National Bank TRUST

Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2008

Notes to Condensed Consolidated Interim Financial Statements

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Independent Auditors' Report

To the Board of Directors of National Bank TRUST

Report on the Condensed Consolidated Interim Financial Information

We have audited the accompanying condensed consolidated interim financial information of National Bank TRUST and its subsidiaries (the "Group"), which comprise the condensed consolidated interim balance sheet as at 30 June 2008, the condensed consolidated interim income statement, condensed consolidated interim statement of changes in shareholders' equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial information that is free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on this condensed consolidated interim financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial information is prepared in accordance with International Financial Reporting Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the condensed consolidated interim financial information as at 30 June 2008 and for the six-month period then ended is prepared in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 20, which describes the situation on the financial markets subsequent to 30 June 2008.

ZAO KPMG

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10 October 2008

(Thousands of Russian Roubles except otherwise stated)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Notes	June 30, 2008	December 31, 2007
Assets			
Cash and cash equivalents	4	24 609 579	21 196 031
Obligatory deposits with the CBR		1 054 423	666 419
Financial assets at fair value through profit or loss			
- unpledged	5	2 677 742	1 889 083
- pledged under sale and repurchase agreements	5	161 435	1 802 845
Amounts due from credit institutions		12 253	23 223
Available-for-sale assets	6	181 720	185 675
Loans to customers	7	44 960 242	36 089 573
Tax assets	16	155 421	160 028
Property, equipment and intangibles	8	3 833 772	4 113 196
Investment property	7	45 392	-
Other assets		991 177	818 280
Total assets		**78 683 156**	**66 944 353**
Liabilities			
Financial liabilities at fair value through profit or loss	5	9 899	14 304
Amounts due to credit institutions	9	5 058 559	4 619 720
Amounts due to customers	10	53 249 521	43 038 867
Debt securities issued	11	10 766 674	10 110 207
Tax liabilities	16	354 142	465 047
Other liabilities		575 158	414 355
Total liabilities		**70 013 953**	**58 662 500**
Shareholders' equity			
Share capital	12	2 896 441	2 896 441
Additional paid-in capital		4 287 609	4 274 435
Revaluation reserve for property, equipment and intangibles		572 053	587 483
Revaluation reserve for available-for-sale assets		(7 629)	(11 387)
Retained earnings		920 729	534 881
Total shareholders' equity		**8 669 203**	**8 281 853**
Total liabilities and shareholders' equity		**78 683 156**	**66 944 353**

Signed and authorized for release on behalf of the Board of the Bank on 10 October 2008.

Nikolay V. Fetisov **President of the Bank**

Sergey A. Sirotin **Chief Financial Officer**

The accompanying Notes are an integral part of these condensed consolidated interim financial statements.

(Thousands of Russian Roubles except otherwise stated)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	6 months ended June 30, 2008	6 months ended June 30, 2007 (unaudited)
Interest income	13	5 785 468	3 336 878
Interest expense	13	(2 441 906)	(1 139 750)
Net interest income		**3 343 562**	**2 197 128**
Allowance for impairment	7	(1 045 968)	(416 843)
Net interest income after allowance for impairment		**2 297 594**	**1 780 285**
Fee and commission income	14	659 167	460 824
Fee and commission expense	14	(134 922)	(96 000)
Net fee and commission income		**524 245**	**364 824**
Net gain on financial instruments at fair value through profit or loss		120 497	31 616
Net foreign exchange gain		66 074	58 138
Net translation (loss)/gain		(25 387)	21 965
Other income		88 112	33 561
Other non-interest income		**249 296**	**145 280**
Operating income		**3 071 135**	**2 290 389**
Salaries and employment benefits	15	(1 599 804)	(1 287 545)
Administrative expenses	15	(869 497)	(686 562)
Depreciation and amortization	8	(231 014)	(114 994)
Other expenses		(52 832)	(85 673)
Operating expense		**(2 753 147)**	**(2 174 774)**
Income before tax		**317 988**	**115 615**
Income tax benefit	16	52 430	29 478
Net income		**370 418**	**145 093**

The accompanying Notes are an integral part of these condensed consolidated interim financial statements.

