

**Sberbank  
(Savings Bank of the Russian Federation)**

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

**30 June 2008**

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## REVIEW REPORT

### To the Shareholders and Supervisory Board of Sberbank (Savings Bank of the Russian Federation):

#### *Introduction*

We have reviewed the accompanying condensed interim consolidated balance sheet of Sberbank (Savings Bank of the Russian Federation) (hereinafter - the "Bank") and its subsidiaries (together referred to as a "Group" or "Sberbank (Savings Bank of the Russian Federation) Group") as of 30 June 2008, and the related condensed interim consolidated statements of income, changes in equity and cash flows for the six months then ended. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

#### *Scope of Review*

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

#### *Conclusion*

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

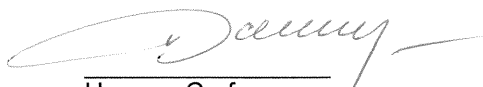
*ZAO PricewaterhouseCoopers Audit*

Moscow, Russian Federation  
10 October 2008

**Sberbank (Savings Bank of the Russian Federation)**  
**Condensed Interim Consolidated Balance Sheet**

<i>In millions of Russian Roubles</i>	<b>Note</b>	<b>30 June 2008 (Unaudited)</b>	<b>31 December 2007</b>
<b>ASSETS</b>			
Cash and cash equivalents		216 059	242 231
Mandatory cash balances with the Bank of Russia		88 495	56 790
Trading securities		148 902	246 221
Other securities at fair value through profit or loss		224 485	247 024
Due from other banks	5	3 978	5 071
Loans and advances to customers	5	4 612 362	3 921 546
Repurchase receivable		4 136	-
Investment securities available for sale		98 374	10 094
Deferred income tax asset		2 595	68
Premises and equipment		150 337	146 850
Other assets		54 535	52 913
<b>TOTAL ASSETS</b>		<b>5 604 258</b>	<b>4 928 808</b>
<b>LIABILITIES</b>			
Due to other banks		64 559	80 321
Deposits from individuals	6	2 937 559	2 681 986
Customer accounts	6	1 529 736	1 195 634
Debt securities in issue		192 663	163 827
Other borrowed funds	7	97 280	112 025
Deferred income tax liability		23	-
Other liabilities		67 321	32 754
Subordinated debt		23 953	25 064
<b>TOTAL LIABILITIES</b>		<b>4 913 094</b>	<b>4 291 611</b>
<b>EQUITY</b>			
Share capital	8	87 742	87 742
Share premium		232 493	232 493
Treasury shares	8	(1)	-
Revaluation reserve for premises		14 549	14 815
Fair value reserve for investment securities available for sale		(652)	733
Retained earnings		357 033	301 414
<b>TOTAL EQUITY</b>		<b>691 164</b>	<b>637 197</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5 604 258</b>	<b>4 928 808</b>

Approved for issue and signed on behalf of the Board on 10 October 2008.

