2011 (Unaudited)
Interest income	11	271,458	134,637
Interest expense	11	(63,982)	(35,397)
Net interest income		**207,476**	**99,240**
Provision for loan impairment	7	(37,927)	(16,131)
Net interest income after provision for loan impairment		**169,549**	**83,109**
Customer acquisition expenses	12	(37,653)	(25,104)
Losses less gains from operations with foreign currencies		(3,463)	(1,246)
Fee and commission expense		(3,397)	(1,801)
Gain on sale of bad debts		809	1,078
Other operating income		325	184
Charge of provision for tax risks		-	(262)
Administrative and other operating expenses	13	(58,649)	(32,336)
Profit before tax		**67,521**	**23,622**
Income tax expense	14	(15,262)	(5,295)
Profit for the period		**52,259**	**18,327**
Other comprehensive (loss)/income:			
Exchange differences on translation to presentation currency		(7,687)	4,177
Other comprehensive (loss)/income for the period		**(7,687)**	**4,177**
Total comprehensive income for the period		**44,572**	**22,504**

Egidaco Investments Limited Group
Consolidated Condensed Interim Statement of Changes in Equity

In thousands of USD	Share capital	Share premium	Treasury shares	Retained earnings	Translation reserve	Total
Balance at 31 December 2010	**6,283**	**66,641**	**-**	**(20,380)**	**(8,679)**	**43,865**
Profit for the 6 months period ended 30 June 2011	-	-	-	18,327	-	18,327
Other comprehensive income:						
- currency translation differences	-	-	-	-	4,177	4,177
Total comprehensive income the period ended 30 June 2011	-	-	-	18,327	4,177	22,504
Share issue (Note 10)	87	14,990	-	-	-	15,077
Treasury shares	-	-	(77)	-	-	(77)
Balance at 30 June 2011 (Unaudited)	**6,370**	**81,631**	**(77)**	**(2,053)**	**(4,502)**	**81,369**
Balance at 31 December 2011	**6,370**	**81,631**	**(77)**	**48,014**	**(18,848)**	**117,090**
Profit for the 6 months period ended 30 June 2012	-	-	-	52,259	-	52,259
Other comprehensive income:						
- currency translation differences	-	-	-	-	(7,687)	(7,687)
Total comprehensive income the period ended 30 June 2012	-	-	-	52,259	(7,687)	44,572
Share issue (Note 10)	407	37,093	-	-	-	37,500
Balance at 30 June 2012 (Unaudited)	**6,777**	**118,724**	**(77)**	**100,273**	**(26,535)**	**199,162**

Egidaco Investments Limited Group
Consolidated Condensed Interim Statement of Cash Flows

In thousands of USD	Note	6 months ended 30 June 2012 (Unaudited)	6 months ended 30 June 2011 (Unaudited)
Cash flows from operating activities			
Interest received		223,521	120,605
Interest paid		(67,000)	(31,833)
Cash received from trading in foreign currencies		4,426	554
Cash received from sale of bad debts		809	1,078
Fees and commissions paid		(4,339)	(1,158)
Other operating income received		181	185
Administrative and other operating expenses paid		(24,812)	(19,152)
Customers acquisition expenses paid		(41,777)	(24,477)
Income tax paid		(23,207)	(4,085)
Cash flows from operating activities before changes in operating assets and liabilities		**67,802**	**41,717**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the CBRF		(6,778)	(7,645)
Net increase in securities at fair value through profit or loss		(1,548)	(9,568)
Net increase in due from banks		(2,518)	(2,564)
Net increase in loans and advances to customers		(411,724)	(202,560)
Net decrease /(increase) in other financial assets		7,085	(583)
Net increase in Mastercard guarantee deposit		(8,459)	(10,475)
Net decrease /(increase) in other non-financial assets		(542)	(1,037)
Net increase in customer accounts		238,996	55,694
Net increase in other financial liabilities		10,993	3,919
Net increase in other non-financial liabilities		299	244
Net cash used in operating activities		**(106,394)**	**(132,858)**
Cash flows from investing activities			
Acquisition of premises and equipment		(9,740)	(1,704)
Acquisition of intangible assets		(4,034)	(2,109)
Net cash used in investing activities		(13,774)	**(3,813)**
Cash flows from financing activities			
Proceeds from debt securities in issue		76,843	211,945
Repayment of debt securities in issue		(5,250)	(6,000)
Ordinary shares issue	10	37,500	-
Repayment of syndicated loan		-	(32,772)
Net cash from financing activities		**109,093**	**173,173**
Effect of exchange rate changes on cash and cash equivalents		4,375	805
Net (decrease)/increase in cash and cash equivalents		**(6,700)**	**37,307**
Cash and cash equivalents at the beginning of the reporting period	6	**163,191**	**50,892**
Cash and cash equivalents at the end of the reporting period	6	**156,491**	**88,199**

The notes set out on pages 5 to 18 form an integral part of this Consolidated Condensed Interim Financial Information.

