National Bank TRUST

Condensed Consolidated Interim Financial Statements

For the Six Months Ended 30 June 2007

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 Review of the Interim Financial Information

Introduction
We have reviewed the accompanying consolidated interim condensed balance sheet of National Bank TRUST and its subsidiaries (the "Group") as at 30 June 2007, and the related condensed consolidated interim statements of income, changes in shareholders' equity and cash flows for the six-month period then ended (the "consolidated interim financial information"). Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated 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 consolidated interim financial information as at 30 June 2007 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Emphasis of Matter
Without qualifying our report, we draw attention to the fact that the corresponding figures for the six month period ended June 30, 2006 are unreviewed.

ZAO KPMG

ZAO KPMG
14 September 2007

(Thousands of Russian Rubles)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Notes	30 June 2007 (unaudited)	31 December 2006
Assets			
Cash and cash equivalents	5	15 501 865	10 371 653
Obligatory reserves with the CBR		824 373	775 344
Financial assets at fair value through profit or loss			
- unpledged	6	2 655 410	6 149 572
- pledged under sale and repurchase agreements	6	-	112
Amounts due from credit institutions		14 988	14 988
Loans to customers	7	32 676 380	24 847 152
Tax assets	17	129 532	89 252
Property, equipment and intangibles	8	2 633 176	1 965 042
Other assets		541 774	456 385
Total assets		**54 977 498**	**44 669 500**
Liabilities			
Financial liabilities at fair value through profit or loss	6	945	2 087
Amounts due to credit institutions	9	1 423 372	1 125 939
Amounts due to customers	10	38 786 598	34 867 976
Debt securities issued	11	8 639 885	3 713 465
Tax liabilities	17	370 817	451 597
Other liabilities		258 516	171 164
Total liabilities		**49 480 133**	**40 332 228**
Shareholders' equity			
Share capital	12	2 896 441	2 896 441
Additional paid-in capital		1 721 013	706 013
Revaluation reserve for buildings	8	434 288	439 382
Retained earnings		445 623	295 436
Total shareholders' equity		**5 497 365**	**4 337 272**
Total liabilities and shareholders' equity		**54 977 498**	**44 669 500**

Signed and authorized for release on behalf of the Board of the Bank on 14 September 2007.

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

Katerina L. Sapozhnikova **Chief Financial Officer**

(Thousands of Russian Rubles)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	6 months ended 30 June 2007 (unaudited)	6 months ended 30 June 2006 (unaudited)
Interest income	14	3 336 878	1 949 158
Interest expense	14	(1 139 750)	(567 846)
Net interest income		**2 197 128**	**1 381 312**
Allowance for impairment	13	(416 843)	(190 543)
Net interest income after allowance for impairment		**1 780 285**	**1 190 769**
Fee and commission income	15	460 824	449 949
Fee and commission expense	15	(96 000)	(75 393)
Net fee and commission income		**364 824**	**374 556**
Net gain on operations with securities		31 616	18 404
Net foreign exchange gain		58 138	125 707
Net translation gain/(loss)		21 965	(82 118)
Other income		33 561	18 216
Other non-interest income		**145 280**	**80 209**
Operating income		**2 290 389**	**1 645 534**
Salaries and employment benefits	16	(1 287 545)	(824 286)
Administrative expenses	16	(686 562)	(443 940)
Depreciation and amortisation	8	(114 994)	(78 876)
Other expenses		(85 673)	(89 472)
Operating expenses		**(2 174 774)**	**(1 436 574)**
Income before tax		**115 615**	**208 960**
Income tax benefit/(expense)	17	29 478	(47 971)
Net income		**145 093**	**160 989**

(Thousands of Russian Rubles)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Additional paid-in capital	Revaluation reserve for buildings	Retained earnings	Total shareholders' equity
Balance as at 31 December 2005	**2 896 441**	**706 013**	**359 387**	**231 021**	**4 192 862**
Net income (unaudited)	-	-	-	160 989	160 989
Depreciation of revaluation reserve, net of deferred tax of RR 1 249 thousand (unaudited)	-	-	(3 954)	3 954	-
Balance as at 30 June 2006 (unaudited**)**	**2 896 441**	**706 013**	**355 433**	**395 964**	**4 353 851**
Balance as at 31 December 2006	**2 896 441**	**706 013**	**439 382**	**295 436**	**4 337 272**
Net income (unaudited)	-	-	-	145 093	145 093
Additional paid-in capital (unaudited)	-	1 015 000	-	-	1 015 000
Depreciation of revaluation reserve, net of deferred tax of RR 1 609 thousand (unaudited)	-	-	(5 094)	5 094	-
Balance as at 30 June 2007 (unaudited)	**2 896 441**	**1 721 013**	**434 288**	**445 623**	**5 497 365**

(Thousands of Russian Rubles)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	6 months ended 30 June 2007 (unaudited)	6 months ended 30 June 2006 (unaudited)
Cash flows from operating activities			
Interest and fees and commissions received		3 625 599	2 156 798
Interest and fees and commissions paid		(1 073 180)	(564 349)
Net gain on operations with securities		17 193	93 528
Net foreign exchange gain		52 979	126 047
Other income		33 561	49 074
Salaries and employment benefits		(1 382 258)	(825 132)
Administrative and other expenses		(752 289)	(484 954)
Cash flows provided from operating activities before changes in operating assets and liabilities		**521 605**	**551 012**
Net (increase)/decrease in operating assets:			
Obligatory reserves with the CBR		(49 029)	(62 913)
Financial assets at fair value through profit or loss		3 454 190	(616 207)
Loans to customers		(8 066 166)	14 023
Other assets		(105 199)	(121 699)
Net increase/(decrease) in operating liabilities:			
Amounts due to credit institutions		295 195	(2 561 110)
Amounts due to customers		3 903 364	3 679 092
Other liabilities		185 559	24 371
Net cash flows provided from operating activities before income taxes		**139 519**	**906 569**
Income taxes paid		(91 662)	(42 607)
Net cash flows provided from operating activities		**47 857**	**863 962**
Cash flows used in investing activities			
Purchase of tangible fixed assets		(720 031)	(308 007)
Proceeds from sale of tangible fixed assets		7 991	11 235
Purchase of intangible assets		(71 088)	(13 206)
Net cash flows used in investing activities		**(783 128)**	**(309 978)**
Cash flows from financing activities			
Debt securities issued/(redeemed)		4 956 064	(327 600)
Paid in capital contribution		1 015 000	-
Net cash flows provided from/(used in) financing activities		**5 971 064**	**(327 600)**
Effect of change in exchange rates on cash and cash equivalents		(105 581)	(347 391)
Net change in cash and cash equivalents		**5 130 212**	**(121 007)**
Cash and cash equivalents as at the beginning of the period		**10 371 653**	**13 331 201**
Cash and cash equivalents as at the end of the period	5	**15 501 865**	**13 210 194**

1. Principal Activities

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

National Bank TRUST (the "Bank") is the leading company in the Group. It was formed on 27 November 1995 as a closed joint stock company under the laws of the Russian Federation and was named Bank MENATEP St. Petersburg. On 18 December 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 26 May 2003, and a licence for operations with precious metals from the CBR, issued on 18 December 2000. The Bank also possesses a licence for operations with securities from the Federal Securities Market Commission (the "FSMC"), granted on 27 November 2000, and a licence for custody services from the FSMC, granted on 7 December 2000. The Bank was accepted into the state deposit insurance scheme in December 2004. The Bank accepts deposits from the public and makes 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 52 regions of Russia. The Bank's registered legal address is: Ulansky Lane, 24/1, Moscow, Russia, 107045.