(Thousands of Russian Roubles except otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Notes	6 months ended June 30, 2008	6 months ended June 30, 2007 (unaudited)
Cash flows from operating activities			
Interest and fees and commissions received		6 492 329	3 625 599
Interest and fees and commissions paid		(2 289 359)	(1 073 180)
Net gain on financial instruments at fair value through profit or loss		141 615	17 193
Net foreign exchange gain		60 566	52 979
Other income		88 112	33 561
Salaries and employment benefits		(1 709 100)	(1 382 258)
Administrative and other expenses		(1 044 350)	(752 289)
Cash flow provided from operating activities before changes in operating assets and liabilities		**1 739 813**	**521 605**
Net (increase)/decrease in operating assets:			
Obligatory deposits with the CBR		(388 004)	(49 029)
Financial assets at fair value through profit or loss		895 615	3 454 190
Amounts due from credit institutions		10 970	-
Loans to customers		(10 145 646)	(8 066 166)
Other assets		(172 899)	(105 199)
Net increase/(decrease) in operating liabilities:			
Amounts due to credit institutions		469 622	295 195
Amounts due to customers		10 073 390	3 903 364
Other liabilities		382 862	185 559
Net cash flows provided from operating activities before income taxes		**2 865 723**	**139 519**
Income taxes paid		(59 215)	(91 662)
Net cash flows provided from operating activities		**2 806 508**	**47 857**
Cash flows from investing activities			
Purchase of tangible fixed assets	8	(180 237)	(720 031)
Proceeds from sale of tangible fixed assets		284 693	7 991
Purchase of intangible assets	8	(56 046)	(71 088)
Net cash flows provided from/(used in) investing activities		**48 410**	**(783 128)**
Cash flows from financing activities			
Debt securities issued/(redeemed)		894 941	4 956 064
Shareholders' contributions		-	1 015 000
Net cash flows provided from financing activities		**894 941**	**5 971 064**
Effect of change in exchange rates on cash and cash equivalents		**(336 311)**	**(105 581)**
Net change in cash and cash equivalents		**3 413 548**	**5 130 212**
Cash and cash equivalents at the beginning of the year	4	21 196 031	10 371 653
Cash and cash equivalents at the end of the year	4	**24 609 579**	**15 501 865**

The accompanying Notes are an integral part of these condensed consolidated interim financial statements.

(Thousands of Russian Roubles except otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Additional paid-in capital	Revaluation reserve for property, equipment and intangibles	Revaluation reserve for available-for-sale assets	Retained earnings	Total shareholders' equity
Balance as at December 31, 2006	**2 896 441**	**706 013**	**439 382**	**-**	**295 436**	**4 337 272**
Net profit	-	-	-	-	145 093	145 093
Depreciation of revaluation reserve for property, equipment and intangibles, net of deferred tax of RR 1 609 thousand	-	-	(5 094)	-	5 094	-
Total recognized income for the period						**145 093**
Additional paid-in capital	-	1 015 000	-	-	-	1 015 000
Balance as at June 30, 2007 (unaudited)	**2 896 441**	**1 721 013**	**434 288**	**-**	**445 623**	**5 497 365**
Balance as at December 31, 2007	**2 896 441**	**4 274 435**	**587 483**	**(11 387)**	**534 881**	**8 281 853**
Net profit	-	-	-	-	370 418	370 418
Net unrealized losses on available-for-sale assets, net of deferred tax of RR 1 187 thousand	-	-	-	3 758	-	3 758
Depreciation of revaluation reserve for property, equipment and intangibles, net of deferred tax of RR 4 873 thousand	-	-	(15 430)	-	15 430	-
Total recognized income for the period						**374 176**
Additional paid-in capital, net of deferred tax of RR 4 160 thousand (Note 12)	-	13 174	-	-	-	13 174
Balance as at June 30, 2008	**2 896 441**	**4 287 609**	**572 053**	**(7 629)**	**920 729**	**8 669 203**

The accompanying Notes are an integral part of these condensed consolidated interim financial statements.

1. Principal Activities

These condensed consolidated interim financial statements include the financial statements of National Bank TRUST (the "Bank") and its subsidiaries. The Bank and its subsidiaries together are referred to as the "Group".

National Bank TRUST is the leading company in the Group. It was formed on November 27, 1995 as a closed joint stock company under the laws of the Russian Federation and was named Bank MENATEP St. Petersburg. On December 18, 2000 the Bank was re-organized into an open joint stock company. In March 2005 the Bank was re-named to National Bank TRUST. The Bank operates under general banking licence № 3279 from the Central Bank of the Russian Federation (the "CBR"), issued on October 20, 2006, and a licence for operations with precious metals from the CBR, issued on October 20, 2006. The Bank also possesses a licence for operations with securities from the Federal Securities Market Commission (the "FSMC"), granted on November 27, 2000, and a licence for custody services from the FSMC, granted on December 7, 2000. The Bank was accepted into the state deposit insurance system in December 2004. The Bank accepts deposits from the public and issues loans, transfers payments in Russia and abroad, exchanges currencies and provides other banking services to its corporate and retail customers.

The Bank has 60 branches in 54 regions of Russia. The Bank's registered legal address is: 24/1, Ulansky Lane, Moscow, Russia, 107045.

As at June 30, 2008 the Group is ultimately controlled by TIB Holdings Limited (the "ultimate parent company"), which in its turn is controlled by three individuals who have the power to direct the transactions of the Bank at their own discretion and for their own benefit. Those individuals are Ilya S. Yurov, Sergey L. Belyaev and Nikolay V. Fetisov. At the end of 2007 the Group announced a buyout of the shares of the Group's ex-shareholder Artashes A. Terzyan. Terzyan's entire holding was bought out by the remaining three individuals.

In November 2007 Merill Lynch bought effective control of 8.86% of the Group.

Other minority shareholders control 0.65% of the Group.

A list of subsidiaries of the Bank is disclosed in Note 19.

2. Basis of Preparation

The condensed consolidated interim financial statements follow, in the context of measurement, all requirements of International Financial Reporting Standards (IFRS). The disclosures in these condensed consolidated interim financial statements have been presented in accordance with IAS 34 "Interim Financial Reporting", and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2007, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

3. Significant Accounting Policies

The significant accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

Segment reporting

The Group has elected to early adopt definitions and requirements included in IFRS 8 "Operating Segments".