1 Introduction

This consolidated condensed interim financial information for the 6 months period ended 30 June 2012 for Egidaco Investments PLC (the "Company") and its subsidiaries (together referred to as the "Group" or "Egidaco Investments PLC Group") has been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" as adopted by the European Union.

This consolidated condensed interim financial information has been reviewed, not audited.

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Cyprus Companies Law, Chap.113.

The Board of Directors of the Company is comprised of: Constantinos Economides, Laoura Michael, Mary Trimithiotou, Alexis Ioannides, Per Brilioth, Julian Salisbury, Michael Calvey.

Company Secretary: Altruco Secretarial Limited, G. Pavlides Court, 5th Floor 2, Arch. Kyprianou & Ayiou Andreou Street, 3036 Limassol, Cyprus, Mail: P.O.Box 50734, 3609, Limassol, Cyprus.

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

	30 June 2012	31 December 2011	Country of Incorporation
TADEK Holding and Finance S.A.	56.94%	62.72%	British Virgin Islands
Vostok Komi (Cyprus) Limited	14.85%	15.80%	Cyprus
ELQ Investors Limited	12.83%	13.64%	United Kingdom
Rousse Nominees Ltd.	8.00%	0.00%	Bailiwick of Guernsey
TASOS Invest and Finance Inc.	6.24%	6.63%	British Virgin Islands
Altruco Trustees Limited	1.14%	1.21%	Cyprus
Vizer Limited	0.00%*	0.00%*	British Virgin Islands
Maitland Commercial Inc.	0.00%*	0.00%*	British Virgin Islands
Norman Legal S.A.	0.00%*	0.00%*	British Virgin Islands
Total	**100.00%**	**100.00%**	

* Vizer Limited, Maitland Commercial Inc and Norman Legal S.A. own 1 share of the Company (2011:1 share).

As at 30 June 2012 the ultimate beneficiaries of the Group are the Russian entrepreneur Oleg Tinkov – 63.18% (2011: 69.35%), the global investment firm Goldman Sachs - 12.83% (2011: 13.64%), investment fund Vostok Nafta - 14.85% (2011: 15.80%) and Baring Vostok Private Equity Fund IV - 8.00% (2011: 0%).

1 Introduction (Continued)

Subsidiaries included in this consolidated condensed financial information are listed below:

		30 June 2012		31 December 2011		
Name	**Nature of business**	**Percentage of ownership**	**Percentage of voting rights**	**Percentage of ownership**	**Percentage of voting rights**	**Country of registration**
CJSC "Tinkoff. Credit Systems" Bank	Banking operations	100%	100%	100%	100%	Russia
LLC "TCS"	Services	100%	100%	100%	100%	Russia
LLC "T-Finance"	Assets holding	100%	100%	100%	100%	Russia
Goward Ltd	Services	100%	100%	100%	100%	British Virgin Islands
TCS Finance Ltd	Financing	100%	100%	100%	100%	Ireland

Principal activity. The Group's principal business activity is retail banking operations within the Russian Federation through the subsidiary CJSC "Tinkoff. Credit Systems" Bank (the "Bank"). The Bank is operating under a full banking license N. 2673 issued by the Central Bank of the Russian Federation ("CBRF") since 8 December 2006. Before that date and back to 28 January 1994 the Bank operated under the name of CJSC "Khimmashbank" under the same full banking license N. 2673 issued by the CBRF on 28 January 1994. The Bank was acquired by the Company on 17 November 2006 and was subsequently renamed CJSC "Tinkoff. Credit Systems" Bank.

The Bank participates in the state deposit insurance scheme, which was introduced by the Federal Law N. 177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered address and place of business. The Company's registered address is 2 Arch. Kyprianou & Ag. Andreou, G. Pavlides Court, 5th floor P.C. 3036, Limassol, Cyprus. The Bank's registered address is 1-st Volokolamsky passage, 10, building 1, 123060, Moscow, Russian Federation. The Group's principal place of business is the Russian Federation.