The Bank is ultimately controlled by TIB Holding Limited (the "ultimate parent company"), which in its turn is controlled by four 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, Artashes A. Terzyan and Nikolay V. Fetisov.

A list of subsidiaries of the Bank is disclosed in Note 22.

2. Operating Environment

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets. These condensed consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

3. Basis of Preparation

General

These condensed consolidated interim financial statements have been prepared in accordance with the requirements of IAS 34 *"Interim Financial Reporting"* and contain a condensed set of financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2006. The accounting policies have been consistently applied except for the changes in accounting policies described at the end of Note 4.

Basis of measurement

These condensed consolidated interim financial statements are prepared on the historical or amortised cost basis except that financial instruments at fair value through profit or loss are stated at fair value, and buildings are revalued periodically.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble ("RR"). Management has determined the Group's functional currency to be the RR as it reflects the economic substance of the underlying events and circumstances of the Group. The RR is also the Group's presentation currency for the purposes of these condensed consolidated interim financial statements. These condensed consolidated interim financial statements are presented in thousands of Russian Rubles, except per share amounts and unless otherwise indicated.

Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements requires the use of estimates and assumptions that affect the reported amounts. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. In particular, information about

significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in the following Notes:
- Loan impairment estimates – refer to Note 7;
- Building revaluation estimates – refer to Note 8;
- Taxation – refer to Note 17.

4. Summary of Accounting Policies

The following significant accounting policies have been applied in the preparation of these condensed consolidated interim financial statements. The accounting policies have been consistently applied. Changes in accounting policies as a result of revised accounting standards which have been applied retrospectively are described at the end of this Note.

Basis of consolidation

Subsidiaries
Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control effectively commences until the date that control effectively ceases.

Special purpose entities
The Group established a number of special purpose entities (SPEs) for the purpose of raising finance. The Group does not have any direct or indirect shareholdings in these entities. These SPEs are controlled by the Group through the predetermination of the activities of SPEs, having rights to obtain the majority of benefits of the SPEs, and retaining the majority of the residual risks related to the SPEs.

Transactions eliminated in consolidation
Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency transactions
Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the condensed consolidated interim income statement.

The official CBR exchange rates as at 30 June 2007 and 31 December 2006, were 25.8162 Russian Rubles and 26.3311 Russian Rubles to 1 US Dollar respectively.

Inflation accounting
The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation have been made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of the Group's assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents
The Group considers cash on hand, nostro accounts with the CBR, nostro accounts with other credit institutions and short-term deposits with other credit institutions with an original maturity of less then 90 days to be cash and cash equivalents. The obligatory reserves with the CBR are not considered to be a cash equivalent due to restrictions on their withdrawability.

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Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- A derivative (except for a derivative that is a designated and effective hedging instrument); or,
- upon initial recognition, designated by the entity as at fair value through profit or loss.

The Bank designates financial assets and liabilities at fair value through profit or loss upon initial recognition where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Group intends to sell immediately or in the near term;
- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group upon initial recognition designates as available-for-sale; or
- the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group designates as available-for-sale; or
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Recognition

Financial assets and liabilities are recognized in the condensed consolidated interim balance sheet when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction of transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments which are measured at amortised cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles
The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction of transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement
A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:
- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the condensed consolidated interim income statement;
- a gain or loss on an available-for-sale financial asset is recognized directly in equity through the condensed consolidated interim statement of changes in shareholders' equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in the condensed consolidated interim income statement. Interest in relation to an available-for-sale financial asset is recognized as earned in the condensed consolidated interim income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in the condensed consolidated interim income statement when the financial asset or liability is derecognized or impaired, and through the amortisation process.

Derecognition
A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

Repurchase and reverse repurchase agreements
Securities sold under sale and repurchase agreements (“repo”) are accounted for as secured financing transactions, with the securities retained in the condensed consolidated interim balance sheet and the corresponding liability included in amounts due to credit institutions or customers. The difference between the sale and repurchase price represents interest expense and is recognized in the condensed consolidated interim income statement over the term of the repo agreement using the effective interest rate method.

Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts due from credit institutions or loans to customers. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the condensed consolidated interim balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial guarantees
Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities are included within other liabilities.

Property and equipment

Owned assets
Items of property and equipment are stated at cost or cost adjusted for hyperinflation, where applicable, less accumulated depreciation and impairment losses, except for buildings which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets
Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Revaluation
Buildings of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the buildings being revalued. A revaluation increase on an item of building is recognised directly in equity except to the extent that it reverses a previous revaluation decrease recognised in the condensed consolidated interim income statement, in which case it is recognised in the condensed consolidated interim income statement. A revaluation decrease on an item of buildings is recognised in the condensed consolidated interim income statement except to the extent that it reverses a previous revaluation increase recognised directly in equity, in which case it is recognised directly in equity.

Depreciation
Depreciation is charged to the condensed consolidated interim income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

	Years
Buildings and other premises	50
Fixtures and equipment	5-7

Intangible assets
Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the condensed consolidated interim income statement on a straight-line basis over the estimated useful lives of intangible assets, but not exceeding a period of 10 years.

Intangible assets under development are not amortised. Amortisation of these assets will begin when the related assets are placed in service.

Impairment

Financial assets carried at amortised cost
Financial assets carried at amortised cost consist principally of loans, other receivables and unquoted available-for-sale debt securities (“loans and receivables”). The Group reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. This assessment has been made based upon historical patterns of losses in each component, the credit rating assigned to the borrowers, and reflect the current economic environment in which the borrowers operate. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in the condensed consolidated interim income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

Financial assets carried at cost
Financial assets carried at cost include unquoted equity instruments included in other assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in the condensed consolidated interim income statement and can not be reversed.

Non financial assets
Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in the condensed consolidated interim income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions
A provision is recognised in the condensed consolidated interim balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share capital and dividends
Share capital is recognized at restated cost. The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Russian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event and disclosed accordingly.

Treasury shares
Where the Bank or its subsidiaries purchase the Bank’s shares, the consideration paid including any attributable incremental external costs is deducted from total shareholders’ equity as treasury shares until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in shareholders’ equity.

Taxation
Income tax comprises current and deferred tax. Income tax is recognised in the condensed consolidated interim income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Interest income and expenses and fee and commission income
With the exception of financial assets at fair value through profit or loss, interest income and expenses are recognized in the condensed consolidated interim income statement as they accrue, taking into account the effective interest rate of the asset/liability or an applicable floating rate. Interest income on financial assets at fair value through profit or loss comprises coupon interest only. Interest income and expenses on the financial instruments other than financial assets at fair value through profit or loss include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Loans are placed on "non-performing" (non-accrual) status if the loan has been in default as to payment of principal or interest for more then 90 days and the loan is neither well secured nor in the process of collection. When a loan is placed on non-performing status, the recognition of interest income is suspended.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fee and commission income is recognised when the corresponding service is provided.