An operating segment is a component of a Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group),
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues. Based on the analysis of the requirements listed above the Management of the Group came to a conclusion that it operates in one operating segment (2007: one main reportable business segment).

(Thousands of Russian Roubles except otherwise stated)

New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at June 30, 2008, and have not been applied in preparing these condensed consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its consolidated financial statements.

International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" (Revised), which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should present changes in equity not resulting from transactions with owners and other changes in equity in its financial statements, and introduces certain other requirements in respect of presentation of information in the financial statements.

The amendment to an Appendix of International Financial Reporting Standard IAS 18 "Revenue", which is effective for annual periods beginning on or after 1 January 2009, eliminates the mismatch in the definition of transaction costs (as defined in International Financial Reporting Standard IAS 39 "Financial Instruments: Recognition and Measurement") and related direct costs (as previously defined in International Financial Reporting Standard IAS 18). Under the amended standard only related transaction costs (as defined in IAS 39) can be deferred and recognized as an adjustment to the effective interest rate. Application of this amendment will result in the change of the effective interest rate structure as internal administrative costs will no longer be permitted to be deferred and recognized as an adjustment to the effective interest rate.

4. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	June 30, 2008	**December 31, 2007**
Cash on hand	1 738 108	1 967 632
Nostro accounts with the CBR	5 494 812	4 780 421
Nostro accounts with other credit institutions	943 222	1 120 104
Short-term deposits with other credit institutions	16 433 437	13 327 874
Cash and cash equivalents	**24 609 579**	**21 196 031**

As of June 30, 2008 the Group had two borrowers (December 31, 2007: two borrowers) with aggregated balances of short-term deposits above 10% of shareholders' equity each. The aggregate amount of these short-term deposits was RR 15 291 923 thousand (December 31, 2007: RR 12 714 803 thousand).

Information on related party balances is disclosed in Note 18.

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(Thousands of Russian Roubles except otherwise stated)

5. Financial Instruments at Fair Value through Profit or Loss

Financial assets and liabilities at fair value through profit or loss comprise:

	June 30, 2008	December 31, 2007
Assets		
Unpledged		
Debt and other fixed-income instruments		
Government and municipal bonds		
Federal loan bonds (OFZ)	2 241 659	1 307 715
Regional authorities and municipal bonds	285 258	8 717
Corporate bonds	-	558 676
Equity investments		
Corporate shares	149 171	13 424
Derivative financial instruments		
Foreign currency contracts	1 654	551
Total unpledged financial assets at fair value through profit or loss	**2 677 742**	**1 889 083**
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
Government and municipal bonds		
Regional authorities and municipal bonds	161 435	449 631
Federal loan bonds (OFZ)	-	1 353 214
Total pledged financial assets at fair value through profit or loss	**161 435**	**1 802 845**
Total financial assets at fair value through profit or loss	**2 839 177**	**3 691 928**
Liabilities		
Derivative financial instruments		
Foreign currency contracts	(9 899)	(14 304)
Total financial liabilities at fair value through profit or loss	**(9 899)**	**(14 304)**

Federal loan bonds (OFZ) are Rouble denominated government securities issued and guaranteed by the Ministry of Finance of the Russian Federation, with maturities between 2010 and 2036 (2007: between 2010 and 2036). The annual coupon rates on these bonds range from 5.8% to 10% (2007: 6% to 10%).

Regional authorities and municipal bonds are Rouble denominated securities issued by the region of Yamalo-Nenetsk which mature in 2008 (2007: Rouble denominated securities issued by the region of Yamalo-Nenetsk which mature in 2008). The annual coupon rate on these bonds is 10% (2007: 10%).

Corporate shares are mainly represented by marketable shares of a foreign company.

Information on related party balances is disclosed in Note 18.

(Thousands of Russian Roubles except otherwise stated)

Derivative financial instruments

Foreign exchange derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions.

The principal amounts of certain types of financial instruments provide a basis for comparison with instruments recorded on the condensed consolidated interim balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market foreign exchange rates relative to their terms. The extent to which instruments have favorable or unfavorable conditions and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The principal agreed amounts and fair values of outstanding derivative financial instruments are set out in the following tables. These tables reflect the gross position before netting of any counterparty position by types of instruments.

The outstanding deals with derivative financial instruments are as follows:

June 30, 2008

	Notional principal		**Average**	**Fair values**	
	Buy	**Sell**	**rate**	**Asset**	**Liability**
Foreign exchange contracts					
Spot deals - domestic counterparties	65 000 thousand US Dollars	1 523 071 thousand RR	23.43	1 654	-
Spot deals - domestic counterparties	49 000 thousand Euro	77 519 thousand US Dollars	1.58	-	(9 899)
Derivative financial instruments				**1 654**	**(9 899)**

December 31, 2007

	Notional principal		**Average**	**Fair values**	
	Buy	**Sell**	**rate**	**Asset**	**Liability**
Foreign exchange contracts					
Spot deals - domestic counterparties	152 000 thousand US Dollars	3 739 577 thousand RR	24.60	551	(9 105)
Spot deals - domestic counterparties	7 000 thousand Euro	251 532 thousand RR	35.93	-	-
Spot deals - foreign counterparties	31 500 thousand Euro	46 325 thousand US Dollars	1.47	-	(5 199)
Derivative financial instruments				**551**	**(14 304)**

All the above contracts mature within 1 month (2007: 1 month) from the balance sheet date.