Presentation currency. This consolidated condensed interim financial information is presented in thousands of USD.

2 Operating Environment of the Group

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

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

2 Operating Environment of the Group (Continued)

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

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union (EU). This consolidated condensed interim financial information should be read in conjunction with the annual IFRS consolidated financial statements of the Group for the year ended 31 December 2011.

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

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

At 30 June 2012 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 32.8169 (2011: USD 1 = RR 32.1961), and the principal average rate of exchange used for translating income and expenses was USD 1= RR 30.6388 (2011: USD 1= RR 29.3874).

Interim period tax management. Income tax expense is recognized in this consolidated condensed interim financial information based on management's best estimates of the weighted average effective income tax rate expected for the full financial year.

4 New Accounting Pronouncements

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

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory.

4 New Accounting Pronouncements (Continued)

IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The Group is currently assessing the impact of the amended standard on its financial statements.

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

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013). The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, *Inventories*, to the extent that they are realised in the form of inventory produced. To the extent the benefits represent improved access to ore, the entity should recognise these costs as a 'stripping activity asset' within non-current assets, subject to certain criteria being met. The Group does not expect the amendments to have any material effect on its financial statements.

All of the above standards are subject to European Union endorsement.

5 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the period, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Loss identification period is 2 months. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The primary factor that the Group considers as objective evidence of impairment is the overdue status of the loan. In general, loans where there are no breaches in loan servicing are considered to be unimpaired. Given the nature of the borrowers and the loans it is the Group's view and experience that the time lag between a possible loss event that could lead to impairment and the non or under payment of a monthly installment is minimal. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. In accordance with internal methodology for the provision estimation the Group uses a twelve months horizon for assessment of probabilities of default in calculating the provision for impairment as these statistics provide better information to estimate and project credit card losses.

6 Cash and Cash Equivalents

In thousands of USD	30 June 2012	31 December 2011
Cash on hand	245	367
Cash balances with the CBRF (other than mandatory reserve deposits)	24,802	22,024
Placements with other banks with original maturities of less than three months	131,444	140,800
Total Cash and Cash Equivalents	**156,491**	**163,191**

7 Loans and Advances to Customers

In thousands of USD	30 June 2012	31 December 2011
Loans to individuals		
Credit card loans	1,113,151	709,728
Total loans and advances to customers before impairment:	**1,113,151**	**709,728**
Less: Provision for loan impairment	(74,472)	(46,315)
Total loans and advances to customers	**1,038,679**	**663,413**

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Group. These limits may be increased or decreased from time-to-time.

Movements in the provision for loan impairment for the 6 months ended 30 June 2012 are as follows:

In thousands of USD	As at 31 December 2011	Effect of translation	Sales of bad debts	Provision for/ (recovery of) impairment during the period	As at 30 June 2012
Loans to individuals:					
Credit card loans	46,315	(2,939)	(6,831)	37,927	74,472
Total provision for loan impairment	**46,315**	**(2,939)**	**(6,831)**	**37,927**	**74,472**

7 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment for the year ended 30 June 2011 are as follows:

In thousands of USD	As at 31 December 2010	Effect of translation	Sales of bad debts	Provision for/ (recovery of) impairment during the period	As at 30 June 2011
Loans to individuals:					
Credit card loans	24,449	2,608	(7,313)	16,417	36,161
Corporate loans, broken down by debtor' activity classes:					
Trading	599	45	-	(257)	387
Development	157	14	-	(29)	142
Total provision for loan impairment	**25,205**	**2,667**	**(7,313)**	**16,131**	**36,690**

Analysis by credit quality of loans to individuals is as follows:

In thousands of USD	30 June 2012	31 December 2011
Neither past due nor impaired:		
- new	113,142	36,250
Loans individually determined to be impaired:		
- non-overdue	886,323	615,063
- less than 30 days overdue	45,815	18,634
- 30 to 90 days overdue	24,772	13,761
- 90 to 180 days overdue	16,600	12,522
- 180 to 360 days overdue	14,525	10,092
- over 360 days overdue	11,974	3,406
Less: Provision for loan impairment	(74,472)	(46,315)
Total loans to individuals	**1,038,679**	**663,413**

