

**OJSC “Bank “St Petersburg” Group**

**Condensed Consolidated Interim Financial  
Information and Review Report**

**30 June 2007**

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## REVIEW REPORT

To the Supervisory Board of OJSC "Bank "St Petersburg":

### *Introduction*

- 1 We have reviewed the accompanying condensed consolidated interim balance sheet of OJSC "Bank "St Petersburg" and its subsidiaries (the "Group") as of 30 June 2007, and related condensed consolidated interim income statement, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion in respect of this condensed consolidated interim financial information based on our review.

### *Scope of review*

- 2 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*

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

*ZAO PricewaterhouseCoopers Audit*

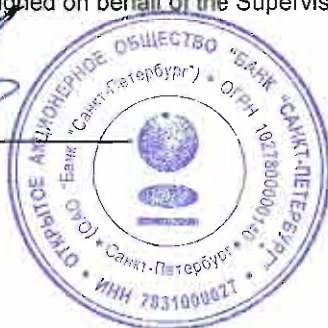
Moscow, Russian Federation  
19 September 2007

**OJSC "Bank "St Petersburg" Group**  
**Condensed Consolidated Interim Balance Sheet as at 30 June 2007**

<i>In thousands of Russian Roubles</i>	Note	30 June 2007	31 December 2006
<b>ASSETS</b>			
Cash and cash equivalents		9 846 669	8 756 668
Mandatory cash balances with the Central Bank of the Russian Federation		1 175 975	773 158
Trading securities	7	7 564 538	6 084 480
Other securities at fair value through profit or loss		1 313 184	1 365 396
Repurchase receivable		518 165	-
Due from other banks		132 101	1 853 807
Loans and advances to customers	8	60 108 137	39 704 896
Prepaid income tax		60 477	20 915
Deferred income tax asset		-	566
Premises and equipment		2 961 769	1 615 333
Intangible assets		1 004	2 993
Other assets		652 648	401 439
<b>TOTAL ASSETS</b>		<b>84 334 667</b>	<b>60 579 651</b>
<b>LIABILITIES</b>			
Due to other banks		156 281	767 935
Customer accounts	9	62 986 627	44 751 809
Bonds issued	10	4 210 447	4 269 548
Other debt securities in issue		3 466 323	2 755 799
Other borrowed funds	11	5 648 047	3 266 929
Deferred income tax liability		262 099	116 270
Other liabilities		74 815	144 837
<b>TOTAL LIABILITIES</b>		<b>76 804 639</b>	<b>56 073 127</b>
<b>EQUITY</b>			
Share capital		3 513 580	3 483 580
Share premium		3 485 556	1 925 556
Revaluation reserve for premises	12	1 141 992	498 698
Accumulated deficit		(611 100)	(1 401 310)
<b>TOTAL EQUITY</b>		<b>7 530 028</b>	<b>4 506 524</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>84 334 667</b>	<b>60 579 651</b>

Approved for issue and signed on behalf of the Supervisory Board on 19 September 2007.

A.V. Saveliev  
Chairman of the Board



N.G. Tomilina  
Chief Accountant

**OJSC "Bank "St Petersburg" Group**  
**Condensed Consolidated Interim Income Statement for the six months ended 30 June 2007**

<i>In thousands of Russian Roubles</i>	Note	6 months ended 30 June 2007	6 months ended 30 June 2006
Interest income	13	3 696 337	1 799 937
Interest expense	13	(1 798 922)	(661 008)
<b>Net interest income</b>		<b>1 897 415</b>	<b>1 138 929</b>
Provision for loan impairment		(396 927)	(182 481)
<b>Net interest income after provision for loan impairment</b>		<b>1 500 488</b>	<b>956 448</b>
Losses less gains arising from trading securities		(33 246)	(40 751)
Losses less gains from other securities at fair value through profit or loss		(4 071)	(12 648)
Gains less losses from trading in foreign currencies		116 867	140 591
Foreign exchange translation losses less gains		(22 411)	(100 992)
Fee and commission income		458 042	274 656
Fee and commission expense		(87 989)	(21 100)
Release of provision/(provision for losses) on credit related commitments		13 982	(27 366)
Other operating income		30 424	8 815
Recovery of provision for impairment of premises	12	33 566	-
Administrative and other operating expenses, including:			
- staff costs		(461 719)	(322 812)
- expenses related to premises and equipment		(192 523)	(136 895)
- other administrative and operating expenses		(269 404)	(213 179)
<b>Profit before tax</b>		<b>1 082 006</b>	<b>504 767</b>
Income tax expense		(257 189)	(141 965)
<b>Profit for the period</b>		<b>824 817</b>	<b>362 802</b>
<b>Basic and diluted earnings per ordinary share (in Russian Roubles per share)</b>	16	<b>3.9</b>	<b>1.8</b>

**OJSC "Bank "St Petersburg" Group**  
**Condensed Consolidated Interim Statement of Changes in Equity for the six months ended**  
**30 June 2007**

<i>In thousands of Russian Roubles</i>	Note	Share capital	Share premium	Revaluation reserve for premises	Accumulated deficit	Total equity
<b>Balance as at 1 January 2006</b>		3 284 230	2 124 906	510 909	(2 603 411)	3 316 634
Profit for the period		-	-	-	362 802	362 802
Total recognised income for 6 months		-	-	-	362 802	362 802
Dividends declared						
- Ordinary shares	17	-	-	-	(2 820)	(2 820)
- Preference shares	17	-	-	-	(221)	(221)
<b>Balance as at 30 June 2006</b>		3 284 230	2 124 906	510 909	(2 243 650)	3 676 395
<b>Balance as at 1 January 2007</b>		3 483 580	1 925 556	498 698	(1 401 310)	4 506 524
Revaluation of premises		-	-	846 439	-	846 439
Income tax recorded directly in equity		-	-	(203 145)	-	(203 145)
Income recorded directly in equity		-	-	643 294	-	643 294
Profit for the period		-	-	-	824 817	824 817
Total recognised income for 6 months		-	-	643 294	824 817	1 468 111
Share issue		30 000	1 560 000	-	-	1 590 000
Dividends declared						
- Ordinary shares	17	-	-	-	(32 396)	(32 396)
- Preference shares	17	-	-	-	(2 211)	(2 211)
<b>Balance as at 30 June 2007</b>		3 513 580	3 485 556	1 141 992	(611 100)	7 530 028