The fair value of the Group's position on derivatives was calculated as follows:

- **Spot foreign exchange contracts** – based on the estimated RR/USD, RR/EUR and EUR/USD spot rates effective as at June 30, 2008 and December 31, 2007.

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(Thousands of Russian Roubles except otherwise stated)

6. Available-for-sale Assets

Available-for-sale assets comprise:

	June 30, 2008	December 31, 2007
Corporate bonds	181 720	185 675
Total corporate bonds	**181 720**	**185 675**

Available-for-sale assets comprise US Dollar denominated eurobonds of Trust Investment Bank with maturity in 2009. The annual coupon rate on these bonds is 9.25%.

The information on related party balances is disclosed in Note 18.

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(Thousands of Russian Roubles except otherwise stated)

7. Loans to Customers

Loans to customers comprise:

	June 30, 2008	December 31, 2007
Commercial loans		
Loans to large corporates	4 846 307	5 263 466
Factoring receivables	5 725 303	4 060 833
Loans to small and medium companies	4 904 421	3 009 618
Total commercial loans	**15 476 031**	**12 333 917**
Loans to individuals		
Consumer loans	19 166 280	13 806 444
Auto loans	7 132 082	6 788 581
Micro loans	4 185 296	3 257 990
Credit cards	1 361 495	1 235 411
Mortgage loans	572 254	614 263
Other loans to individuals	248 545	319 109
Total loans to individuals	**32 665 952**	**26 021 798**
Loans to customers	**48 141 983**	**38 355 715**
Allowance for impairment	(3 181 741)	(2 266 142)
Loans to customers (net of allowance for impairment)	**44 960 242**	**36 089 573**

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(Thousands of Russian Roubles except otherwise stated)

The Group has estimated loan impairment for commercial loans based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment have been identified. In determining the impairment allowance for the loan portfolio for which no specific impairment has been identified, management has assumed a time lag of 1 month to identity impairment after the loss trigger event.

Most of commercial loans are secured by equipment, inventories, motor vehicles, real estate and other collateral.

(Recovery of allowance)/allowance for impairment

Movements in the loan impairment allowance by classes of commercial loans for the six months ended June 30, 2008 and June 30, 2007 are as follows:

	Loans to large corporates	Factoring receivables	Loans to small and medium companies	Total
December 31, 2006	**302 044**	**-**	**5 438**	**307 482**
Allowance for impairment	8 123	-	17 545	25 668
Write-offs	(43 490)	-	-	(43 490)
June 30, 2007 (unaudited)	**266 677**	**-**	**22 983**	**289 660**
December 31, 2007	**289 544**	**126 038**	**26 561**	**442 143**
Allowance for impairment	(172 327)	219 239	14 767	61 679
Write-offs	(34 154)	-	-	(34 154)
Amounts recovered on loans previously written off	39 186	-	-	39 186
June 30, 2008	**122 249**	**345 277**	**41 328**	**508 854**

The Group has estimated loan impairment for loans to individuals collectively assessed for impairment and loans to individuals individually assessed for impairment for which no indications of impairment has been identified based on its past historical loss experience on these types of loans, based on the assumption that overdue loans are considered a loss after 6 months have past since the last instalment due date. For impaired loans to individuals the Group has estimated loan impairment based on an analysis of the future cash flows.

Mortgage loans are secured by underlying housing real estate. Auto loans are secured by underlying cars. Most micro loans are secured by equipment, motor vehicles and other collateral. Consumer loans, credit cards and other loans to individuals are not secured.

Movements in the loan impairment allowance by classes of loans to individuals for the six months ended June 30, 2008 and June 30, 2007 are as follows:

	Consumer loans	Auto loans	Micro loans	Credit cards	Mortgage loans	Other loans to individuals	Total
December 31, 2006	**303 693**	**422 006**	**17 194**	**28 978**	**322**	**7 349**	**779 542**
Allowance for impairment	196 262	132 073	26 819	36 284	1 202	(1 465)	391 175
June 30, 2007 (unaudited)	**499 955**	**554 079**	**44 013**	**65 262**	**1 524**	**5 884**	**1 170 717**
December 31, 2007	**770 013**	**808 804**	**86 736**	**146 699**	**6 666**	**5 081**	**1 823 999**
Allowance for impairment	656 436	246 722	50 541	26 211	3 573	806	984 289
Write-offs	(147 990)	(4 223)	-	-	-	-	(152 213)
Amounts recovered on loans previously written off	11 250	5 562	-	-	-	-	16 812
June 30, 2008	**1 289 709**	**1 056 865**	**137 277**	**172 910**	**10 239**	**5 887**	**2 672 887**

(Thousands of Russian Roubles except otherwise stated)

As at June 30, 2008 the Bank transferred loans to individuals, including auto loans of RR 2 302 603 thousand (December 31, 2007: 1 153 535) and consumer loans of RR 6 179 431 thousand (December 31, 2007: 4 907 970), to its subsidiary RSCC No 1 S.A. (refer to Note 19). These loans are pledged by the Group under secured loan participation notes issued by RSCC No 1 S.A. As at June 30, 2008, the carrying amount of the notes was RR 5 260 196 thousand (December 31, 2007: 3 694 202). Refer to Note 11.