  
 Herman Gref  
 Chairman of the Board and CEO

  
 Andrey Kruzhalov  
 Chief Accountant

**Sberbank (Savings Bank of the Russian Federation)**  
**Condensed Interim Consolidated Income Statement**

	Note	Six months ended 30 June 2008 (Unaudited)	Three months ended 30 June 2008 (Unaudited)	Six months ended 30 June 2007 (Unaudited)	Three months ended 30 June 2007 (Unaudited)
<i>In millions of Russian Roubles</i>					
Interest income	9	278 089	141 115	192 373	101 608
Interest expense	9	(109 744)	(56 989)	(81 387)	(43 197)
<b>Net interest income</b>		<b>168 345</b>	<b>84 126</b>	<b>110 986</b>	<b>58 411</b>
Provision for loan impairment	5	(17 278)	(9 730)	(402)	(774)
<b>Net interest income after provision for loan impairment</b>		<b>151 067</b>	<b>74 396</b>	<b>110 584</b>	<b>57 637</b>
Fee and commission income	10	39 499	21 099	30 055	16 073
Fee and commission expense	10	(1 684)	(907)	(1 033)	(551)
Losses, net of gains arising from trading securities		(1 348)	197	3 282	1 460
Losses, net of gains arising from other securities at fair value through profit or loss		(359)	766	(204)	894
Gains less losses arising from investment securities available for sale		1 088	1	-	-
Gains less losses arising from trading in foreign currencies		3 369	1 380	2 708	1 475
Foreign exchange translation losses net of gains		(3 947)	(2)	(188)	(338)
Gains less losses arising from operations with foreign currencies and securities derivatives		3 539	2 681	(288)	242
Gains less losses arising from operations with precious metals		2 442	(1 485)	481	219
Other operating income		2 410	1 662	1 364	598
<b>Operating income</b>		<b>196 076</b>	<b>99 788</b>	<b>146 761</b>	<b>77 709</b>
Administrative and other operating expenses		(108 600)	(53 047)	(85 319)	(49 796)
<b>Profit before tax</b>		<b>87 476</b>	<b>46 741</b>	<b>61 442</b>	<b>27 913</b>
Income tax expense		(20 464)	(10 841)	(13 451)	(6 699)
<b>Profit for the reporting period</b>		<b>67 012</b>	<b>35 900</b>	<b>47 991</b>	<b>21 214</b>
<b>Earnings per ordinary share, basic and diluted</b> (expressed in RR per share)	11	<b>3.1</b>	<b>1.6</b>	<b>2.3</b>	<b>1.0</b>

**Sberbank (Savings Bank of the Russian Federation)**  
**Condensed Interim Consolidated Statement of Changes in Equity**

	Note	Share capital	Share premium	Treasury shares	Revaluation reserve for premises	Fair value reserve for investment securities available for sale	Retained earnings	Total equity
<i>In millions of Russian Roubles</i>								
<b>Balance as at 1 January 2007</b>		<b>79 981</b>	<b>10 016</b>	-	<b>15 344</b>	-	<b>203 183</b>	<b>308 524</b>
Premises and equipment:								
- Depreciation of revalued premises		-	-	-	(336)	-	336	-
- Income tax recorded in equity		-	-	-	80	-	(80)	-
Investment securities available for sale:								
- Revaluation of securities		-	-	-	-	(133)	-	(133)
- Income tax recorded in equity		-	-	-	-	32	-	32
<b>Net income/(expense) recognised directly in equity for six months ended 30 June 2007</b>		-	-	-	<b>(256)</b>	<b>(101)</b>	<b>256</b>	<b>(101)</b>
Profit for six months ended 30 June 2007		-	-	-	-	-	47 991	47 991
<b>Total income/(expense) recognised for six months ended 30 June 2007</b>		-	-	-	<b>(256)</b>	<b>(101)</b>	<b>48 247</b>	<b>47 890</b>
Issue of ordinary shares		7 761	222 477	-	-	-	-	230 238
Dividends declared	12	-	-	-	-	-	(8 787)	(8 787)
<b>Balance as at 30 June 2007 (Unaudited)</b>		<b>87 742</b>	<b>232 493</b>	-	<b>15 088</b>	<b>(101)</b>	<b>242 643</b>	<b>577 865</b>
<b>Balance as at 1 January 2008</b>		<b>87 742</b>	<b>232 493</b>	-	<b>14 815</b>	<b>733</b>	<b>301 414</b>	<b>637 197</b>
Premises and equipment:								
- Depreciation of revalued premises		-	-	-	(350)	-	350	-
- Income tax recorded in equity		-	-	-	84	-	(84)	-
Investment securities available for sale:								
- Revaluation of securities		-	-	-	-	(734)	-	(734)
- Disposals of securities		-	-	-	-	(1 088)	-	(1 088)
- Income tax recorded in equity		-	-	-	-	437	-	437
<b>Net income/(expense) recognised directly in equity for six months ended 30 June 2008</b>		-	-	-	<b>(266)</b>	<b>(1 385)</b>	<b>266</b>	<b>(1 385)</b>
Profit for six months ended 30 June 2008		-	-	-	-	-	67 012	67 012
<b>Total income/(expense) recognised for six months ended 30 June 2008</b>		-	-	-	<b>(266)</b>	<b>(1 385)</b>	<b>67 278</b>	<b>65 627</b>
Purchase of treasury shares	8	-	-	(1)	-	-	-	(1)
Dividends declared	12	-	-	-	-	-	(11 659)	(11 659)
<b>Balance as at 30 June 2008 (Unaudited)</b>		<b>87 742</b>	<b>232 493</b>	<b>(1)</b>	<b>14 549</b>	<b>(652)</b>	<b>357 033</b>	<b>691 164</b>