**OJSC "Bank "St Petersburg" Group**

**Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2007**

<i>In thousands of Russian Roubles</i>	6 months ended 30 June 2007	6 months ended 30 June 2006
<b>Cash flows from operating activities</b>		
Interest income received on loans and correspondent accounts	3 276 650	1 594 201
Interest income received on securities	223 340	96 888
Interest expense paid on due to other banks	(20 244)	(27 344)
Interest expense paid on customer accounts	(1 467 476)	(498 289)
Interest expense paid on securities issued	(88 066)	(61 917)
Net expenses incurred from trading in securities	(10 127)	(6 305)
Net income received from trading in foreign currencies	118 997	144 483
Fees and commissions received	458 042	274 656
Fees and commissions paid	(87 989)	(21 100)
Other operating income received	30 140	8 808
Staff costs paid	(506 858)	(380 732)
Expenses related to premises and equipment paid	(118 490)	(78 047)
Other administrative and operating expenses paid	(239 622)	(225 993)
Income tax paid	(353 501)	(142 020)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>1 214 796</b>	<b>677 289</b>
<b>Changes in operating assets and liabilities</b>		
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	(402 817)	(141 373)
Net increase in trading securities	(1 498 441)	(1 269 210)
Net decrease/(increase) in other securities at fair value through profit or loss	18 886	(1 628)
Net (increase)/decrease in repurchase receivable	(518 042)	249 069
Net decrease in due from banks	1 693 001	1 395 777
Net increase in loans and advances to customers	(20 748 913)	(9 513 167)
Net increase in other assets	(286 985)	(193 690)
Net decrease in due to other banks	(610 338)	(1 121 778)
Net increase in customer accounts	18 140 437	8 826 267
Net increase/(decrease) in debt securities in issue	691 262	(239 865)
Net (decrease)/increase in other liabilities	(13 528)	15 291
<b>Net cash used in operating activities</b>	<b>(2 320 682)</b>	<b>(1 317 018)</b>
<b>Cash flows from investing activities</b>		
Acquisition of premises and equipment	(542 551)	(73 921)
Proceeds from disposal of premises and equipment	4 076	4 128
<b>Net cash used in investing activities</b>	<b>(538 475)</b>	<b>(69 793)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares		
- Share capital	30 000	-
- Share premium	1 560 000	-
Issue of bonds	-	992 980
Attraction of other borrowed funds	3 092 897	-
Repayment of other borrowed funds	(667 504)	(6 821)
Dividends paid	(33 024)	(2 904)
<b>Net cash from financing activities</b>	<b>3 982 369</b>	<b>983 255</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(33 211)</b>	<b>(31 062)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 090 001</b>	<b>(434 618)</b>
Cash and cash equivalents as at the beginning of the period	8 756 668	4 556 945
<b>Cash and cash equivalents as at the end of the period</b>	<b>9 846 669</b>	<b>4 122 327</b>

## **1 Introduction**

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared for OJSC Bank "St Petersburg" (the "Bank"), its subsidiary LLC "Leasing Company "St Petersburg" and a controlled special purpose entity BSPB Finance plc (together referred to as the "Group" or "OJSC "Bank "St Petersburg" Group").

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as the result of the privatization process of the former Leningrad regional office of Zhilsotsbank. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations.

As at 30 June 2007 29.99% of ordinary shares of the Bank are controlled by Mr Saveliev (31 December 2006: 19.93%). The rest of the management of the Bank controls further 29.82% of ordinary shares of the Bank (31 December 2006: 30.86%). Mr Saveliev has a call option to purchase 100% share in the company "Systemnie Tekhnologii", which is controlled by management of the Bank, at any time before the 1 March 2008. As at 30 June 2007, 12.0% (31 December 2006: nil) of ordinary shares of the Bank are owned by this company. There is no contractual agreement between any members of management team and Mr Saveliev on joint control of the Bank. There is no ultimate controlling party in the Bank.

Other shareholders of the Bank are: 15.25% (31 December 2006: 15.03%) of shares are controlled by Mr Troitsky, and 14.89% (31 December 2006: 15.14%) are controlled by Mr Korzhev. 3.26% (31 December 2006: 13.83%) of the shares are ultimately controlled by "Vozrozhdenie" Enterprise Group headed by Mr. Bukato. The remaining 6.79% (31 December 2006: 5.21%) of the shares are widely held.

**Principal activity.** The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1997. In 2004, the Bank was admitted to the state deposit insurance scheme introduced by Federal Law N177-FZ "Deposits of individuals insurance in the Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 100 thousand and repayment of 90% of individual deposits in excess of RR 100 thousand up to a limit of RR 400 thousand per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

As at 30 June 2007 the Bank had 9 branches within the Russian Federation: 8 branches are located in the North-West region of Russia, and one branch in Moscow (31 December 2006: the Bank had 9 branches within the Russian Federation: 8 branches are located in the North-West region of Russia, and one branch in Moscow).

The principal business activity of LLC "Leasing Company "St Petersburg" is leasing of machinery and equipment. Special purpose entity BSPB Finance plc is used by the Group for Eurobond issue (Refer to Note 10).

**Registered address and place of business.** The Bank's registered address and place of business is: 191167, Russian Federation, Saint Petersburg, Nevskiy Prospect, 178.

**Presentation currency.** This condensed consolidated interim financial information is presented in thousands of Russian Roubles ("RR thousands").

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

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity. Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the financial position of the Group.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.



### 3 Basis of Preparation and Summary of Significant Accounting Policies

**Basis of preparation.** As permitted by IAS 34 an entity may elect to provide less information at interim dates as compared to its annual financial statements. This condensed consolidated interim financial information has been prepared in accordance with IAS 34. The accounting policies and methods of computations applied in the preparation of this condensed consolidated interim financial information are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2006. These policies have been consistently applied to all the periods presented. The Group's condensed consolidated interim financial information does not contain all the explanatory notes as required for a full set of financial statements, including certain disclosures introduced by IFRS 7, *Financial Instruments: Disclosures* (Refer to Note 4).