Dividend income
Dividend income from investments in companies where the Group does not have control or significant influence is recognised in the condensed consolidated interim income statement on the date that the dividend is declared.

Staff costs and related contributions
The Group's contributions to State pension and social insurance funds in respect of its employees are expensed as incurred and included into salaries and employment benefits.

Contingencies
Contingent liabilities are not recognized in the condensed consolidated interim financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the condensed consolidated interim financial statements but disclosed when an inflow of economic benefits is probable.

(Thousands of Russian Rubles)

Changes in accounting policies
As at 1 January 2007, the Group adopted IFRIC 9 *"Reassessment of Embedded Derivatives"* and IFRIC 10 *"Interim Financial Reporting and Impairment"*.

As at 1 January 2007, the Group adopted IFRS 7 *"Financial Instruments: Disclosures"* and the amendment to IAS 1 *"Presentation of Financial Statements - Capital Disclosures"*. Application of the Standard and the amendment results in increased disclosures in respect of the Group's financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of the Group's capital. The Group will present such increased disclosures in the next full set of the consolidated financial statements of the Group.

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.

5. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	30 June 2007 (unaudited)	31 December 2006
Cash on hand	1 220 393	1 319 588
Nostro accounts with the CBR	3 241 318	3 579 753
Nostro accounts with other credit institutions	988 015	624 864
Short-term deposits with other credit institutions	10 052 139	4 847 448
Cash and cash equivalents	**15 501 865**	**10 371 653**

As at 30 June 2007 the Group had three borrowers (31 December 2006: two borrowers) with aggregated short-term deposit amounts above 10% of shareholders' equity. The aggregate amount of these short-term deposits was RR 9 629 168 thousand (31 December 2006: RR 4 847 448 thousand).

Geographical, currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 18. The estimated fair value of cash and cash equivalents is disclosed in Note 20. Information on related party balances is disclosed in Note 21.

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(Thousands of Russian Rubles)

6. Financial Instruments at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise:

	30 June 2007 (unaudited)	31 December 2006
Unpledged – trading portfolio		
Debt and other fixed-income instruments		
Federal loan bonds (OFZ)	1 939 670	4 635 915
Municipal government bonds	384 743	666 953
Corporate debt securities	315 917	843 573
Ministry of Finance of the Russian Federation bonds	487	490
Equity investments		
Corporate shares	10 882	2 616
Derivative financial instruments		
Foreign exchange contracts	3 711	25
Total unpledged financial assets at fair value through profit or loss	**2 655 410**	**6 149 572**
Pledged under sale and repurchase agreements – trading portfolio		
Debt and other fixed-income instruments		
Federal loan bonds (OFZ)	-	112
Total pledged financial assets at fair value through profit or loss	**-**	**112**
Financial assets at fair value through profit or loss	**2 655 410**	**6 149 684**

Federal loan bonds (OFZ) are Ruble denominated government securities issued and guaranteed by the Ministry of Finance of the Russian Federation, with maturities between 2010 and 2036 (2006: 2007 and 2036). The annual coupon rates on these bonds range from 5.8% to 10% (2006: 6% to 10%).

Municipal government bonds comprise registered Ruble denominated government bonds of the city of St. Petersburg, the regions of Yamalo-Nenetsk and Sakha-Yakutiya, with maturities 2008 (2006: between 2007 and 2014). The annual coupon rates range is 10% (2006: 9% to 13%).

Corporate debt securities represent US Dollar denominated corporate bonds of large Russian companies and banks, with maturities between 2008 and 2009 (2006: between 2008 and 2018). The annual coupon rates on these bonds range from 9.0% to 9.1% (2006: 7.5% to 10.1%).

Ministry of Finance of the Russian Federation bonds are US Dollar denominated bearer securities, which carry the guarantee of the Ministry of Finance of the Russian Federation, with maturity in 2007 (2006: in 2007). The annual coupon rate on these bonds is 3% (2006: 3%).

Corporate shares are mainly represented by non-marketable shares of a foreign company and marketable shares of Russian companies.

Geographical, currency, maturity and interest rate analyses of financial instruments at fair value through profit or loss are disclosed in Note 18. The estimated fair value of financial instruments at fair value through profit or loss is disclosed in Note 20. Information on related party balances is disclosed in Note 21.

(Thousands of Russian Rubles)

Derivative Financial Instruments

Foreign exchange derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised 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 interest rates or foreign exchange rates relative to their terms. The aggregate contractual or principal amount of derivative financial instruments on hand, 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 or agreed amounts and fair values of derivative financial instruments held are set out in the following table. This table reflects the gross position before the netting of any counterparty position by type of instrument and covers contracts with a maturity date subsequent to 30 June 2007.

The outstanding deals with derivative financial instruments are as follows:

30 June 2007 (unaudited)

	Notional principal			**Fair values**	
	Buy	**Sell**	**Average rate**	**Asset**	**Liability**
Foreign exchange contracts					
Spot deals - domestic counterparties	194 000 thousand US Dollars	5 004 918 thousand RR	25.80	3 711	(286)
Spot deals - domestic counterparties	14 000 thousand EUR	486 425 thousand RR	34.74	-	(415)
Spot deals - domestic counterparties	6 500 thousand EUR	8 750 thousand US Dollars	1.35	-	(244)
Derivative financial instruments				**3 711**	**(945)**

31 December 2006

	Notional principal			**Fair values**	
	Buy	**Sell**	**Average rate**	**Asset**	**Liability**
Foreign exchange contracts					
Forwards - foreign counterparties	121 806 thousand RR	4 625 thousand US Dollars	26.34	-	(97)
Spot deals - domestic counterparties	66 120 thousand US Dollars	1 743 003 thousand RR	0.04	-	(1 990)
	27 000 thousand EUR	35 577 thousand US Dollars	0.76	25	-
Spot deals - foreign counterparties	46 000 thousand US Dollars	1 211 231 thousand RR	0.04	-	-
Derivative financial instruments				**25**	**(2 087)**

(Thousands of Russian Rubles)

All the above contracts mature within 1 month (31 December 2006: 1 month) from the balance sheet date.

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

- **Forward foreign exchange contracts** – based on the estimated RR/USD forward rates.
- **Spot foreign exchange contracts** – based on the estimated RR/USD and EUR/USD spot rates effective as of 30 June 2007 and 31 December 2006.

7. Loans to Customers

Loans to customers are made principally within the Russian Federation in the following industry sectors:

	30 June 2007 (unaudited)	31 December 2006
Individuals	21 378 782	15 197 143
Trading enterprises	5 186 754	3 352 708
Manufacturing	1 890 253	1 319 246
Engineering and metal processing	1 363 025	1 543 987
Construction	1 082 093	721 510
Financial intermediaries	633 634	1 695 836
Oil and gas	631 612	497 286
Chemical and petrochemical	498 394	415 742
Transport	270 160	96 710
Energy	213 689	481 065
Agencies of state administrations	43 429	160 549
Pharmaceuticals	37 104	37 174
Other	907 828	415 220
Loans to customers	**34 136 757**	**25 934 176**
Allowance for impairment (note 13)	(1 460 377)	(1 087 024)
Loans to customers (net of allowance for impairment)	**32 676 380**	**24 847 152**

As at 30 June 2007 the Group had six borrowers with aggregated loan amounts above 10% of shareholders' equity each. The aggregate amount of these loans was RR 3 434 432 thousand or 10% of the gross loan portfolio.