As at June 30, 2008 the Group had one borrower with an aggregated loan balance above 10% of shareholder's equity (December 31, 2007: nil). The aggregate amount of these loans was RR 1 000 902 thousand.

During the six months ended June 30, 2008 the Group obtained assets with an aggregate fair value of RR 45 392 thousand (six months ended June 30, 2007: nil) by taking control of collateral accepted as security for commercial loans. These assets consist of land in Permskaya region and are shown as investment property in these condensed consolidated interim financial statements at their fair value. Their fair value on acquisition was based on the results of an independent appraisal performed by LLC "Bureau of independent appraisals "INDEX".

Information on related party balances is disclosed in Note 18.

8. Property, Equipment and Intangibles

The movements of property, equipment and intangibles during the six months ended June 30, 2008 were as follows:

	Buildings	Land and other premises	Fixtures and equipment	Software and licenses	Customer relationships	Total
Cost/Revalued amount						
December 31, 2007	**1 714 037**	**804 575**	**1 399 790**	**466 460**	**455 705**	**4 840 567**
Additions	70 632	42 884	66 721	56 046	-	236 283
Disposals	(8 008)	(274 168)	(16 075)	(7 273)	-	(305 524)
June 30, 2008	**1 776 661**	**573 291**	**1 450 436**	**515 233**	**455 705**	**4 771 326**
Accumulated depreciation and amortization						
December 31, 2007	**-**	**1 607**	**594 277**	**131 487**	**-**	**727 371**
Charge for the period	19 038	179	116 392	50 080	45 325	231 014
Disposals	(13)	-	(13 545)	(7 273)	-	(20 831)
June 30, 2008	**19 025**	**1 786**	**697 124**	**174 294**	**45 325**	**937 554**
Net book value						
December 31, 2007	**1 714 037**	**802 968**	**805 513**	**334 973**	**455 705**	**4 113 196**
June 30, 2008	**1 757 636**	**571 505**	**753 312**	**340 939**	**410 380**	**3 833 772**

As at June 30, 2008 land and other premises included assets under construction in the amount of RR 540 806 thousand (December 31, 2007: RR 772 179 thousand).

As at June 30, 2008 the gross carrying amount of fully depreciated fixtures and equipment that are still in use by the Group was RR 212 577 thousand (December 31, 2007: RR 184 882 thousand).

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(Thousands of Russian Roubles except otherwise stated)

9. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	June 30, 2008	**December 31, 2007**
Vostro accounts	647 963	525 894
Term deposits	4 260 461	2 382 029
Repurchase agreements	150 135	1 711 797
Amounts due to credit institutions	**5 058 559**	**4 619 720**

As at June 30, 2008 the Group had one counterparty with aggregated balances above 10% of shareholders's equity. The aggregate amount of these deposits was RR 3 110 656 thousand (December 31, 2007: RR 2 848 314 thousand).

The information on related party balances is disclosed in Note 18.

10. Amounts Due to Customers

Amounts due to customers comprise:

	June 30, 2008	**December 31, 2007**
Current accounts and demand deposits		
- Individuals	4 011 881	3 728 038
- Corporate	12 233 070	12 055 424
Term deposits		
- Individuals	20 038 092	16 677 430
- Corporate	15 654 827	9 204 995
Subordinated debt	1 311 651	1 372 980
Amounts due to customers	**53 249 521**	**43 038 867**

Subordinated debt represents deposits of a foreign company with an aggregate nominal amount of USD 55 000 thousand or RR 1 290 152 thousand (December 31, 2007: USD 55 000 thousand or RR 1 350 041 thousand) with interest rates ranging from 11% to 11.5% (December 31, 2007: from 11% to 11.5%) and maturities between September 2012 and December 2012 (December 31, 2007: September 2012 and December 2012). In case of the Bank's bankruptcy, liabilities under the deposits are repaid after settlement of all other liabilities of the Bank. According to the terms of deposit agreements, the creditors may not demand repayment of deposits before maturity.

As at June 30, 2008 the Group had nine customers (December 31, 2007: six customers) with aggregate balances above 10% of shareholders' equity each. The aggregate amount of these accounts was RR 20 110 374 thousand (December 31, 2007: RR 6 701 075 thousand).

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(Thousands of Russian Roubles except otherwise stated)

Amounts due to customers include accounts of the following types of customers:

	June 30, 2008	December 31, 2007
Private companies	28 774 326	22 383 973
Individuals	24 049 973	20 405 468
State companies and local authorities	425 222	249 426
Amounts due to customers	**53 249 521**	**43 038 867**

Information on related party balances is disclosed in Note 18.

11. Debt Securities Issued

Debt securities issued comprise:

	June 30, 2008	December 31, 2007
Eurobonds	4 201 614	4 385 751
Notes secured by the pool of auto and consumer loans	5 260 196	3 694 202
Credit linked notes	1 074 597	1 124 173
Promissory notes and certificates of deposit	230 267	906 081
Debt securities issued	**10 766 674**	**10 110 207**

In May 2007 the Group issued Eurobonds with a nominal value of USD 200 000 thousand at an interest rate of 9.375% with maturity on 29 May 2010.