The Group maintains its accounting records in accordance with the Russian banking and accounting regulations. This condensed consolidated interim financial information has been prepared from those accounting records and adjusted as necessary in order to be in accordance with IAS 34.

The preparation of this condensed consolidated interim financial information in conformity with IAS 34 required the use of certain critical accounting estimates. It also required Management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this condensed consolidated interim financial information are disclosed in Note 6.

The Bank's operations do not bear seasonal or cyclical nature.

### 4 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

**IFRS 7 *Financial Instruments: Disclosures and a Complementary Amendment to IAS 1 Presentation of Financial Statements*** are effective for annual periods beginning on or after 1 January 2007. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. The Group is currently assessing what impact the new IFRS 7 and the amendment to IAS 1 will have on disclosures in its annual consolidated financial statements. The Group will apply IFRS 7 and amendment to IAS 1 to annual periods beginning on or after 1 January 2007.

**Other new standards or interpretations.** The Group has adopted the following other new standards or interpretations which became effective as of 1 January 2007:

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for annual periods beginning on or after 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006).

The new IFRIC interpretations 7 to 10 did not significantly affect the Group's condensed consolidated interim financial information.

## 5 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted.

**IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).** The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management does not expect IFRS 8 to affect significantly the Group's consolidated financial statements.

**Other new standards or interpretations.** The Group has not early adopted the following other new standards or interpretations:

- IFRS 23, *Borrowing Costs* (revised March 2007; effective for annual periods beginning on or after 1 January 2009);
- IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008);
- IAS 1, *Presentation of Financial Statements (Revised)* (effective for annual periods beginning on or after 1 January 2009). The revision is aimed at improving users' ability to analyse and compare the information given in financial statements.

Unless otherwise described above, the new standard and interpretations are not expected to significantly affect the Group's consolidated financial statements.

## 6 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

**Impairment losses on loans and advances.** The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there are any signs of a decrease in the estimated future cash flows from a portfolio of loans before the signs of impairment can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the loan portfolio, or national or local economic conditions that correlate with defaults on assets in the loan portfolio.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/- one month, the provision would be approximately RR 32 079 thousand higher or RR 32 079 thousand lower (31 December 2006: RR 21 329 thousand higher or RR 21 329 thousand lower).

**Special Purpose Entities.** Judgement is also required to determine whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity is controlled by the Group.

**Tax legislation.** The tax legislation of the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

**Revaluation of premises.** Premises 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 premises being revalued and generally it is performed once in two years. The Group's management uses judgement for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

## 7 Trading Securities

<i>In thousands of Russian Roubles</i>	30 June 2007	31 December 2006
Federal loan bonds (OFZ bonds)	3 710 517	2 476 819
Corporate bonds	1 532 472	1 614 032
Russian Federation Eurobonds	1 381 356	1 163 317
Corporate shares	713 597	292 884
Municipal bonds	226 596	537 428
<b>Total trading securities</b>	<b>7 564 538</b>	<b>6 084 480</b>

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from 29 April 2009 to 6 February 2036 (31 December 2006: from 30 April 2008 to 6 February 2036), coupon rate of approximately 5.8% - 10.0% p.a. (31 December 2006: 5.8% - 10.0% p.a.) and yield to maturity from 5.8% to 7.0% p.a. as at 30 June 2007 (31 December 2006: from 5.8% to 7.0% p.a.), depending on the type of bond issue.

Corporate bonds are interest bearing Rouble denominated securities issued by Russian companies, and are freely tradable at the Russian market. These bonds have maturity dates from 19 June 2008 to 23 November 2011 (31 December 2006: from 19 April 2007 to 23 November 2011), coupon rate of approximately 9.3% - 13.5% p.a. (31 December 2006: 9.3% - 13.5% p.a.) and yield to maturity from 8.8% to 13.0% p.a. as at 30 June 2007 (31 December 2006: from 8.3% to 12.7% p.a.), depending on the type of bond issue.

Russian Federation Eurobonds are interest bearing securities denominated in USD, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have maturity dates from 31 March 2010 to 31 March 2030 (31 December 2006: from 31 March 2010 to 31 March 2030), coupon rate of 7.5% - 8.3% p.a. (31 December 2006: 5.0% - 8.3% p.a.) and yield to maturity from 5.5% to 6.1% p.a. as at 30 June 2007 (31 December 2006: from 5.4% to 5.7% p.a.), depending on the type of bond issue.

Corporate shares are shares of Russian companies which are freely tradable at the Russian market.

Municipal bonds are Russian Roubles denominated securities issued by municipal administrations of St Petersburg and Moscow Region (31 December 2006: municipal administrations of St Petersburg and Moscow Region). Bonds are issued at a discount to nominal value, have maturity dates from 18 June 2008 to 6 August 2014 (31 December 2006: from 18 June 2008 to 6 August 2014), coupon rate of 8.0% - 11.0% p.a. (31 December 2006: 9.0% - 11.0% p.a.) and yield to maturity from 6.1% to 8.2% p.a. as at 30 June 2007 (31 December 2006: from 6.6% to 6.9% p.a.), depending on the type of bond issue.

The Bank is licensed by the Federal Commission on Securities Market for trading in securities.

Maturity analysis of trading securities is disclosed in Note 15.

All disclosures required under IFRS 7, Financial Instruments: Disclosures, in respect of trading securities will be presented in the annual consolidated financial statements of the Group for the year 2007.