Loans segment stated as "new" in the table above attributes to newly attracted customers for whom their first due date has not yet lapsed. Immediately after the first due date, loans are shown either as "non-overdue" if payments are made on time or "less than 30 days overdue" in case of missed first payment. The Group assesses loans for impairment collectively as a homogeneous population with similar credit quality as disclosed above. The Group considers overdue loans as impaired. The Group has a restructuring program for delinquent borrowers who demonstrate a willingness to settle their debt by switching to fixed monthly repayments of outstanding amounts ("installment loans"). The amount of installment loans as at 30 June 2012 was USD 13,869 thousand (31 December 2011: USD 12,831 thousand) and is presented in the table above in accordance with respective debt servicing.

8 Customer Accounts

In thousands of USD	30 June 2012	31 December 2011
Individuals		
- Current/settlement accounts of individuals	38,480	19,439
- Term deposits of individuals	539,300	335,339
Legal entities		
- Current/settlement accounts of corporate entities	643	358
- Term deposits of corporate entities	6,570	6,528
Total Customer Accounts	**584,993**	**361,664**

The information on related party balances is disclosed in Note 17.

9 Debt Securities in Issue

In thousands of USD	30 June 2012	31 December 2011
USD denominated bonds issued in April 2011	175,576	166,087
SEK denominated bonds issued in December 2011	74,478	73,693
RR denominated bonds issued in September 2010	48,110	48,177
RR denominated bonds issued in February 2011	48,699	49,021
RR denominated bonds issued in April 2012	46,447	-
RR denominated bonds issued in July 2010	45,429	42,950
RR denominated bonds issued in November 2010	38,155	29,563
Promissory notes issued	-	3,384
Total Debt Securities in Issue	**476,894**	**412,875**

On 21st of April 2011 the Group issued USD denominated bonds with a nominal value of USD 175 mln at 11.5% coupon rate maturing on 21 April 2014. On the 4th of January 2012 some of these bonds were repurchased by the Group with nominal amount of USD 3,500 thousand. From January to April the Group sold back all the bonds that were repurchased earlier in 2011 and 2012 with nominal amount of USD 12,000 thousand.

On 29th of December 2011 the Group issued SEK denominated bonds with a nominal value of SEK 550 mln (equivalent of USD 79.5 mln) at 12.5% coupon rate and 5.0% discount maturing on 29 December 2013.

On 20th of September 2010 the Group issued RR denominated bonds with a nominal value of RR 1,600 mln (equivalent of USD 51.5 mln) at a 14.22% coupon rate maturing on 20 September 2013. From January to February 2012 the Group sold back all the bonds that were repurchased earlier in 2011 with nominal amount of USD 9,917 thousand.

On 22nd of February 2011 the Group issued RR denominated bonds with a nominal value of RR 1,500 mln (equivalent of USD 51.4 mln) at a 14.0% coupon rate maturing on 18 February 2014. The holders of these bonds have the right to require the Group to purchase these bonds at their nominal amount on 21 August 2012. From January to April 2012 some of these bonds were repurchased by the Group with nominal amount of USD 1,750 thousand. From February to May the Group sold back all the bonds that were repurchased earlier in 2011 and 2012 with nominal amount of USD 1,635 thousand.

On 19th of April 2012 the Group issued RR denominated bonds with a nominal value of RR 1,500 mln (equivalent of USD 50.9 mln) at a 13.25% coupon rate maturing on 16 April 2015.

9 Debt Securities in Issue (Continued)

On 26th of July 2010 the Group issued RR denominated bonds with a nominal value of RR 1,400 mln (equivalent of USD 46.1 mln) at 20% coupon rate maturing on 28 July 2013. From January to May 2012 the Group sold back all the bonds that were repurchased earlier in 2011 with nominal amount of USD 2,948 thousand.

On the 30th of November 2010 the Group issued RR denominated bonds with a nominal value of RR 1,500 mln (equivalent of USD 47.9 mln) at a 16.5% coupon rate maturing on 26 November 2013. The holders of these bonds have the right to require the Group to purchase these bonds at their nominal amount on 29 November 2011 and on 27 November 2012.