During 2007 the Group issued notes (secured by the pool of auto and consumer loans) with a nominal value of RR 5 247 000 thousand and interest rate MOSPRIME+2.75% with maturity on 12 November 2012. Refer to Note 7.

In April 2007 the Group issued credit linked notes with a nominal value of USD 50 000 thousand and interest rate of 9% with maturity on 19 October 2008.

Information on related party balances is disclosed in Note 18. Information on covenants associated with issued debt is disclosed in Note 17.

12. Share Capital

The share capital of the Bank has been contributed by shareholders in Rubles. Shareholders are entitled to dividends and capital distributions in Rubles.

As at June 30, 2008 and December 31, 2007 the Bank had 294 538 047 ordinary shares issued, outstanding and fully paid by shareholders and no preferred stock issued.

During the period ended June 30, 2008 the Group received a contribution from its shareholders in the form of granting a loan to the Group at rates below market, resulting in a gain on origination, recognized as additional paid-in capital, of RR 17 334 thousand, net of deferred tax of RR 4 160 thousand.

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to the legislation in the Russian Federation.

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(Thousands of Russian Roubles except otherwise stated)

13. Interest Income and Interest Expense

	6 months ended June 30, 2008	6 months ended June 30, 2007 (unaudited)
Interest income		
Loans to customers	4 866 005	2 915 193
Amounts due from credit institutions	738 921	243 297
Debt securities	180 542	178 388
Total interest income	**5 785 468**	**3 336 878**
Interest expense		
Amounts due to customers	1 662 675	869 757
Debt securities issued	568 198	243 923
Amounts due to credit institutions	211 033	26 070
Total interest expense	**2 441 906**	**1 139 750**
Net interest income	**3 343 562**	**2 197 128**

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(Thousands of Russian Roubles except otherwise stated)

14. Fee and Commission Income and Fee and Commission Expense

	6 months ended June 30, 2008	6 months ended June 30, 2007 (unaudited)
Fee and commission income		
Settlement operations	399 249	378 379
Contractual penalties from customers	90 404	25 364
Agency fees	71 926	9 504
Rental fees	31 023	22 419
Loan prolongation fees	23 516	-
Guarantees issued	9 142	12 082
Other	33 907	13 076
Fee and commission income	**659 167**	**460 824**
Fee and commission expense		
Settlements operations	116 891	79 827
Other	18 031	16 173
Fee and commission expense	**134 922**	**96 000**
Net fee and commission income	**524 245**	**364 824**

15. Salaries and Employment Benefits and Administrative Expenses

	6 months ended June 30, 2008	6 months ended June 30, 2007 (unaudited)
Salaries and other compensation	1 335 596	1 068 251
Social security costs	259 015	210 268
Other	5 193	9 026
Salaries and employment benefits	**1 599 804**	**1 287 545**
Rent	301 344	200 337
Business development	155 355	157 540
Operating taxes	117 473	90 637
Communication	88 365	88 763
State deposit insurance system	55 430	19 211
Security	45 386	44 831
Stationary and inventory	34 054	17 164
Utilities	33 607	26 339
Other	38 483	41 740
Administrative expenses	**869 497**	**686 562**

(Thousands of Russian Roubles except otherwise stated)

16. Taxation

Income tax expense comprises:

	6 months ended June 30, 2008	6 months ended June 30, 2007 (unaudited)
Current tax benefit	93 038	2 875
Deferred tax movement	(40 608)	26 603
Income tax benefit	**52 430**	**29 478**

Russian legal entities must file individual tax declarations. The tax rate for banks for profits other than interest income on state securities was 24% for the six months ended June 30, 2008 and June 30, 2007. The tax rate for interest income on state securities is 15%. The tax rates for the Group's consolidated subsidiaries range from 4.25% to 24% based on the jurisdiction in which they are located.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the theoretical income tax expense at statutory rate with the actual income tax expense is as follows:

	6 months ended June 30, 2008	6 months ended June 30, 2007 (unaudited)
Income before taxation	**317 988**	**115 615**
Statutory tax rate	24%	24%
Theoretical income tax expense at statutory rate	**(76 317)**	**(27 748)**
Tax effect of items taxed in different jurisdictions	(4 760)	(8 367)
State securities income taxed at 15%	10 593	16 949
Non-deductible expenditures, net of non-taxable income	(28 165)	(23 356)
Release of provision for tax claims	151 079	72 000
Income tax benefit	**52 430**	**29 478**

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(Thousands of Russian Roubles except otherwise stated)

Tax assets and liabilities consist of the following:

	June 30, 2008	December 31, 2007
Current tax assets	155 421	160 028
Tax assets	**155 421**	**160 028**
Current tax liabilities	42 809	199 667
Deferred tax liabilities	311 333	265 380
Tax liabilities	**354 142**	**465 047**

The Russian Federation currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax, profit tax, a number of turnover based taxes and social tax, together with others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, different opinions regarding legal interpretation exist both among and within government ministries and organizations (like the Ministry of Taxes and Levies and its various inspectorates); thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in Russia substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in full compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

In particular, recently tax authorities challenged methodologies applied by banks in respect of calculation tax losses to be carried forward. Currently these issues are being examined by the courts and if the tax authorities are successful in their proceedings, there is a possibility of similar claims to be made to the Bank, in which case the Bank might not be able to utilize the deferred tax asset arising from tax losses carried forward recognized in these condensed consolidated interim financial statements, which as at June 30, 2008 comprised RR 93 969 thousand.