## 8 Loans and Advances to Customers

<i>In thousands of Russian Roubles</i>	30 June 2007	31 December 2006
Current loans	61 559 245	40 816 554
Net investment in lease	319 613	331 110
Overdue loans	222 510	161 988
Less: Provision for loan impairment	(1 993 231)	(1 604 756)
<b>Total loans and advances to customers</b>	<b>60 108 137</b>	<b>39 704 896</b>

Movements in the provision for loan impairment are as follows:

<i>In thousands of Russian Roubles</i>	2007	2006
<b>Provision for loan impairment as at 1 January</b>	<b>1 604 756</b>	<b>1 178 270</b>
Provision for loan impairment during the period	398 759	189 195
Loans and advances to customers written off during the period as uncollectible	(10 284)	-
<b>Provision for loan impairment as at 30 June</b>	<b>1 993 231</b>	<b>1 367 465</b>

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2007		31 December 2006	
	Amount	%	Amount	%
Trade	11 469 108	18.5	6 557 787	15.9
Construction	10 506 278	16.9	5 330 377	12.9
Real estate operations	9 396 548	15.1	8 077 938	19.6
Leasing and financial services	7 516 611	12.1	5 499 006	13.3
Heavy machinery and ship-building	7 018 374	11.3	4 684 695	11.3
Individuals	4 763 574	7.7	2 054 874	5.0
Consumer goods and food industry	3 698 087	6.0	3 590 147	8.7
Transport	1 432 342	2.3	1 230 455	3.0
Chemical industry	854 126	1.4	721 309	1.6
Energy	323 238	0.5	1 182 027	2.9
Other	5 123 082	8.2	2 381 037	5.8
<b>Total loans and advances to customers (before impairment)</b>	<b>62 101 368</b>	<b>100.0</b>	<b>41 309 652</b>	<b>100.0</b>

As at 30 June 2007, the Group had 20 groups of related borrowers with aggregated loan amounts issued to each group above 10% of the consolidated equity of the Group as at that date. The aggregate amount of these loans was RR 19 322 091 thousand or 31% of the gross loan portfolio before impairment.

As at 31 December 2006, the Group had 25 groups of related borrowers with aggregated loan amounts issued to each group above 10% of consolidated equity of the Group as at that date. The aggregate amount of these loans was RR 15 921 926 thousand or 39% of the gross loan portfolio before impairment.

As at 30 June 2007 the estimated fair value of loans and advances to customers was approximately RR 60 108 137 thousand (31 December 2006: RR 39 704 896 thousand).

Maturity analysis of loans and advances to customers is disclosed in Note 15. The information on related party balances is disclosed in Note 18.

## 8 Loans and advances to customers (Continued)

All disclosures required under IFRS 7, Financial Instruments: Disclosures, in respect of loans and advances to customers will be presented in the annual consolidated financial statements of the Group for the year 2007.

## 9 Customer Accounts

<i>In thousands of Russian Roubles</i>	30 June 2007	31 December 2006
<b>State and public organisations</b>		
- Current/settlement accounts	932 413	303 625
- Term deposits	2 707 079	2 347 817
<b>Other legal entities</b>		
- Current/settlement accounts	20 974 435	15 931 672
- Term deposits	16 729 654	10 536 393
- Sale and repurchase agreements	508 209	-
<b>Individuals</b>		
- Current/demand accounts	5 009 422	3 674 246
- Term deposits	16 125 415	11 958 056
<b>Total customer accounts</b>	<b>62 986 627</b>	<b>44 751 809</b>

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2007		31 December 2006	
	Amount	%	Amount	%
Individuals	21 134 837	33.6	15 632 302	34.9
Manufacturing	6 803 606	10.8	3 828 411	8.6
Leasing and financial services	5 160 703	8.2	3 281 224	7.3
Trade	4 836 635	7.7	3 443 186	7.7
Construction	4 172 095	6.6	4 922 044	11.0
Transport	3 998 469	6.3	2 357 302	5.3
Cities and municipalities	3 503 675	5.6	2 634 713	5.9
Communications	2 881 500	4.6	197 471	0.4
Public utilities	2 579 785	4.1	1 530 624	3.4
Real estate operations	2 412 901	3.8	3 130 467	7.0
Energy	1 776 030	2.8	1 220 868	2.7
Art, science and education	1 242 184	2.0	1 110 816	2.5
Medical institutions	292 124	0.5	228 912	0.5
Other	2 192 083	3.4	1 233 469	2.8
<b>Total customer accounts</b>	<b>62 986 627</b>	<b>100.0</b>	<b>44 751 809</b>	<b>100.0</b>

As at 30 June 2007, the Group had 7 customers with total balances above 10% of the consolidated equity of the Group as at this date. The aggregate balance of these customers was RR 12 216 593 thousand, or 19.4% of total customer accounts.

As at 31 December 2006, the Group had 11 customers with total balances above 10% of the consolidated equity of the Group as at this date. The aggregate balance of these customers was RR 10 537 798 thousand, or 23.5% of total customer accounts.

**9 Customer Accounts (Continued)**

As at 30 June 2007 included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 508 209 thousand (31 December 2006: no sale and repurchase agreements included in customer accounts). Securities sold under these sale and repurchase agreements are municipal bonds with the fair value of RR 518 165 thousand. As at 30 June 2007 these securities were recorded in the condensed consolidated interim balance sheet as municipal bonds within repurchase receivable.

As at 30 June 2007, included in customer accounts are deposits of RR 1 677 913 thousand held as collateral for irrevocable commitments under import letters of credit (31 December 2006: RR 1 022 040 thousand).

As at 30 June 2007 the estimated fair value of customer accounts was approximately RR 62 986 627 thousand (31 December 2006: RR 44 751 809 thousand).

Maturity analysis of customer accounts is disclosed in Note 15. The information on related party balances is disclosed in Note 18.

All disclosures required under IFRS 7, Financial Instruments: Disclosures, in respect of customer accounts will be presented in the annual consolidated financial statements of the Group for the year 2007.

## 10 Bonds Issued

<i>In thousands of Russian Roubles</i>	30 June 2007	31 December 2006
Eurobonds	3 212 597	3 271 546
Bonds	997 850	998 002
<b>Total bonds issued</b>	<b>4 210 447</b>	<b>4 269 548</b>

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In 2006, the Group placed interest-bearing US Dollar-denominated Eurobonds (one bond – USD 100 000) in the amount of 1 250 bonds. The issue was registered on Irish Stock Exchange. As at 30 June 2007 the carrying value of these bonds was USD 124 441 thousand, the equivalent of RR 3 212 597 thousand (31 December 2006: carrying value of bonds was USD 124 246 the equivalent of RR 3 271 546 thousand). Eurobonds have maturity on 25 November 2009, nominal coupon rate of 9.501% p.a. and effective interest rate of 10.44% p.a. The Group should observe certain covenants relating to Eurobond issue. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's management believes that the Group fully meets all covenants of loan agreements. In July 2007, the Group made another issue of Eurobonds, which amounted to USD 100 000 (Refer to Note 20).