As at 31 December 2006 the Group had five borrowers with aggregated loan amounts above 10% of shareholders' equity each. The aggregate amount of these loans was RR 2 978 787 thousand or 11% of the gross loan portfolio.

The Group's loan portfolio has been extended to the following types of customers:

	30 June 2007 (unaudited)	31 December 2006
Individuals	21 378 782	15 197 143
Private companies	12 377 346	10 378 086
Regional state enterprises and local authorities	149 962	160 442
Private entrepreneurs	200 268	159 335
Federal state enterprises and federal authorities	30 399	39 170
Loans to customers	**34 136 757**	**25 934 176**

As at 30 June 2007 car loans of RR 1 475 031 thousand were pledged under notes issued by the Group, and the allowance for impairment created against such loans was RR 132 310 thousand. Refer to Note 11.

Loans to individuals include retail loans of RR 18 055 078 thousand (31 December 2006: RR 12 967 608 thousand), "micro" loans of RR 2 934 245 thousand (31 December 2006: RR 1 719 427 thousand) and other loans to individuals of RUR 389 459 thousand (31 December 2006: RR 510 108 thousand). "Micro" and "other" loans are included in the category of corporate and SME loans for the purposes of the analysis detailed below.

As at 30 June 2007 the aggregate amount of corporate and SME loans with contractually overdue principal or interest was RR 439 371 thousand, and the allowance for impairment created against such loans was RR 209 268 thousand (31 December 2006: RR 328 714 thousand and RR 231 304 thousand respectively). Included in this figure are past due but not impaired loans - loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

The Group reviewed its corporate and SME loan portfolio and identified loans which displayed indicators of impairment of RR 346 176 thousand (31 December 2006: RR 361 251 thousand). The Group created an allowance for impairment on these loans of RR 197 282 thousand (31 December 2006: RR 256 642 thousand). The amount of interest accrued on impaired loans was RR 540 thousand (31 December 2006: RR 89 thousand).

Included in the aggregate amount of impaired corporate and SME loans as at 30 June 2007 were non-performing loans with an aggregate amount of RR 272 429 thousand, and the allowance for impairment created against such loans was RR 184 927 thousand (31 December 2006: RR 259 970 thousand and RR 189 587 thousand respectively).

The Group created a collective allowance for impairment as at 30 June 2007 in amount of RR 142 274 thousand in respect of corporate and SME loans with no specific indicators of impairment of RR 15 735 503 thousand (31 December 2006: RR 75 383 thousand and RR 12 605 317 thousand respectively).

As at 30 June 2007 the aggregate amount of retail loans with contractually overdue principal or interest was RR 3 322 222 thousand, and the allowance for impairment created against such loans was RR 937 193 thousand (31 December 2006: RR 2 157 182 thousand and RR 659 421 thousand respectively). Included in this figure are past due but not impaired loans - loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

The Group reviewed its retail loan portfolio and identified loans which displayed indicators of impairment of RR 2 108 661 thousand (31 December 2006: RR 1 469 600 thousand). The Group created an allowance for impairment on these loans of RR 869 559 thousand (31 December 2006: RR 554 127 thousand). Such loans are also treated as non-performing for the purpose of interest accruals.

The Group created a collective allowance for impairment as at 30 June 2007 in amount of RR 251 262 on retail loans with no specific indicators of impairment of RR 15 946 417 (31 December 2006: RR 200 872 thousand and RR 11 498 008 thousand respectively).

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment allowance as at 30 June 2007 would be RR 326 764 thousand lower/higher (31 December 2006: RR 248 472 thousand).

Geographical, currency, maturity and interest rate analyses of loans to customers are disclosed in Note 18. The estimated fair value of loans to customers is disclosed in Note 20. Information on related party balances is disclosed in Note 21.

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(Thousands of Russian Rubles)

8. Property, Equipment and Intangibles

The movements of property, equipment and intangibles during the six months ended 30 June 2007 were as follows:

	Buildings	Land and other premises	Fixtures and equipment	Software and licences	Total
Cost/Revalued amount					
31 December 2006	**1 008 995**	**270 844**	**939 503**	**299 820**	**2 519 162**
Additions	119 777	387 370	212 884	71 088	**791 119**
Disposals	-	(878)	(31 354)	(3 127)	**(35 359)**
30 June 2007 (unaudited)	**1 128 772**	**657 336**	**1 121 033**	**367 781**	**3 274 922**
Accumulated depreciation and amortisation					
31 December 2006	**-**	**1 141**	**464 385**	**88 594**	**554 120**
Charge for the period	9 682	103	78 586	26 623	**114 994**
Disposals	-	(55)	(24 186)	(3 127)	**(27 368)**
30 June 2007 (unaudited)	**9 682**	**1 189**	**518 785**	**112 090**	**641 746**
Net book value					
31 December 2006	**1 008 995**	**269 703**	**475 118**	**211 226**	**1 965 042**
30 June 2007 (unaudited)	**1 119 090**	**656 147**	**602 248**	**255 691**	**2 633 176**

As at 30 June 2007 land and other premises included assets under construction in the amount of RR 640 525 thousand (31 December 2006: RR 259 725 thousand).

As at 30 June 2007 the gross carrying amount of fully depreciated fixtures and equipment that is still in use by the Group was RR 161 014 thousand (31 December 2006: RR 152 364 thousand).

At 31 December 2006 buildings were revalued by the management of the Group based on the results of an independent appraisal performed by LLC “Bureau of independent appraisals “INDEX”.

The bases used for the appraisal were the market approach and the income capitalization approach. The market approach was based upon an analysis of comparable sales of similar buildings. The following key assumptions were used for the income capitalization approach:

- cash flows were based on a 1 year detailed projection, extended to the remaining useful life of the asset and using zero growth rate;
- the net cash flows were capitalised using the rates ranging from 12% to 19% depending on the type of property and location of the building.

The values assigned to the key assumptions represent management’s assessment of future trends in the business and are based on both external and internal sources of information.

As at 30 June 2007 the carrying value of buildings, if the buildings would not have been revalued, would be RR 545 551 thousand (31 December 2006: RR 430 861 thousand).

(Thousands of Russian Rubles)

9. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	30 June 2007 (unaudited)	31 December 2006
Vostro accounts	349 566	631 219
Term deposits	1 073 806	494 610
Repurchase agreements	-	110
Amounts due to credit institutions	**1 423 372**	**1 125 939**

Geographical, currency, maturity and interest rate analyses of amounts due to credit institutions are disclosed in Note 18. The estimated fair value of amounts due to credit institutions is disclosed in Note 20. Information on related party balances is disclosed in Note 21.