**Sberbank (Savings Bank of the Russian Federation)**  
**Condensed Interim Consolidated Statement of Cash Flows**

	Note	Six months ended 30 June 2008 (Unaudited)	Six months ended 30 June 2007 (Unaudited)
<i>In millions of Russian Roubles</i>			
<b>Cash flows from operating activities</b>			
Interest received		284 636	180 940
Interest paid		(100 891)	(73 625)
Fees and commissions received		39 573	30 007
Fees and commissions paid		(1 684)	(1 033)
Income received from trading securities		786	4 557
Income received from other securities at fair value through profit or loss		855	1 315
Income received from trading in foreign currencies		3 369	2 707
Income received from foreign currencies and securities derivatives		3 781	(388)
Income from operations with precious metals		1 725	432
Other operating income received		2 283	1 331
Administrative and other operating expenses paid		(82 542)	(78 501)
Income tax paid		(27 317)	(13 584)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>124 574</b>	<b>54 158</b>
<b>Changes in operating assets and liabilities</b>			
Net (increase) / decrease in mandatory cash balances with the Bank of Russia		(31 705)	13 861
Net decrease / (increase) in trading securities		94 314	(252 683)
Net decrease / (increase) in other securities at fair value through profit or loss		23 430	(9 955)
Net decrease / (increase) in due from other banks		1 026	(94 369)
Net increase in loans and advances to customers		(737 114)	(314 398)
Net increase in repurchase receivable		(4 158)	-
Net (increase) / decrease in other assets		(3 050)	1 473
Net decrease in due to other banks		(15 662)	(3 533)
Net increase in deposits from individuals		256 099	289 499
Net increase in customer accounts		338 261	254 013
Net increase / (decrease) in debt securities in issue		30 168	(13 225)
Net increase in other liabilities		14 886	17 801
<b>Net cash from / (used in) operating activities</b>		<b>91 069</b>	<b>(57 358)</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities available for sale		(127 030)	(14 323)
Proceeds from disposal and redemption of investment securities available for sale		36 750	-
Acquisition of premises and equipment		(14 978)	(9 848)
Proceeds from disposal of premises and equipment		91	234
Dividend income received		127	33
<b>Net cash used in investing activities</b>		<b>(105 040)</b>	<b>(23 904)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares		-	230 238
Other borrowed funds received		67	993
Redemption of other borrowed funds		(10 289)	(224)
Repayment of interest on other borrowed funds		(2 740)	(3 037)
Repayment of interest on subordinated debt		(772)	(821)
Disposal of treasury shares		-	10
Dividends paid	12	(27)	(9)
<b>Net cash (used in) / from financing activities</b>		<b>(13 761)</b>	<b>227 150</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>1 560</b>	<b>(1 239)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(26 172)</b>	<b>144 649</b>
Cash and cash equivalents at the beginning of the reporting period		242 231	209 603
<b>Cash and cash equivalents as at the end of the reporting period</b>		<b>216 059</b>	<b>354 252</b>

## **1 Introduction**

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") for the six months ended 30 June 2008 for Sberbank (Savings Bank of the Russian Federation) (the "Bank") and its subsidiaries (together referred to as the "Group" or "Sberbank (Savings Bank of the Russian Federation) Group").

The Bank is an open joint stock commercial bank established in 1841 and has operated in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank's principal shareholder, the Central Bank of the Russian Federation ("Bank of Russia"), owns 60.3% of ordinary shares or 57.6% of the issued and outstanding shares at 30 June 2008.

As at 30 June 2008 the Supervisory Board of the Bank is headed by the Chairman of the Bank of Russia. The Supervisory Board also included representatives from the Bank's other shareholders. Two Deputy Chairmen of the Bank of Russia are Deputy Chairmen of the Supervisory Board.

**Principal activity.** The Group's principal business activity is corporate and retail banking operations within the Russian Federation. The Bank has operated under a full banking license issued by the Bank of Russia since 1991.