On 14 June 2006, the Group placed Russian Rouble denominated interest-bearing bonds (one bond – RR 1 000) in the amount of 1 000 000. As at 30 June 2007, the carrying value of these bonds was RR 997 850 thousand (31 December 2006: the carrying value of these bonds was RR 998 002 thousand). The bonds have maturity date on 22 June 2009. Coupon rate established for the first four coupon periods is 9.6% p.a. For the coupon periods starting from the fifth period, which begins on 17 June 2007, coupon rate is 9.0%. These bonds bear an early redemption option at nominal value on the third day of the fifth coupon period, namely 20 June 2007, which was not exercised by holders.

As at 30 June 2007 the estimated fair value of bonds issued was approximately RR 4 210 447 thousand (31 December 2006: RR 4 269 548 thousand).

Maturity analysis of bonds issued is disclosed in Note 15.

All disclosures required under IFRS 7, Financial Instruments: Disclosures, in respect of bonds issued will be presented in the annual consolidated financial statements of the Group for the year 2007.



**11 Other Borrowed Funds**

<i>In thousands of Russian Roubles</i>	<b>30 June 2007</b>	<b>31 December 2006</b>
Syndicated loans	3 361 562	795 166
Subordinated loans	1 493 848	2 185 167
Funds received from EBRD	781 641	267 379
Funds received from the Ministry of Finance and the Ministry of Construction of the Russian Federation under the Housing facility program	10 996	16 824
Funds received from the Ministry of Finance of the Russian Federation under FIDP facility	-	2 393
<b>Total other borrowed funds</b>	<b>5 648 047</b>	<b>3 266 929</b>

On 31 July 2006, the Group received a syndicated loan in the amount of USD 30 000 thousand arranged by ABN AMRO Bank N.V. The participants of the loan are 10 non-resident banks, one non-resident company and one resident bank. As at 30 June 2007 the carrying value of this loan was USD 30 191 thousand, the equivalent of RR 779 410 thousand (31 December 2006: carrying value of this loan was USD 30 199 thousand, the equivalent of RR 795 166 thousand). The syndicated loan has maturity date on 30 July 2007 with possibility to extend it for 364 days on the discretion of the Bank's management. The interest rate on this loan is LIBOR plus 2.4% p.a. As at 30 June 2007, the interest rate was 7.7% p.a. (31 December 2006: interest rate was 7.8% p.a.).

On 29 June 2007, the Group received a syndicated loan in the amount of USD 100 000 thousand arranged by Standard Bank Plc. The participants of this loan are 16 non-resident banks and 4 resident banks. As at 30 June 2007, the carrying value of this loan was USD 100 021 thousand, the equivalent of RR 2 582 152 thousand. This syndicated loan has maturity date on 21 June 2008. The interest rate on this loan is LIBOR plus 2.15% p.a. As at 30 June 2007, the interest rate was 7.45% p.a.

In September 2006, the Group received subordinated loans from shareholders and other related parties in the amount of RR 875 000 thousand with maturity in September 2012. During March 2007, upon agreement with the companies providing subordinated loans and after the approval of the Bank of Russia, a part of loans in the amount of RR 665 000 thousand was early repaid, and the funds were directed on the increase of the share capital of the Bank. As at 30 June 2007, the carrying value of subordinated loans from shareholders and other related parties was RR 210 000 thousand (31 December 2006: the carrying value of these loans was RR 875 000 thousand). Subordinated loans from shareholders and related parties recorded in the balance sheet as at 30 June 2007 had fixed interest rate of 12.0% p.a. (31 December 2006: fixed interest rates from 11.5% to 12.0% p.a.).

In December 2006, the Group received a subordinated loan in the amount of USD 50 000 thousand with maturity in March 2012 financed by issuing credit notes. The provider of this subordinated loan was investment bank "TRUST". As at 30 June 2007 the carrying value of this subordinated loan was USD 49 730 thousand, the equivalent of RR 1 283 848 thousand (31 December 2006: the carrying value of this loan was USD 49 757 thousand, the equivalent of RR 1 310 167 thousand). This subordinated loan was issued at fixed interest rate of 11% p.a.

In the event of liquidation of the Bank, the claims of repayment of subordinated loans are subordinated to the claims of all other creditors and depositors of the Bank.

On 25 October 2006, 26 February 2007 and 27 June 2007 the Group received three tranches of the loan provided by the European Bank of Reconstruction and Development (EBRD) in the amount of USD 10 000 thousand each, which should be repaid in November 2010. This loan was issued for the purposes of funding small and medium businesses. As at 30 June 2007 the carrying value of this loan was USD 30 277 thousand, the equivalent of RR 781 641 thousand (31 December 2006: the carrying value of this loan was USD 10 154 thousand, the equivalent of RR 267 379 thousand). The interest rate on this loan is LIBOR plus 3% p.a. As at 30 June 2007, the interest rates ranged from 8.30% to 8.35% p.a. depending on the tranche (31 December 2006: interest rate was 8.4% p.a.).

## 11 Other Borrowed Funds (Continued)

As at 30 June 2007, the Group had USD 426 thousand, the equivalent of RR 10 996 thousand (31 December 2006: USD 639 thousand, the equivalent of RR 16 824 thousand) of funds received from the Ministry of Finance and the Ministry of Construction of the Russian Federation under a facility of the International Bank for Reconstruction and Development. The facility was provided for financing construction of houses and development of construction industry in Russia in 1996. As at 30 June 2007, the loan carried variable interest rates from 8.04% to 8.11% p. a. (31 December 2006: from 6.70% to 7.52% p. a.) depending on the tranche. The loan should be repaid by 15 January 2008 in equal semi-annual instalments starting July 1998.

The Group should observe certain covenants relating to attraction of the syndicated loans and EBRD funds. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's management believes that the Group fully meets all covenants of loan agreements.