10. Amounts Due to Customers

Amounts due to customers comprise:

	30 June 2007 (unaudited)	31 December 2006
Current accounts	17 213 686	20 006 590
Term deposits	17 975 960	14 746 300
Subordinated debt	3 596 952	115 086
Amounts due to customers	**38 786 598**	**34 867 976**

Subordinated debt represents deposits of foreign companies with an aggregate nominal amount of USD 137 550 thousand (31 December 2006: RR 115 000), interest rates ranging from 11.50% to 11.55% (31 December 2006: 2.5%) and maturities between May 2012 and December 2012 (31 December 2006: April 2013).

According to the terms of the agreements on the deposits, the creditors may not demand repayment of deposits before maturity. In case of bankruptcy, liabilities under the deposits are repaid after settlement of all other liabilities of the Group.

Amounts due to customers by industries comprise:

	30 June 2007 (unaudited)	31 December 2006
Individuals	13 482 072	11 754 908
Financials intermediaries	7 704 719	3 992 987
Trading enterprises	4 174 299	4 159 121
Energy trade	2 737 320	2 281 524
Chemical and petrochemical	2 667 712	2 624 845
Manufacturing	2 462 383	2 861 818
Oil and gas	2 127 140	3 608 657
Construction	1 093 726	926 873
Transport	342 790	1 375 303
Other	1 994 437	1 281 940
Amounts due to customers	**38 786 598**	**34 867 976**

(Thousands of Russian Rubles)

As at 30 June 2007 the total amount of current accounts of a restricted nature included in amounts due to customers was RR 4 243 727 thousand (31 December 2006: RR 5 112 173 thousand).

As at 31 December 2006 customer accounts included current accounts of companies affiliated with JSC "Oil Company "YUKOS" of RR 7 314 632 thousand, out of which RR 1 663 425 thousand were current accounts of a restricted nature. During the 6 months ended 30 June 2007, the above mentioned companies were sold by auction, so as at 30 June 2007 they are no more affiliated to JSC "Oil Company "YUKOS". As at 30 June 2007 customer accounts of these companies amounted to RR 3 135 550 thousand, out of which RR 1 660 361 thousand are current accounts of a restricted nature.

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

	30 June 2007 (unaudited)	31 December 2006
Private companies	24 995 688	22 853 543
Individuals	13 482 072	11 754 908
State companies and local authorities	308 838	259 525
Amounts due to customers	**38 786 598**	**34 867 976**

Geographical, currency, maturity and interest rate analyses of amounts due to customers are disclosed in Note 18. The estimated fair value of amounts due to customers is disclosed in Note 20. Information on related party balances is disclosed in Note 21.

11. Debt Securities Issued

Debt securities issued comprise:

	30 June 2007 (unaudited)	31 December 2006
Eurobonds	5 150 453	-
Credit linked notes	1 313 722	2 639 783
Promissory notes	1 093 536	1 073 389
Notes secured by a pool of car loans	1 082 174	-
Certificates of deposits	-	293
Debt securities issued	**8 639 885**	**3 713 465**

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.

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

In December 2006 the Group issued credit linked notes with a nominal value of USD 100 000 thousand at an interest rate of 9.25% with maturity on 21 December 2008, which were redeemed before maturity date, on the 21 June 2007.

In April 2007 the Group issued notes secured by the pool of car loans with a nominal value of RR 1 128 000 thousand at an interest rate MOSPRIME+2.65% with maturity on 12 November 2012. Refer to Note 7.

Geographical, currency, maturity and interest rate analyses of debt securities issued are disclosed in Note 18. The estimated fair value of debt securities issued is disclosed in Note 20. Information on related party balances is disclosed in Note 21.

(Thousands of Russian Rubles)

12. Share Capital

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

As at 30 June 2007 and 31 December 2006 the Group had 294 538 047 ordinary shares issued, outstanding and fully paid by shareholders and no preferred stock issued.

Additional paid-in capital represents contributions made by the Group's shareholders other then contributions to share capital. In 2007 the shareholders made contributions in cash of RR 1 015 000 thousand.

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to the legislation in the Russian Federation. As at 30 June 2007, reserves available for distribution amount to RR 2 072 757 thousand (31 December 2006: RR 928 190 thousand).

13. Allowance for Impairment

The movements in the allowance for impairment of loans during the six months ended 30 June 2007 were as follows:

	Loans to customers
31 December 2005	**883 179**
Allowance for impairment (unaudited)	190 543
Write-offs (unaudited)	(12 120)
30 June 2006 (unaudited)	**1 061 602**
31 December 2006	**1 087 024**
Allowance for impairment (unaudited)	416 843
Write-offs (unaudited)	(43 490)
30 June 2007 (unaudited)	**1 460 377**

Allowance for impairment of loans are deducted from the related assets.

The Group writes off a loan (and any related allowances for impairment) when Group's management determines that a loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

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(Thousands of Russian Rubles)

14. Interest Income and Interest Expense

	6 months ended 30 June 2007 (unaudited)	6 months ended 30 June 2006 (unaudited)
Interest income		
Loans to customers	2 915 193	1 449 508
Short-term deposits with credit institutions	243 297	128 116
Debt securities	178 388	371 534
Interest income	**3 336 878**	**1 949 158**
Interest expense		
Amounts due to customers	869 757	491 470
Debt securities issued	243 923	56 886
Amounts due to credit institutions	26 070	19 490
Interest expense	**1 139 750**	**567 846**
Net interest income	**2 197 128**	**1 381 312**

15. Fee and Commission Income and Fee and Commission Expense

	6 months ended 30 June 2007 (unaudited)	6 months ended 30 June 2006 (unaudited)
Fee and commission income		
Settlement operations	378 379	357 038
Rental fees	22 419	20 194
Currency control agent functions	16 222	14 504
Guarantees issued	12 082	4 880
Agency fees	9 504	34 571
Other	22 218	18 762
Fee and commission income	**460 824**	**449 949**
Fee and commission expense		
Settlement operations	64 552	57 158
Cash operations	15 275	14 634
Other	16 173	3 601
Fee and commission expense	**96 000**	**75 393**
Net fee and commission income	**364 824**	**374 556**

(Thousands of Russian Rubles)

16. Salaries and Employment Benefits and Administrative Expenses

	6 months ended 30 June 2007 (unaudited)	6 months ended 30 June 2006 (unaudited)
Salaries and employment benefits		
Salaries and other compensation	1 068 251	671 326
Social security costs	210 268	148 781
Other	9 026	4 179
Salaries and employment benefits	**1 287 545**	**824 286**
Administrative expenses		
Business development	200 337	92 223
Rent	157 540	129 081
Operating taxes	90 637	63 124
Communication	88 763	44 181
Security	44 831	37 732
Utilities	26 339	18 668
State deposit insurance scheme	19 211	12 457
Other	58 904	46 474
Administrative expenses	**686 562**	**443 940**

17. Taxation

Income tax benefit/(expense) comprises:

	6 months ended 30 June 2007 (unaudited)	6 months ended 30 June 2006 (unaudited)
Current tax benefit/(expense)	2 875	(48 590)
Current tax over-provided in prior periods	-	15 534
Deferred tax movement	26 603	(14 915)
Income tax benefit/(expense)	**29 478**	**(47 971)**

Russian legal entities must file individual tax declarations. The tax rate for banks for profits other than interest income on state securities is 24%. 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 10% based on the jurisdiction in which they are located.