As at December 31, 2004 the Group was engaged in litigation proceedings with the tax authorities related to claims against the Bank to pay additional taxes and corresponding fines for the total amount of RR 726 249 thousand as the result of tax audits of the income tax periods of 2000, 2001 and 2002. The Bank has appealed these claims in court. As at December 31, 2004 a provision for potential tax liabilities of RR 435 749 thousand in relation to these claims was recorded. During 2005, additional claims were made by the tax authorities related to the 2002 tax period of RR 216 000 thousand, RR 84 000 thousand of claims expired due to the claims limitation period, and RR 518 518 thousand was paid out by the Group in respect of these claims.

During the year ended December, 31 2006, RR 24 716 thousand of the above claims were paid out by the Group. No additional provisions for potential tax liabilities were recorded. As a result the total provision for potential tax liabilities as at December 31, 2006 comprised RR 315 015 thousand.

During the year ended December 31, 2007, RR 133 000 thousand of the above claims expired and RR 10 435 thousand were paid out by the Group. No additional provisions for potential tax liabilities were recorded. As a result the total provision for potential tax liabilities as at December 31, 2007 comprised RR 171 580 thousand.

During the six months ended June 30, 2008 the amount of the above claims reduced by RR 151 079 thousand as the result of a court decision. No additional provisions for potential tax liabilities were recorded in the condensed consolidated interim financial statements. As a result the total provision for potential tax liabilities as at June 30, 2008 comprised RR 20 501 thousand, which represents the full amount of outstanding tax claims. Management believes that this provision is the best estimate of potential tax losses.

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(Thousands of Russian Roubles except otherwise stated)

17. Capital Management

The CBR sets and monitors capital requirements for the Bank, the lead operating entity of the Group.

The Group defines as capital those items defined by statutory regulation as capital. Under the current capital requirements set by the CBR banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at June 30, 2008 and December 31, 2007, this minimum level is 10%. The Group was in compliance with the statutory capital ratio during the periods ended June 30, 2008 and December 31, 2007.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the Group's capital position calculated in accordance with the requirements of the Basle Accord, as at June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
Tier 1 capital:		
Share capital	2 896 441	2 896 441
Additional paid-in capital	4 287 609	4 274 435
Retained earnings	920 729	534 881
Total tier 1 capital	**8 104 779**	**7 705 757**
Tier 2 capital:		
Revaluation reserves for property, equipment and intangibles, and for available-for-sale assets	564 424	576 096
Subordinated debt (unamortised portion)	1 290 152	1 350 041
Total tier 2 capital	**1 854 576**	**1 926 137**
Total capital	**9 959 355**	**9 631 894**
Risk-weighted assets:		
Banking book	55 557 753	45 380 197
Trading book	2 199 866	2 505 214
Total risk-weighted assets	**57 757 619**	**47 885 411**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**14.0**	**16.1**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**17.2**	**20.1**

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

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basle Accord established by covenants under liabilities incurred by the Group. The Group have complied with all externally imposed capital requirements during the periods ended June 30, 2008 and December 31, 2007. According to Eurobond issue covenants, the ratio of Tier 1 Capital to Risk Weighted assets should be not less than 8%.

18. Related Party Transactions

Related parties, as defined by IAS 24 “Related Party Disclosures”, are:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, and anyone expected to influence, or be influenced by, that person in their dealings with the Group;

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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(Thousands of Russian Roubles except otherwise stated)

As at June 30, 2008 and December 31, 2007 the Group had the following transactions outstanding with related parties:

June 30, 2008	Transactions with shareholders	Transactions with key management	Transactions with non-consolidated subsidiaries	Transactions with group IBT*	Total category
Cash and cash equivalents					
Nostro accounts with other credit institutions (RR - 0%, FC - 0%)	-	-	-	351 860	943 222
Short-term deposits with other credit institutions (RR – 5.75%, FC - 3%)	-	-	-	4 482	16 433 437
Financial assets at fair value through profit or loss (FC - 0%)	-	-	-	1 419	2 839 177
Amounts due from credit institutions (RR - 0%)	-	-	-	9 676	12 253
Available-for-sale assets (FC - 9.25%)	-	-	-	181 720	181 720
Loans to customers (gross amount) (FC - 10%-15%)	12 845	8 731	-	117 453	48 141 983
Allowance for impairment	(95)	(64)	-	(498)	(3 181 741)
Other assets (RR - 0%)	-	-	52	-	991 177
Total assets	**12 750**	**8 667**	**52**	**666 112**	
Financial liabilities at fair value through profit or loss (FC - 0 %)	-	-	-	9 899	9 899
Amounts due to credit institutions					
Vostro accounts (RR - 0 %, FC - 0 %)	-	-	-	93 557	647 963
Amounts due to customers					
Current accounts (RR - 0.0% - 0.9%; FC - 0.0% - 0.1%)	18 774	2	-	-	16 244 951
Term deposits (RR - 12.03% - 12.13%; FC - 11.48%)	1 900 202	20 736	-	-	35 692 919
Debt securities issued (RR - 8.7%)	-	-	-	160 153	10 766 674
Total liabilities	**1 918 976**	**20 738**	**-**	**263 609**	