As at 30 June 2007 the estimated fair value of other borrowed funds was approximately RR 5 648 047 thousand (31 December 2006: RR 3 266 929 thousand).

Maturity analysis of other borrowed funds is disclosed in Note 15. The information on related party balances is disclosed in Note 18.

All disclosures required under IFRS 7, Financial Instruments: Disclosures, in respect of other borrowed funds will be presented in the annual consolidated financial statements of the Group for the year 2007.

## 12 Revaluation of Premises

The premises of the Group have been revalued as at 30 June 2007. The revaluation has been performed by an independent professional real estate appraisal company, which is registered in St. Petersburg. The basis for the appraisal was market value. The fair value was calculated on the basis of three approaches to valuation: comparison approach, income approach and replacement approach, which gave approximately the same results.

- The *comparison* approach is based on the direct comparison of the revalued object with other objects sold or offered for sale. The market value of premises is determined by the price which an independent party would pay for an object similar by its quality and use. The market value of premises was estimated on the basis of the comparison approach based on information on sales of the comparable objects that took place in the market.
- When determining the value of the property on the basis of the *income* approach, the discounted cash flows method was applied. The basic principle used as a basis for this approach was the assumption that upon acquiring any property an investor expects to generate income from commercial operation of such property.
- The *replacement cost* approach represents a set of methods of valuation of property based on determination of costs required to recover or replace an object taking into account its depreciation. The basis of the cost approach is the principle of replacement, under which a buyer will not pay for an object an amount exceeding the cost of creation within a reasonable time of an object with equal utility.

The carrying value of premises includes revaluation of the Group's premises in the amount of RR 1 502 619 thousand (31 December 2006: RR 656 180 thousand), including RR 846 439 thousand recognised as a result of revaluation of premises as at 30 June 2007. As at 30 June 2007 the Group has a deferred tax liability of RR 360 627 thousand (31 December 2006: RR 157 482 thousand) related to the revaluation of premises. In respect of the building for which the Group earlier created an impairment provision recorded in the income statement, as a result of revaluation as at 30 June 2007, the recovery of provision amounting to RR 33 566 thousand was recognised in the condensed consolidated interim income statement. If the assets were recorded at cost less accumulated depreciation and impairment provision, the carrying value of premises as at 30 June 2007 would amount to RR 951 642 thousand (31 December 2006: 587 382 thousand) compared to their fair value of RR 2 485 440 thousand (31 December 2006: RR 1 253 071 thousand).

**13 Interest Income and Expense**

<i>In thousands of Russian Roubles</i>	<b>6 months ended 30 June 2007</b>	<b>6 months ended 30 June 2006</b>
<b>Interest income</b>		
Loans and advances to customers	3 362 198	1 644 550
Debt trading securities	226 841	92 382
Due from other banks	83 861	56 091
Other debt securities at fair value through profit or loss	21 523	4 587
Correspondent accounts with other banks	1 914	2 327
<b>Total interest income</b>	<b>3 696 337</b>	<b>1 799 937</b>
<b>Interest expense</b>		
Term deposits of legal entities	624 487	188 346
Term deposits of individuals	606 456	339 666
Bonds issued	211 154	3 987
Other borrowed funds	149 949	1 033
Other debt securities in issue	107 845	80 073
Current/settlement accounts	77 774	21 607
Due to other banks	21 257	26 296
<b>Total interest expense</b>	<b>1 798 922</b>	<b>661 008</b>
<b>Net interest income</b>	<b>1 897 415</b>	<b>1 138 929</b>

## 14 Segment Analysis

The Group's primary format for reporting segment information is business segments.

**Business Segments.** The Group is organised on a basis of three main business segments:

- Corporate banking – representing current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency transactions with commercial and state entities.
- Operations on financial markets – representing financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.
- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages to individuals.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense. Interest charged for these funds is based on the market interest rates. There are no other material items of income or expense between the business segments. Internal charges and transfer pricing adjustments have been reflected in the performance results of each business segment.

Segment information for the main reportable business segments of the Group for the six-month periods ended 30 June 2007 and 30 June 2006 is set out below:

	Corporate banking	Operations on financial markets	Retail banking	Eliminations	Total
<i>In thousands of Russian Roubles</i>					
<b>6 months of 2007</b>					
External revenues	3 425 442	366 774	392 587	-	4 184 803
Revenues from other segments	1 527 365	3 345 273	1 072 945	(5 945 583)	-
<b>Total revenues</b>	<b>4 952 807</b>	<b>3 712 047</b>	<b>1 465 532</b>	<b>(5 945 583)</b>	<b>4 184 803</b>
<b>Total revenues comprise:</b>					
- Interest income	4 620 028	3 679 412	1 342 480	(5 945 583)	3 696 337
- Fee and commission income	304 889	32 380	120 773	-	458 042
- Other operating income	27 890	255	2 279	-	30 424
<b>Segment results</b>	<b>475 421</b>	<b>602 095</b>	<b>431 705</b>	<b>-</b>	<b>1 509 221</b>
Unallocated costs					(427 215)
<b>Profit before tax</b>					<b>1 082 006</b>
Income tax expense					(257 189)
<b>Profit for the period</b>					<b>824 817</b>

#### 14 Segment Analysis (Continued)

	Corporate banking	Operations on financial markets	Retail banking	Eliminations	Total
<i>In thousands of Russian Roubles</i>					
<b>6 months of 2006</b>					
External revenues	1 792 275	160 565	130 568	-	<b>2 083 408</b>
Revenues from other segments	1 171 544	1 554 013	477 042	(3 202 599)	-
<b>Total revenues</b>	<b>2 963 819</b>	<b>1 714 578</b>	<b>607 610</b>	<b>(3 202 599)</b>	<b>2 083 408</b>
<b>Total revenues comprise:</b>					
- Interest income	2 754 405	1 709 400	538 731	(3 202 599)	<b>1 799 937</b>
- Fee and commission income	202 094	5 178	67 384	-	<b>274 656</b>
- Other operating income	7 320	-	1 495	-	<b>8 815</b>
<b>Segment results</b>	<b>839 633</b>	<b>(79 033)</b>	<b>91 302</b>	<b>-</b>	<b>851 902</b>
Unallocated costs					(347 135)
<b>Profit before tax</b>					<b>504 767</b>
Income tax expense					(141 965)
<b>Profit for the period</b>					<b>362 802</b>

#### 15 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The most significant financial risks for the Bank are credit and liquidity risk.