10 Share Capital

In thousands of USD except for number of shares	Number of authorized shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 31 December 2010	**7,619,180**	**6,283,218**	**6,283**	**66,641**	**-**	**72,924**
Shares issued	-	87,318	87	14,990	(77)	15,000
At 30 June 2011	**7,619,180**	**6,370,536**	**6,370**	**81,631**	**(77)**	**87,924**
At 31 December 2011	**7,619,180**	**6,370,536**	**6,370**	**81,631**	**(77)**	**87,924**
Shares issued	-	406,637	407	37,093	-	37,500
At 30 June 2012	**7,619,180**	**6,777,173**	**6,777**	**118,724**	**(77)**	**125,424**

The total authorized number of ordinary shares is 7,619 thousand shares (2011: 7,619 thousand shares) with a par value of USD 1 per share (2011: USD 1 per share). All issued ordinary shares are fully paid. Share premium represents the excess of contributions received over the nominal value of shares issued.

In February 2011 the Company issued 9,999 ordinary shares with a par value of USD 1 per share and a price of USD 1,499.15 per share. This share issue was performed pro rata to the existing shareholders and did not lead to any changes in the shareholders structure.

In May 2011 the Company issued 77,319 ordinary shares with a par value of USD 1 per share to Altruco Trustees Limited (the "Trustee"). The Trustee administers the Group's Employee stock option plan ("ESOP"). The shares held by the Trustee are presented as treasury shares until their disposal by the Trustee in order to settle the obligations towards the employees who qualify for the payment under the ESOP. Refer Note 17.

In May 2012 the Company issued 406,637 ordinary shares with a par value of USD 1 per share and a price of USD 92.22 per share.

11 Interest Income and Expense

In thousands of USD	6 months ended 30 June 2012	6 months ended 30 June 2011
Interest income		
Loans and advances to customers, including:		
Credit card loans	270,300	133,684
Placements with other banks	836	947
Other interest income	322	6
Total interest income	**271,458**	**134,637**
Interest expense		
Customer accounts	29,934	13,789
RR denominated bonds	17,064	15,953
Eurobonds	16,852	4,014
Due to banks	39	-
Syndicated loan	-	1,414
Other interest expense	93	227
Total interest expense	**63,982**	**35,397**
Net interest income	**207,476**	**99,240**

12 Customer Acquisition Expenses

In thousands of USD	6 months ended 30 June 2012	6 months ended 30 June 2011
Marketing and advertising	23,939	8,924
Personalisation, printing and distribution	10,345	12,567
Acquisition and partnerships	1,838	2,596
Credit bureaux	1,531	1,017
Total	**37,653**	**25,104**

Customer acquisition expenses represent expenses paid by the Group on services related to origination of credit card customers (mailing of advertising materials, processing of responses, marketing and advertising etc). The Group uses a variety of different channels for the acquisition of new customers.

13 Administrative and Other Operating Expenses

In thousands of USD	6 months ended 30 June 2012	6 months ended 30 June 2011
Staff costs	34,382	18,368
Taxes other than income tax	7,602	4,862
Communication services	6,116	2,497
Depreciation of fixed assets	1,866	1,230
Rental expenses	1,788	965
Amortization of intangible assets	1,557	922
Information services	1,460	728
Stationery and office expenses	746	391
Professional services	513	922
Transportation	180	183
Other administrative expenses	2,439	1,268
Total	**58,649**	**32,336**

Included in staff costs is the amount of USD 4,117 thousand (6 months 2011: USD 663 thousand) attributable to the top management of the Bank, which represents share-based remuneration. The amount consists of liability charge in the amount of USD 3,844 thousand (30 June 2011: 676 thousand) including attributable foreign exchange translation loss in the amount of USD 273 thousand (6 months 2011: gain of USD 13 thousand).

14 Income Taxes

Income tax expense comprises the following:

In thousands of USD	6 months ended 30 June 2012	6 months ended 30 June 2011
Current tax	(17,990)	(5,372)
Deferred tax	2,728	77
Income tax expense for the reporting period	**(15,262)**	**(5,295)**

The income tax rate applicable to the majority of the Group's income is 20%. The operations of the Group are subject to multiple tax jurisdictions. The income tax rate applicable to the Russian subsidiaries of the Company is 20%. The income tax rate applicable to the Company (Egidaco Investments PLC) is 10%.

15 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in this consolidated condensed interim financial information.

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

15 Contingencies and Commitments (Continued)

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

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

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

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

Compliance with covenants. The Group is subject to certain covenants related primarily to its debt securities in issue. Non-compliance with such covenants may result in negative consequences for the Group.