The Bank has 17 (31 December 2007: 17) regional head offices, 783 (31 December 2007: 791) branches and 19 583 (31 December 2007: 19 499) sub-branches within the Russian Federation as at 30 June 2008. The average number of the Bank's employees during the six-months period ended 30 June 2008 was 258 305 (year ended 31 December 2007: 251 208).

**Registered address and place of business.** The Bank's registered address is: Vavilova str., 19, Moscow, Russian Federation.

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

The Group principally operates within the Russian Federation.

**Russian Federation.** The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and strong 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 and increased levels of volatility in market prices as witnessed during 2008. 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.



## **2 Operating Environment of the Group (Continued)**

**Recent volatility in global and Russian financial markets.** While the Group does not have any exposure to the US sub-prime market, the ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Russian banking sector, and higher interbank lending rates. The uncertainties in the global financial market, has also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The borrowers of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has reflected revised estimates of expected future cash flows in their impairment assessments.

The uncertainty in the global markets combined with other local factors has during 2008 led to very high volatility in the Russian Stock Markets and at times much higher than normal interbank lending rates.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

## **3 Basis of Preparation**

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2007.

These condensed interim consolidated financial statements are presented in millions of Russian Roubles ("RR millions").

At 30 June 2008 the principal rate of exchange used for translating foreign currency monetary balances was USD 1 = RR 23.4573 (31 December 2007: USD 1 = RR 24.5462).

## **4 Accounting Policies and Critical Accounting Estimates and Judgements**

The accounting policies and methods of computation applied in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2007.

Judgements made by Management in the process of applying the accounting policies were consistent with the judgements disclosed in the annual consolidated financial statements for the year ended 31 December 2007. Management has not identified new areas of judgement. Critical estimates, as disclosed in the most recent annual financial statements, have not resulted in a material adjustment to the Group's assets, income or profit during the interim period ended 30 June 2008.

These condensed interim consolidated financial statements do not contain all the explanatory notes as required for a full set of financial statements.

**Interim period measurement.** Income tax expense is recognised in these condensed interim consolidated financial statements based on management's best estimates of the effective annual income tax rate expected for the full financial year. Costs that occur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

#### **4 Accounting Policies and Critical Accounting Estimates and Judgements (Continued)**

**Capital Adequacy Ratio.** Capital Adequacy Ratio is calculated in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) (or Basel Capital Accord) requirements. Such requirements are subject to interpretation and accordingly the appropriateness of the inclusion, exclusion, and/or classification of amounts included in the calculation of the Capital Adequacy Ratio requires Management judgement, for example, treatment of off-balance sheet commitments.

**New accounting pronouncements.** Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2007, became effective for the Group from 1 January 2008. They have not significantly affected these condensed interim consolidated financial statements. The Group has not early adopted any new standard or interpretation that was published but is not effective for the year ended 31 December 2008. The following new standards and interpretations were published after the Group's annual financial statements for the year ended 31 December 2007 were authorized for issue.

- *Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009).* The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its future consolidated financial statements.
- *IFRIC 13, Customer Loyalty Programmes (issued in June 2007; effective for annual periods beginning on or after 1 July 2008).* IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group is currently assessing the impact of the Interpretation on its future consolidated financial statements.
- *IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009).* The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The Group is currently assessing the impact of the interpretation on its future consolidated financial statements.
- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).* The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. The Group does not expect the amendment to affect its future consolidated financial statements.
- *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment (revised May 2008; effective for annual periods beginning on or after 1 January 2009).* The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments will not have an impact on the Group's future consolidated financial statements.
- *Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009, with earlier application permitted).* The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have an impact on the Group's future consolidated financial statements.

**4 Accounting Policies and Critical Accounting Estimates and Judgements (Continued)**

**Improvements to International Financial Reporting Standards** (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group does not expect the amendments to have any material effect on its future consolidated financial statements.