**Credit risk.** The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay all 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 sectors. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. Limits on the level of credit risk by borrower and industry sector are approved regularly by the Bank's Management Board and 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 and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. 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 Group's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

## **15 Financial Risk Management (Continued)**

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

**Liquidity risk.** Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. 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 cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The table below shows assets and liabilities as at 30 June 2007 by their remaining contractual maturity, unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement is used.

The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of portfolio's realisability and their view that it is a fairer portrayal of the Group's liquidity position. Mandatory cash balances with the CBRF are included within demand and less than one month as the requirement is to maintain as a reserve a specified percentage of certain liabilities which are also included within this category.

**15 Financial Risk Management (Continued)**

<i>In thousands of Russian Roubles</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 year to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	9 846 669	-	-	-	-	9 846 669
Mandatory cash balances with CBRF	1 175 975	-	-	-	-	1 175 975
Trading securities	7 564 538	-	-	-	-	7 564 538
Other securities at fair value through profit or loss	-	-	-	1 313 184	-	1 313 184
Repurchase receivable	518 165	-	-	-	-	518 165
Due from other banks	64 736	67 365	-	-	-	132 101
Loans and advances to customers	4 252 583	23 636 467	16 721 112	13 573 706	1 924 269	60 108 137
Prepaid income tax	-	60 477	-	-	-	60 477
Premises and equipment	-	-	-	-	2 961 769	2 961 769
<b>Intangible assets</b>	-	-	-	-	1 004	1 004
<b>Other assets</b>	175 824	367 141	36 770	61 573	11 340	652 648
<b>Total assets</b>	<b>23 598 490</b>	<b>24 131 450</b>	<b>16 757 882</b>	<b>14 948 463</b>	<b>4 898 382</b>	<b>84 334 667</b>
<b>Liabilities</b>						
Due to other banks	87 795	68 486	-	-	-	156 281
Customer accounts	31 776 108	18 261 691	12 014 167	934 661	-	62 986 627
Bonds issued	-	-	-	4 210 447	-	4 210 447
Other debt securities in issue	709 566	1 315 890	1 068 871	361 535	10 461	3 466 323
Other borrowed funds	784 803	-	2 587 755	2 069 605	205 884	5 648 047
Deferred income tax liability	-	-	-	262 099	-	262 099
Other liabilities	40 516	34 299	-	-	-	74 815
<b>Total liabilities</b>	<b>33 398 788</b>	<b>19 680 366</b>	<b>15 670 793</b>	<b>7 838 347</b>	<b>216 345</b>	<b>76 804 639</b>
<b>Net liquidity gap</b>	<b>(9 800 298)</b>	<b>4 451 084</b>	<b>1 087 089</b>	<b>7 110 116</b>	<b>4 682 037</b>	<b>7 530 028</b>
<b>Cumulative liquidity gap as at 30 June 2007</b>	<b>(9 800 298)</b>	<b>(5 349 214)</b>	<b>(4 262 125)</b>	<b>2 847 991</b>	<b>7 530 028</b>	

## 15 Financial Risk Management (Continued)

The liquidity position of the Group as at 31 December 2006 is set out below:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 year to 5 years	More than 5 years	Total
<b>Assets</b>						
Cash and cash equivalents	8 756 668	-	-	-	-	8 756 668
Mandatory cash balances with CBRF	773 158	-	-	-	-	773 158
Trading securities	6 084 480	-	-	-	-	6 084 480
Other securities at fair value through profit or loss	-	-	-	1 365 396	-	1 365 396
Due from other banks	1 511 141	342 666	-	-	-	1 853 807
Loans and advances to customers	3 164 016	13 617 446	13 966 332	8 234 327	722 775	39 704 896
Prepaid income tax	-	20 915	-	-	-	20 915
Deferred income tax asset	-	-	-	566	-	566
Premises and equipment	-	-	-	-	1 615 333	1 615 333
<b>Intangible assets</b>	-	-	-	-	2 993	2 993
<b>Other assets</b>	131 145	145 366	75 186	49 742	-	401 439
<b>Total assets</b>	<b>20 420 608</b>	<b>14 126 393</b>	<b>14 041 518</b>	<b>9 650 031</b>	<b>2 341 101</b>	<b>60 579 651</b>
<b>Liabilities</b>						
Due to other banks	738 353	29 582	-	-	-	767 935
Customer accounts	22 054 484	12 748 081	9 781 741	167 503	-	44 751 809
Bonds issued	-	998 002	-	3 271 546	-	4 269 548
Other debt securities in issue	1 191 822	1 271 595	292 382	-	-	2 755 799
Other borrowed funds	6 674	-	801 885	273 203	2 185 167	3 266 929
Other liabilities	79 512	59 699	1 419	119	4 088	144 837
Deferred income tax liability	-	-	-	116 270	-	116 270
<b>Total liabilities</b>	<b>24 070 845</b>	<b>15 106 959</b>	<b>10 877 427</b>	<b>3 828 641</b>	<b>2 189 255</b>	<b>56 073 127</b>
<b>Net liquidity gap</b>	<b>(3 650 237)</b>	<b>(980 566)</b>	<b>3 164 091</b>	<b>5 821 390</b>	<b>151 846</b>	<b>4 506 524</b>
<b>Cumulative liquidity gap as at 31 December 2006</b>	<b>(3 650 237)</b>	<b>(4 630 803)</b>	<b>(1 466 712)</b>	<b>4 354 678</b>	<b>4 506 524</b>	



## **15 Financial Risk Management (Continued)**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customers accounts provide a long-term and stable source of funding for the Group. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Bank provides an opportunity to the majority of its borrowers to roll-over credit agreements, the loans are issued mainly for project finance and the term extension is separately specified in the loan agreement. In accordance with its credit policy the Group issues short-term loans, with the possibility of their further prolongation to finance medium - and long-term projects of borrowers. Customers can extend the maturity of the loans, subject to approval by the Credit Committee and/or the Management Board. Most borrowers of the Bank take the opportunity to prolong their loans, and this is regularly approved by the Bank's Management Board. For such transactions contractual maturity of loans is shorter than their expected maturity which may have negative impact on the liquidity position of the Group presented above.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

All disclosures required under IFRS 7, Financial Instruments: Disclosures, in respect of financial risk management will be presented in the annual consolidated financial statements of the Group for the year 2007.