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(Thousands of Russian Rubles)

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 30 June 2007 (unaudited)	6 months ended 30 June 2006 (unaudited)
Income before tax	**115 615**	**208 960**
Statutory tax rate	24%	24%
Theoretical income tax expense at the statutory rate	**(27 748)**	**(50 150)**
Tax effect of items taxed in different jurisdictions	(8 367)	(1 838)
State securities income taxed at 15%	16 949	22 624
Non-deductible expenditures, net of non-taxable income	(23 356)	(18 607)
Release of provision for tax claims	72 000	-
Income tax benefit/(expense)	**29 478**	**(47 971)**

Tax assets and liabilities consist of the following:

	30 June 2007 (unaudited)	31 December 2006
Current tax assets	129 532	89 252
Tax assets	**129 532**	**89 252**
Current tax liabilities	251 744	305 921
Deferred tax liabilities	119 073	145 676
Tax liabilities	**370 817**	**451 597**

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 substantial compliance with the tax laws affecting its operations. However, there is a risk that the tax authorities could take different positions with respect to certain issues and the effect on these condensed consolidated interim financial statements, should the authorities succeed in asserting such positions, could be significant.

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

During the six months 2007, RR 72 000 thousand of the above claims expired, RR 3 207 thousand were paid out by the Group. 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 30 June 2007 comprised RR 239 808 thousand, which represents the full amount of outstanding tax claims as at 30 June 2007. Management believes that this provision is the best estimate of potential tax losses.

18. Risk Management Policies

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market fluctuations in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Credit Risk

The Group is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by borrower and product are approved monthly by the Group's Credit Committee.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee which is called once a week. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The credit risk exposure on derivatives is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

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(Thousands of Russian Rubles)

Geographical concentration

The geographical concentration of the Group's assets and liabilities is set out below:

	30 June 2007 (unaudited)			
	Russia	**OECD***	**CIS** and other countries**	**Total**
Assets				
Cash and cash equivalents	5 528 635	9 972 257	973	**15 501 865**
Obligatory reserve with the CBR	824 373	-	-	**824 373**
Financial assets at fair value through profit or loss	2 644 530	10 880	-	**2 655 410**
Loans to customers	32 557 648	-	118 732	**32 676 380**
All other assets	3 293 259	22 602	3 609	**3 319 470**
Total assets	**44 848 445**	**10 005 739**	**123 314**	**54 977 498**
Liabilities				
Amounts due to credit institutions	417 735	999 618	6 019	**1 423 372**
Amounts due to customers	34 934 252	1 473 072	2 379 274	**38 786 598**
Debt securities issued	449 014	7 546 349	644 522	**8 639 885**
All other liabilities	630 277	-	-	**630 277**
Total liabilities	**36 431 278**	**10 019 039**	**3 029 815**	**49 480 132**
Net position	**8 417 167**	**(13 300)**	**(2 906 501)**	**5 497 366**

* OECD - Organisation for economic co-operation and development.
** CIS - Commonwealth of independent states.

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(Thousands of Russian Rubles)

	31 December 2006			
	Russia	**OECD***	**CIS** and other countries**	**Total**
Assets				
Cash and cash equivalents	5 066 565	5 304 516	572	**10 371 653**
Obligatory reserve with the CBR	775 344	-	-	**775 344**
Financial assets at fair value through profit or loss	6 147 601	2 083	-	**6 149 684**
Amounts due from credit institutions	14 988	-	-	**14 988**
Loans to customers	24 834 537	-	12 615	**24 847 152**
All other assets	2 328 862	-	181 817	**2 510 679**
Total assets	**39 167 897**	**5 306 599**	**195 004**	**44 669 500**
Liabilities				
Financial liabilities at fair value through profit or loss	2 087	-	-	**2 087**
Amounts due to credit institutions	749 673	374 249	2 017	**1 125 939**
Amounts due to customers	33 916 813	30 176	920 987	**34 867 976**
Debt securities issued	583 091	2 639 783	490 591	**3 713 465**
All other liabilities	622 761	-	-	**622 761**
Total liabilities	**35 874 425**	**3 044 208**	**1 413 595**	**40 332 228**
Net position	**3 293 474**	**2 262 391**	**(1 218 591)**	**4 337 272**

* OECD - Organisation for economic co-operation and development.
** CIS - Commonwealth of independent states.

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(Thousands of Russian Rubles)

Market Risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Group manages market risks through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

Currency Risk

The Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's Assets and Liabilities Management Committee sets limits on the level of exposure by currencies (primarily US Dollar), by branches and in total. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation. The Group's exposure to foreign currency exchange rate is set out below.

	30 June 2007 (unaudited)		
	Rubles	**Freely convertible**	**Total**
Assets			
Cash and cash equivalents	8 787 717	6 714 148	**15 501 865**
Obligatory reserve with the CBR	824 373	-	**824 373**
Financial assets at fair value through profit or loss	2 324 415	330 995	**2 655 410**
Loans to customers	30 623 851	2 052 529	**32 676 380**
All other assets	3 249 807	69 663	**3 319 470**
Total assets	**45 810 163**	**9 167 335**	**54 977 498**
Liabilities			
Financial liabilities at fair value through profit or loss	701	244	**945**
Amounts due to credit institutions	221 790	1 201 582	**1 423 372**
Amounts due to customers	31 739 509	7 047 089	**38 786 598**
Debt securities issued	2 175 710	6 464 175	**8 639 885**
All other liabilities	605 319	24 013	**629 332**
Total liabilities	**34 743 029**	**14 737 103**	**49 480 132**
Net balance sheet position	**11 067 134**	**(5 569 768)**	**5 497 366**
Net off-balance sheet position	**(5 491 343)**	**5 491 343**	**-**

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(Thousands of Russian Rubles)

	31 December 2006		
	Rubles	**Freely convertible**	**Total**
Assets			
Cash and cash equivalents	6 404 072	3 967 581	**10 371 653**
Obligatory reserve with the CBR	775 344	-	**775 344**
Financial assets at fair value through profit or loss	6 147 110	2 574	**6 149 684**
Amounts due from credit institutions	14 988	-	**14 988**
Loans to customers	23 180 408	1 666 744	**24 847 152**
All other assets	2 424 585	86 094	**2 510 679**
Total assets	**38 946 507**	**5 722 993**	**44 669 500**
Liabilities			
Financial liabilities at fair value through profit or loss	1 990	97	**2 087**
Amounts due to credit institutions	421 520	704 419	**1 125 939**
Amounts due to customers	30 267 457	4 600 519	**34 867 976**
Debt securities issued	1 026 871	2 686 594	**3 713 465**
All other liabilities	610 144	12 617	**622 761**
Total liabilities	**32 327 982**	**8 004 246**	**40 332 228**
Net balance sheet position	**6 618 525**	**(2 281 253)**	**4 337 272**
Net off-balance sheet position	**(2 832 428)**	**2 832 428**	**-**

Freely convertible currencies represent mainly US Dollar amounts but also include currencies from other OECD and non-OECD countries.

The off-balance sheet currency position includes the notional amounts of foreign currency derivative instruments, which are principally used to reduce the Group's exposure to currency movements.