**Changes in presentation.** Where necessary, corresponding figures have been adjusted to confirm to the presentation of the current year amounts. The effect of reclassifications on the condensed interim consolidated income statement is as follows:

<i>(Unaudited)</i> <i>(In millions of Russian Roubles)</i>	<b>Six months ended 30 June 2007</b>	<b>Three months ended 30 June 2007</b>
<b>Increase in</b>		
Losses, net of gains arising from trading securities	3 282	1 460
Losses, net of gains arising from other securities at fair value through profit or loss	-	894
Gains less losses arising from trading in foreign currencies	2 708	1 475
Gains less losses arising from operations with foreign currencies and securities derivatives	-	242
Gains less losses arising from operations with precious metals	481	219
<b>Decrease in</b>		
Gains less losses arising from trading securities and other securities at fair value through profit or loss	3 078	2 522
Net gains from trading in foreign currencies and foreign exchanges translation gains net of losses	2 232	1 211
Other operating income	481	219
Losses, net of gains arising from other securities at fair value through profit or loss	204	-
Foreign exchanges translation losses net of gains	188	338
Gains less losses arising from operations with foreign currencies and securities derivatives	288	-

#### 4 Accounting Policies and Critical Accounting Estimates and Judgments (Continued)

Effects on the condensed interim consolidated statement of cash flows for the six months ended 30 June 2007:

<i>(Unaudited)</i> <i>(In millions of Russian Roubles)</i>	<b>Six months ended 30 June 2007</b>
<b>Increase in</b>	
Income received from trading securities	4 557
Income received from other securities at fair value through profit or loss	1 315
Income received from trading in foreign currencies	2 707
Income from operations with precious metals	432
<b>Decrease in</b>	
Income received from trading securities and other securities at fair value through profit or loss	5 872
Income received from trading in foreign currencies	2 319
Other operating income received	432
Income received from foreign currencies and securities derivatives	388

Any further changes to these condensed interim consolidated financial statements require approval of the Group's Management who authorised these condensed interim consolidated financial statements for issue.

#### 5 Loans and Advances to Customers and Due from Other Banks

<i>In millions of Russian Roubles</i>	<b>30 June 2008 (Unaudited)</b>	<b>31 December 2007</b>
Commercial loans to legal entities	1 974 253	1 757 870
Specialised loans to legal entities	1 619 544	1 329 236
Loans to individuals - consumer and other loans	735 233	657 805
Mortgage loans to individuals	409 883	288 123
Due from other banks	3 978	5 071
Less: Provision for loan impairment	(126 551)	(111 488)
<b>Total loans and advances to customers and due from other banks</b>	<b>4 616 340</b>	<b>3 926 617</b>

Commercial lending to legal entities comprises corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities of the Russian Federation. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property, portfolio investments, expansion and consolidation of business, etc.). Loans are provided for periods up to 3 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and lending for export-import transactions. The repayment source is cash flow from current production and financial activities of the borrower.

Specialised lending to legal entities includes investment and construction project financing, contract financing and also developers' financing. As a rule, the loan terms are linked to payback periods of investment and construction projects, contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid by cash flows generated by the investment project at the stage of its commercial operation.

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and reconstruction. These loans include loans for current needs, auto loans and overdrafts.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term.

Due from other banks include term loans with original maturity of more than 30 days.

**5 Loans and Advances to Customers and Due from Other Banks (Continued)**

At 30 June 2008 loans with over 90 days overdue amounted to RR 31 999 million (31 December 2007: RR 26 942 million) and individually impaired loans to legal entities and impaired loans to individuals amounted to RR 37 743 million (31 December 2007: RR 33 435 million). A loan is considered overdue when the borrower fails to make any payment due under the loan at the balance sheet date. In this case an overdue amount is recognised as the aggregate amount of all amounts due from borrower under the loan agreement including accrued interest and commissions. Methods of computation of individually impaired loans applied in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2007.

Movements in the provision for loan impairment for the six months and the three months ended 30 June 2008 and 30 June 2007 are as follows:

<i>In millions of Russian Roubles</i>	<b>Six months ended 30 June 2008 (Unaudited)</b>	<b>Three months ended 30 June 2008 (Unaudited)</b>	<b>Six months ended 30 June 2007 (Unaudited)</b>	<b>Three months ended 30 June 2007 (Unaudited)</b>
<b>Provision for loan impairment at the beginning of the period</b>	<b>111 488</b>	<b>117 917</b>	<b>100 877</b>	<b>99 439</b>
Provision for loan impairment during the period	17 278	9 730	402	774
Loans and advances to customers written off during the period as uncollectible	(2 215)	(1 096)	(2 987)	(1 921)
<b>Provision for loan impairment as at 30 June</b>	<b>126 551</b>	<b>126 551</b>	<b>98 292</b>	<b>98 292</b>