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(Thousands of Russian Roubles except otherwise stated)

December 31, 2007	Transactions with shareholders	Transactions with key management	Transactions with non-consolidated subsidiaries	Transactions with group IBT*	Total category
Cash and cash equivalents					
Nostro accounts with other credit institutions (RR - 0%, FC - 0%)	-	-	-	4 753	1 120 104
Financial assets at fair value through profit or loss (FC - 0%)	-	-	-	162	3 691 928
Amounts due from credit institutions (RR - 0%)	-	-	-	9 676	23 223
Available-for-sale assets (FC - 9.25%)	-	-	-	185 675	185 675
Loans to customers (gross amount) (FC - 10%-15%)	12 709	11 599	-	-	38 355 715
Allowance for impairment	(78)	(69)	-	-	(2 266 142)
Other assets (RR - 0%)	-	-	52	2 827	818 280
Total assets	**12 631**	**11 530**	**52**	**203 093**	
Financial liabilities at fair value through profit or loss (FC - 0%)	-	-	-	5 199	14 304
Amounts due to credit institutions					
Vostro accounts (RR - 0%, FC - 0%)	-	-	-	34 272	525 894
Repurchase agreements (FC - 5.05%)	-	-	-	11 325	1 711 797
Amounts due to customers					
Current accounts (RR - 0% - 0.1%, FC - 0%)	211 784	-	-	-	15 783 462
Term deposits (RR - 7.25% - 12.1%, FC - 9%)	2 302 012	16 185	-	-	25 882 425
Debt securities issued (RR - 8.9%)	722 770	-	-	182 449	10 110 207
Total liabilities	**3 236 566**	**16 185**	**-**	**233 245**	

* group IBT represents companies which are under common control with the Bank: Investment Bank TRUST and its subsidiaries.

During the six months ended June 30, 2008 the Group sold certain assets under construction in the amount of RR 260 966 thousand to a company controlled by its shareholders. As the result of this transaction the Group recognized no gain or loss in the condensed consolidated interim income statement.

The existing accounting system of the Group does not accumulate the amounts of income and expenses from related party transactions. Management of the Group believes that the majority of these amounts are proportionate to the average balances of the corresponding balance sheet captions.

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(Thousands of Russian Roubles except otherwise stated)

19. Subsidiaries

As at June 30, 2008 and December 31, 2007 the Bank had investments in the following subsidiaries:

Name	Investment as at 30 June 2008	Investment as at 31 December 2007	Country	% Equity interest as at 30 June 2008	% Equity interest as at 31 December 2007
TIB Holding S.A.	2 775	2 775	Switzerland	100%	100%
Fiennes Investments Limited	41	41	Cyprus	100%	100%
TIB Financial Services Limited	556	556	Cyprus	100%	100%
RSCC No 1 S.A.	-	-	Luxemburg	-	-
NBT Finance Limited	-	-	Ireland	-	-
Metcalfe Investment Limited	70	70	Cyprus	100%	100%
ZAO “Interregional factoring company “Trust” (IFC TRUST)	204 934	204 934	Russian Federation	100%	100%

TIB Holding S.A. is a closed joint stock company under the laws of Switzerland. The company’s principal activity is providing financial and administrative services, consulting and trust activities.

Fiennes Investments Limited is a closed joint stock company under the laws of Cyprus. The company’s principal activity is international trading and investments.

TIB Financial Services Limited is a closed joint stock company under the laws of Cyprus. The company’s principal activity is financial services and investments.

NBT Finance Limited and RSCC No 1 S.A. are special purposes entities established to facilitate the Group's issue of debt securities (refer to Note 11) and, in substance, controlled by the Bank. Accordingly, the financial statements of these entities are included in the condensed consolidated interim financial statements of the Group.

Metcalfe Investment Limited is a closed joint stock company under the laws of Cyprus. The company’s principal activity is financial services and investments.

IFC TRUST is a closed joint stock company organised under the laws of the Russian Federation. The company’s principal activity is factoring.

The condensed consolidated interim financial statements of the Group as at June 30, 2008 and December 31, 2007 included the accounts of TIB Holding S.A., Fiennes Investments Limited, TIB Financial Services Limited, RSCC No 1 S.A., NBT Finance Limited, Metcalfe Investment Limited and IFC TRUST.

20. Subsequent Events

Subsequent to June 30, 2008 there has been a significant decrease in Russian securities prices, which has resulted in a significant decrease in the fair value of the Group's securities portfolio subsequent to 30 June 2008. Investment in securities is not a significant part of the Group’s activities, which are kept mainly for the purpose of liquidity maintenance. The volume of Eurobond issues and similar wholesale financing by Russian banks has also significantly reduced. Such circumstances may affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to similar transactions in recent periods. Borrowers of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. It is not possible to reliably estimate the future effects on the Group's financial position of any further possible deterioration in the liquidity of the financial markets and their increased volatility.

(End)