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(Thousands of Russian Rubles)

Liquidity Risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on derivatives settled by cash. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Group's Assets and Liabilities Management Committee sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following table show assets and liabilities of the Group by their remaining contractual maturity as at 30 June 2007, with the exception of financial instruments at fair value through profit or loss, which are shown in the category "Less than 1 month" based on the fact that the Group's management believes that all of these financial instruments at fair value through profit or loss could be liquidated within one month in normal course of business.

Due to the fact that substantially all the financial instruments of the Group are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

	30 June 2007 (unaudited)							
	On demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Overdue/ No stated maturity**	**Total**
Assets								
Cash and cash equivalents	5 449 726	8 218 854	1 833 285	-	-	-	-	**15 501 865**
Obligatory reserve with the CBR	-	-	560 601	170 713	58 267	34 792	-	**824 373**
Financial assets at fair value through profit or loss	2 655 410	-	-	-	-	-	-	**2 655 410**
Amounts due from credit institutions	-	-	-	5 312	9 676	-	-	**14 988**
Loans to customers	-	1 957 506	4 904 643	12 414 377	12 053 960	253 639	1 092 255	**32 676 380**
Tax assets	-	-	-	129 532	-	-	-	**129 532**
Property, equipment and intangibles	-	-	-	-	-	-	2 633 176	**2 633 176**
Other assets	11 408	214 920	71 442	187 038	44 502	8 247	4 217	**541 774**
Total assets	**8 116 544**	**10 391 280**	**7 369 971**	**12 906 972**	**12 166 405**	**296 678**	**3 729 648**	**54 977 498**
Liabilities								
Financial liabilities at fair value through profit or loss	-	945	-	-	-	-	-	**945**
Amounts due to credit institutions	349 566	75 109	-	998 697	-	-	-	**1 423 372**
Amounts due to customers	17 213 686	4 334 699	4 827 779	8 032 006	2 741 449	1 636 979	-	**38 786 598**
Debt securities issued	22 104	156 386	109 505	317 890	6 951 035	1 082 965	-	**8 639 885**
Tax liabilities	-	-	-	251 744	-	-	119 073	**370 817**
Other liabilities	2 338	196 242	47 230	5 975	6 730	-	-	**258 515**
Total liabilities	**17 587 694**	**4 763 381**	**4 984 514**	**9 606 312**	**9 699 214**	**2 719 944**	**119 073**	**49 480 132**
Net position	**(9 471 150)**	**5 627 899**	**2 385 457**	**3 300 660**	**2 467 191**	**(2 423 266)**	**3 610 575**	**5 497 366**
Accumulated liquidity gap	**(9 471 150)**	**(3 843 251)**	**(1 457 794)**	**1 842 866**	**4 310 057**	**1 886 791**	**5 497 366**	**-**

(Thousands of Russian Rubles)

	31 December 2006							
	On demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Overdue/ No stated maturity**	**Total**
Assets								
Cash and cash equivalents	5 524 205	4 847 448	-	-	-	-	-	**10 371 653**
Obligatory reserve with the CBR	-	-	577 454	185 015	5 782	7 093	-	**775 344**
Financial assets at fair value through profit or loss	-	6 149 684	-	-	-	-	-	**6 149 684**
Amounts due from credit institutions	-	-	-	5 312	9 676	-	-	**14 988**
Loans to customers	-	1 422 080	3 794 851	11 181 448	7 554 862	299 868	594 043	**24 847 152**
Tax assets	-	-	-	89 252	-	-	-	**89 252**
Property, equipment and intangibles	-	-	-	-	-	-	1 965 042	**1 965 042**
Other assets	-	252 842	83 649	94 986	12 147	3 776	8 985	**456 385**
Total assets	**5 524 205**	**12 672 054**	**4 455 954**	**11 556 013**	**7 582 467**	**310 737**	**2 568 070**	**44 669 500**
Liabilities								
Financial liabilities at fair value through profit or loss	-	2 087	-	-	-	-	-	**2 087**
Amounts due to credit institutions	631 219	115 395	7 000	372 325	-	-	-	**1 125 939**
Amounts due to customers	19 979 300	2 909 629	3 079 754	8 320 290	260 031	318 972	-	**34 867 976**
Debt securities issued	59 551	144 048	212 632	224 463	3 072 011	760	-	**3 713 465**
Tax liabilities	-	-	-	305 921	-	-	145 676	**451 597**
Other liabilities	1 724	40 851	118 490	1 117	8 982	-	-	**171 164**
Total liabilities	**20 671 794**	**3 212 010**	**3 417 876**	**9 224 116**	**3 341 024**	**319 732**	**145 676**	**40 332 228**
Net position	**(15 147 589)**	**9 460 044**	**1 038 078**	**2 331 897**	**4 241 443**	**(8 995)**	**2 422 394**	**4 337 272**
Accumulated liquidity gap	**(15 147 589)**	**(5 687 545)**	**(4 649 467)**	**(2 317 570)**	**1 923 873**	**1 914 878**	**4 337 272**	**-**

The maturity of the loan portfolio shows the remaining period from the balance sheet date to the contractual maturity. Long-term credits are generally not available in Russia. However, in the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. Accordingly, the effective maturity of a loan portfolio may be longer than indicated by the classification based on contractual terms.

While unpledged financial assets at fair value through profit or loss which are part of the category "Financial assets at fair value through profit or loss" are shown with maturity of less than one month, realisation of such assets is dependent upon financial market conditions. Significant security positions may not be liquidated in a short period of time without adverse price effects.

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(Thousands of Russian Rubles)

The following table shows remaining contractual maturity of financial assets at fair value through profit or loss of the Group as at 30 June 2007 and 31 December 2006:

	30 June 2007 (unaudited)	31 December 2006
Less than 1 month	3 711	25
1 to 3 months	-	-
3 months to 1 year	486	5 488
1 to 5 years	1 743 562	1 805 062
Over 5 years	896 769	4 336 493
No maturity	10 882	2 616
Financial assets at fair value through profit or loss	**2 655 410**	**6 149 684**

Interest Rate Risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. The Group's expected repricing and maturity dates do not differ significantly from the contractual dates, which are disclosed in the liquidity risk table above.

Interest rate risk is managed by increasing or decreasing positions within limits specified by the Group's management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest-sensitive assets and liabilities.

The Group's interest rate policy is reviewed and approved by the Group's Assets and Liabilities Management Committee. As at 30 June 2007 and 31 December 2006 the effective average interest rates by currencies for interest earning/bearing monetary financial instruments were as follows:

	30 June 2007 (unaudited)		31 December 2006	
	Rubles	**Freely convertible**	**Rubles**	**Freely convertible**
Short-term deposits with credit institutions	6.8%	7.7%	7.0%	5.5%
Financial assets at fair value through profit or loss	5.9%	9.1%	6.7%	5.6%
Loans to customers	22.8%	11.9%	23.5%	12.5%
Amounts due to credit institutions/Term deposits	5.3%	6.7%	6.0%	4.6%
Amounts due to customers/Term deposits	9.5%	8.5%	10.3%	8.4%
Debt securities issued	11.5%	9.6%	8.3%	9.2%

19. Commitments and Contingencies

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. In addition, as at 30 June 2007 the Group was engaged in litigation proceedings with tax authorities as described in Note 17. Management believes that it has made adequate provision in respect of these matters.