Credit related commitments. The primary purpose of these commitments is to ensure that funds are available to a customer as required.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans. If loans were extended in respect of total unused commitments, the Group would become exposed to credit risk in respect of the additional loans provided. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

15 Contingencies and Commitments (Continued)

Outstanding credit related commitments are as follows:

In thousands of USD	30 June 2012	31 December 2011
Unused limits on credit cards loans	559,321	417,003
Total credit related commitments	**559,321**	**417,003**

The total outstanding contractual amount of undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded and therefore its fair value is close to zero. Credit related commitments are denominated in Russian Rubles.

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

In thousands of USD	30 June 2012	31 December 2011
Not later than 1 year	6,719	2,426
Total operating lease commitments	**6,719**	**2,426**

16 Segment Analysis

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

The business of the Group is represented by one operating segment (the "retail banking") as the Group specializes in issuance of credit cards. All the management decisions are based on the financial information related to the retail banking segment.

Measurement of operating segment profit or loss, assets and liabilities

Starting from 1 January 2010 the CODM reviews financial information prepared based on International Financial Reporting Standards with no adjustments for the requirements of internal reporting.

17 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party. In making a decision concerning whether there is a related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

17 Related Party Transactions (Continued)

	30 June 2012		31 December 2011	
In thousands of USD	Key management personnel	Other related parties	Key management personnel	Other related parties
ASSETS				
Gross amounts of loans and advances to customers (contractual interest rate: 20% (2011: 20%)	67	-	56	-
LIABILITIES				
Customer accounts (contractual interest rate: 10%-15% p.a. (2011: 15% p.a.)	2,912	6,565	1,992	6,528
Securities issued (coupon rate: 14.5%-20.5% p.a. (2011: 20.5% p.a.)	52	-	52	-
Liability under ESOP	7,212	-	3,208	-

Other related parties in the table above are represented by entities, which are under control of the Group's ultimate beneficiary Oleg Tinkov.

The interest expense with related parties was as follows:

	6 months ended 30 June 2012		6 months ended 30 June 2011	
In thousands of USD	Key management personnel	Other related parties	Key management personnel	Other related parties
Interest expense	(219)	(472)	(3)	(210)

Key management compensation is presented below:

In thousands of USD	6 months ended 30 June 2012 Expense	6 months ended 30 June 2011 Expense
Share-based compensation		
- Cash-settled share-based compensation	4,117	663
Short-term benefits:		
- Salaries	2,713	1,790
Total	**6,830**	**2,453**

In 2011 the Group introduced an employee stock option plan ("ESOP") as a long-term incentive and retention tool for key managers of the Bank. The maximum total number of share capital attributable to the plan is 2.98% of issued share capital at the date of 20 May 2011.

The plan vests gradually in three tranches on 30 June 2012, 30 June 2013 and 30 June 2014. The shares do not give the employees any voting power. The employees cannot own or exercise their shareholder rights or benefit in other ways from the shares, except for the dividends, if any. The employees are entitled to cash payment equal to disposal proceeds of the shares at defined 'liquidity events'.

The liquidity event is the earliest of the IPO, change of control or 1 January 2016 (unless shareholders extend this date to 30 September 2016 if change of control is seen as likely in the first half of 2016).

17 Related Party Transactions (Continued)

The award is designed to pay fair value of the shares and there is no exercise price or share price hurdle for payout. The management uses results of independent valuation of the company's fair value.

In accordance with the ESOP program the shares were issued to the external Trustee (Note 1 and 10). The transfer of shares to the Trustee did not meet the derecognition criteria and the shares were accounted for as treasury shares. Refer to Note 10.

The amount of liabilities that vested, i.e. the amount that would be payable should the employee decide to terminate employment at the balance sheet date amounted USD to 1,615 thousand. The fair value of liabilities at the reporting date is USD 6,888 thousand (31 December 2011: 3,214 thousand) and this amount is recognized as part of other non-financial liabilities in the statement of financial position.

18 Subsequent events

On 17th of July 2012 the Group issued RR denominated bonds with a nominal value of RR 2,000 mln (equivalent of USD 61.2 mln) at 13.90% coupon rate maturing on 14 July 2015.

On 22nd of August 2012 the Group redeemed part of RR denominated bonds issued on 22nd of January 2011 in accordance with the public offer at nominal value of RR 1,171 mln (equivalent of USD 36.6 mln).