## **16 Earnings per Share**

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

<i>In thousands of Russian Roubles</i>	<b>6 months ended 30 June 2007</b>	<b>6 months ended 30 June 2006</b>
Profit attributable to the equity holders of the Bank	824 817	362 802
Less: preference dividends	(2 211)	(221)
Profit attributable to the Bank's ordinary shareholders	822 606	362 581
Weighted average number of ordinary shares in issue (thousands)	213 168	201 400*
<b>Basic and diluted earnings per ordinary share (in Russian Roubles per share)</b>	<b>3.9</b>	<b>1.8</b>

\* Weighted average number of ordinary shares in issue for 30 June 2006 was adjusted by the coefficient of increase in share capital through capitalisation of the share premium in 2006.

## 17 Dividends

<i>In thousands of Russian Roubles</i>	2007		2006	
	Ordinary	Preference	Ordinary	Preference
Dividends payable as at 1 January	475	-	395	-
Dividends declared during the period	32 396	2 211	2 820	221
Dividends paid during the period	(30 813)	(2 211)	(2 683)	(221)
<b>Dividends payable as at 30 June</b>	<b>2 058</b>	<b>-</b>	<b>532</b>	<b>-</b>
<b>Dividends per share declared during the year (Russian Roubles per share)</b>	<b>0.14</b>	<b>0.11</b>	<b>0.14</b>	<b>0.11</b>

Dividends were declared and paid in Russian Roubles.

## 18 Related Party Transactions

For the purposes of this condensed consolidated interim financial information, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions are entered into in the normal course of business with shareholders, management and companies controlled by the Group's shareholders.

At 30 June 2007, the outstanding balances with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders	Management of the Group	Entities under common control
Loans and advances to customers (contractual interest rates: 9.0%-28.0%)	3 132	72 838	-
Impairment provision for loans and advances to customers	(56)	(1 312)	-
Customer accounts (contractual interest rates: 7.7%-11.0%)	324 946	93 916	873 652
Other borrowed funds (contractual interest rate: 12.0%)	-	-	210 000

The income and expense items with related parties for the six-month period ended 30 June 2007 were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders	Management of the Group	Entities under common control
Interest income	1 725	3 537	15 165
Interest expense	(13 549)	(1 089)	(52 859)
Fee and commission income	135	15	4 650
Rent expenses	-	-	(4 759)

**18 Related Party Transactions (Continued)**

Aggregate amounts lent to and repaid by related parties during six-months period ended 30 June 2007 were:

<i>In thousands of Russian Roubles</i>	Shareholders	Management of the Group	Entities under common control
Amounts lent to related parties during the period	389	32 833	1 163 735
Amounts repaid by related parties during the period	179 130	23 855	1 504 635

At 31 December 2006, the outstanding balances with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders	Management of the Group	Entities under common control
Correspondent accounts and overnight placements with other banks	-	-	265
Customer accounts (contractual interest rates: 7.0% - 7.5% p.a.)	-	-	104 164
Impairment provision for due from other banks	-	-	(1 789)
Loans and advances to customers (contractual interest rates: 5.5%-17.0% p.a.)	181 873	63 860	236 471
Impairment provision for loans and advances to customers	(11 701)	(2 082)	(9 697)
Customer accounts (contractual interest rates: 6.8%-10.5% p.a.)	623 859	112 881	810 969
Other borrowed funds (contractual interest rates: 11.5% - 12.0% p.a.)	665 000	-	210 000
Guarantees issued by the Group at the year end	-	-	505 092

The income and expense items with related parties for the six-month period ended 30 June 2006 were as follows:

<i>In thousands of Russian Roubles</i>	Shareholders	Management of the Group	Entities under common control
Interest income	6 132	267	15 400
Interest expense	(11 587)	(1 210)	(5 144)
Fee and commission income	25	-	379

Aggregate amounts lent to and repaid by related parties during six-months period ended 30 June 2006 were:

<i>In thousands of Russian Roubles</i>	Shareholders	Management of the Group	Entities under common control
Amounts lent to related parties during the period	34 050	8 186	1 813 534
Amounts repaid by related parties during the period	14 901	2 021	1 687 544

During the 6 months ended 30 June 2007, remuneration to members of the Supervisory Board and Management Board including pension contributions and discretionary bonuses amounted to RR 95 131 thousand (6 months ended 30 June 2006: RR 88 241 thousand).

## **19 Capital expenditure commitments**

At 30 June 2007 the Group had contractual capital expenditure commitments in respect of premises totalling RR 663 573 thousand (31 December 2006: RR 41 228 thousand). The Group has already allocated the necessary resources in respect of these commitments. Management believes that future net income and funding will be sufficient to cover this and any similar commitments.

## **20 Subsequent Events**

In July 2007, the Group placed subordinated Eurobonds at the Irish Stock Exchange. The issue amounted to USD 100 000 thousand, has the nominal coupon rate of 10.5% p.a. and the effective interest rate of 11.16% p.a. The period of circulation of these securities is 10 years, with an option of the early redemption in five years. The issue was arranged by JP Morgan and UBS.

On 19 July 2007, the Group rolled over its syndicated loan arranged by ABN AMRO Bank N.V. The interest rate on this loan remained the same (Refer to Note 11).

On 26 July 2007, the Supervisory Board approved a share capital increase through additional issue of ordinary shares of the Bank. Shares will be placed through an open subscription.

On 31 August 2007, the Group sold its subsidiary LLC "Leasing Company "St Petersburg". The proceedings from the sale were RR 13 000 thousand. Net assets of the Company were approximately RR 12 129 thousand as at the date of sale.