Insurance

The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to the Bank's operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

(Thousands of Russian Rubles)

Credit related commitments

In the normal course of business, the Group makes commitments to grant loans at a specified rate of interest during a fixed period of time. Substantially all loan contracts contain clauses that set out certain conditions including changes in market rates, under which the interest rate could be reconsidered or the possibility to draw the loan could be cancelled. Therefore such undrawn loan commitments were not treated as options issued by the Group to borrowers to obtain loans at specified interest rates.

Credit-related commitments ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions.

The credit related financial commitments comprise:

	30 June 2007 (unaudited)	**31 December 2006**
Undrawn loan commitments	4 383 984	4 827 123
Guarantees	577 174	1 220 886
Letters of credit	139 562	105 327
Credit related commitments	**5 100 720**	**6 153 336**

The above undrawn loan commitments include only those loan commitments that are not fully cancellable at the Bank's discretion. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. Consequently commitments listed above should not be treated as expected cash outflows.

20. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following table summarises the carrying amounts and fair values of the Group's financial assets and liabilities:

	30 June 2007 (unaudited)		**31 December 2006**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	15 501 865	15 501 865	10 371 653	10 371 653
Obligatory reserves with the CBR	824 373	795 325	775 344	761 080
Financial assets at fair value through profit or loss	2 655 410	2 655 410	6 149 684	6 149 684
Amounts due from credit institutions	14 988	14 988	14 988	14 988
Loans to customers	32 676 380	32 676 380	24 847 152	24 847 152
Financial liabilities at fair value through profit or loss	945	945	2 087	2 087
Amounts due to credit institutions	1 423 372	1 423 372	1 125 939	1 125 939
Amounts due to customers	38 786 598	38 786 598	34 867 976	34 867 976
Debt securities issued	8 639 885	8 575 345	3 713 465	3 713 465

The following methods and assumptions are used by the Group to estimate the fair value of these financial instruments:

Cash and cash equivalents and obligatory reserves with the CBR
For liquid instruments, the carrying amount is a reasonable estimate of fair value. Reserve deposits with the Central Bank of the Russian Federation are non-interest bearing and are estimated to mature as the underlying deposits and other balances in respect of which those deposits are maintained mature.

Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities at fair value through profit or loss are stated at fair value. The fair value of financial assets and liabilities at fair value through profit or loss is determined with reference to an active market.

Amounts due from and due to credit institutions
For assets maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For longer-term deposits, the interest rates applicable reflect market rates and, consequently, the fair value approximates the carrying amounts.

Loans to customers
The fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received, and is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the allowance for loan impairment includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained.

Amounts due to customers and credit institutions
For balances maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For longer-term fixed interest bearing deposits and other borrowings the estimated fair value is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Debt securities issued
The estimated fair values of debt securities issued is based on discounted cash flows and discount rates for a similar instruments at the balance sheet date, except for Eurobonds and loan participations notes, where fair values were based on quoted market prices.

21. 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.

(Thousands of Russian Rubles)

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

As at 30 June 2007 and 31 December 2006 the Group had the following transactions outstanding with related parties:

30 June 2007 (unaudited)	Transactions with shareholders	Transactions with key management personnel	Transactions with group IBT*	Total category
Cash and cash equivalents				
Nostro accounts with other credit institutions (RR - 0%, FC - 0%)	-	-	8 708	988 015
Amounts due from credit institutions (RR - 0%, FC - 0%)	-	-	14 988	14 988
Loans to customers (gross amount) (FC: 12%)	7 951	-	-	34 136 757
Allowance for impairment	(60)	-	-	(1 460 377)
	7 891	**-**	**23 696**	**34 221 157**
Financial liabilities at fair value through profit or loss (RR – 0%, FC - 0%)	-	-	907	945
Amounts due to credit institutions				
Vostro accounts (RR - 0%, FC – 0%)	-	-	14 435	349 566
Amounts due to customers				
Current accounts (RR : 0% - 0.1%, FC: 0%)	233 027	-	1 578	17 213 686
Time deposits (RR: 9.0% - 11.4%, FC: 11.5%)	115 001	-	60 694	17 975 960
Subordinated debt (RR - 2.5%)	2 153 399	-	-	3 596 952
Debt securities issued (RR - 9.2%)	667 413	-	11 284	8 639 885
	3 168 840	**-**	**88 898**	**47 776 994**

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

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(Thousands of Russian Rubles)

31 December 2006

	Transactions with shareholders	Transactions with key management personnel	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%)	-	-	-	7 647	624 864
Financial assets at fair value through profit or loss (FC - 0%)	-	-	-	25	6 149 684
Amounts due from credit institutions (RR - 0%, FC - 0%)	-	-	-	14 988	14 988
Loans to customers (gross amount) (RR: 14%, FC: 10%-15%)	-	21 113	-	-	25 934 176
Allowance for impairment	-	(150)	-	-	(1 087 024)
Other assets	-	-	622	-	456 385
	-	**20 963**	**622**	**22 660**	**32 093 073**
Financial liabilities at fair value through profit or loss (FC - 0%)	-	-	-	77	2 087
Amounts due to credit institutions					
Vostro accounts (RR - 0%, FC - 0%)	-	-	-	1 729	631 219
Amounts due to customers					
Current accounts (RR : 0% - 0.1%, FC: 0%)	362 981	-	-	4 402	20 006 590
Term deposits (RR: 11.0% - 11.3%, FC: 4.75% - 11.5%)	332 664	-	-	80 029	14 746 300
Subordinated debt (RR - 2.5%)	-	-	-	115 086	115 086
Debt securities issued (RR - 9.6%)	440 816	-	-	11 152	3 713 465
	1 136 461	**-**	**-**	**212 475**	**39 214 747**

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

The total remuneration of the key management, including pension contributions, and discretionary compensation included in salaries and employment benefits for the six months ended 30 June 2007 amounted to RR 96 624 thousand (six months ended 30 June 2006: RR 84 155 thousand).

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.

22. Subsidiaries

As at 30 June 2007 and 31 December 2006 the Bank had investments in the following subsidiaries:

Name	Investment as at 30 June 2007 (unaudited)	Investment as at 31 Dec 2006	Country	% Equity interest as at 30 June 2007 (unaudited)	% Equity interest as at 31 Dec 2006
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	N/A	-
NBT Finance Limited	-	-	Ireland	N/A	-

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).

The condensed consolidated interim financial statements of the Group as at 30 June 2007 included the accounts of TIB Holdings S.A., Fiennes Investments Limited, TIB Financial Services Limited, NBT Finance Limited and RSCC No 1 S.A. The consolidated financial statements of the Group as at 31 December 2006 included the accounts of TIB Holdings S.A., Fiennes Investments Limited and TIB Financial Services Limited.

23. Capital Adequacy

The CBR requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed based on RAL. As at 30 June 2007 and 31 December 2006 the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

The Group's international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 June 2007 and 31 December 2006, was 19.2% and 14.2%, respectively. These ratios exceeded the minimum ratio of 8% recommended by the Basle Accord.

(End)