**6 Deposits from Individuals and Customer Accounts**

<i>In millions of Russian Roubles</i>	<b>30 June 2008 (Unaudited)</b>	<b>31 December 2007</b>
<b>Individuals</b>		
- Current/demand accounts	343 130	302 339
- Term deposits	2 594 429	2 379 647
<b>State and public organisations</b>		
- Current/settlement accounts	75 256	64 546
- Term deposits	87 009	16 653
<b>Other legal entities</b>		
- Current/settlement accounts	771 618	686 806
- Term deposits	595 853	427 629
<b>Total deposits from individuals and customer accounts</b>	<b>4 467 295</b>	<b>3 877 620</b>

As at 30 June 2008 in term deposits of other legal entities are included deposits in the amount of RR 3 922 million (31 December 2007: nil) received under sale and repurchase agreements with legal entities. The total fair value of securities sold under these agreements in the amount of RR 4 136 million is included in Repurchase receivable in the condensed interim consolidated balance sheet of the Group.

**7 Other Borrowed Funds**

<i>In millions of Russian Roubles</i>	<b>30 June 2008 (Unaudited)</b>	<b>31 December 2007</b>
Long-term borrowings received	91 770	106 057
Other term borrowings	5 510	5 968
<b>Total other borrowed funds</b>	<b>97 280</b>	<b>112 025</b>

Included in long-term borrowings received is a syndicated loan in the amount of USD 1 000 million, which was received by the Group in December 2005 from a consortium of foreign banks. At 30 June 2008 the loan was accounted for at amortised cost of RR 9 419 million (31 December 2007: RR 19 762 million). This loan has a maturity date on 10 November 2008 and contractual floating interest rate of 3 months LIBOR + 0.55%. As at 30 June 2008 the effective interest rate on the loan was 3.6% p.a. (31 December 2007: 5.8% p.a.).

In May 2006 the Group entered into USD 10 000 million loan participation notes (MTN) issuance programme. In May 2006 the Group received the first loan under this programme in the amount of USD 500 million, which is included in long-term borrowings received. As at 30 June 2008 this borrowing is recorded at amortised cost of RR 11 811 million (31 December 2007: RR 12 360 million). This loan matures in May 2013 and has contractual fixed interest rate of 6.5% p.a. As at 30 June 2008 the effective interest rate on the loan was 6.6% p.a. (31 December 2007: 6.6% p.a.).

In October 2006 the Group received another syndicated loan in the amount of USD 1 500 million from a consortium of foreign banks, which is also included in long-term borrowings received. As at 30 June 2008 the borrowing was accounted for at amortised cost of RR 35 331 million (31 December 2007: RR 37 107 million). This loan matures in October 2009 and has contractual floating interest rate of 3 months LIBOR + 0.30%. As at 30 June 2008 the effective interest rate on the loan was 3.4% p.a. (31 December 2007: 5.8% p.a.).

In November 2006 the Group attracted the second loan under the MTN issuance programme in the amount of USD 750 million, which is also included in long-term borrowings received. As at 30 June 2008 this loan was accounted for at amortised cost of RR 17 711 million (31 December 2007: RR 18 533 million). This loan matures in November 2011 and has contractual fixed interest rate of 5.9% p.a. As at 30 June 2008 the effective interest rate on the loan was 6.0% p.a. (31 December 2007: 6.0% p.a.).

Also included in long-term borrowings received is a syndicated loan in the amount of USD 750 million which was received by the Group in December 2007 from a consortium of foreign banks. At 30 June 2008 the loan was accounted for at amortised cost of RR 17 498 million (31 December 2007: RR 18 295 million). This loan matures in December 2010 and has contractual floating interest rate of 3 months LIBOR + 0.45% p.a. As at 30 June 2008 the effective interest rate on the loan was 3.5% p.a. (31 December 2007: 5.7% p.a.).

Other term borrowings represent funding received by the Group from foreign export agencies via foreign banks, which was used by the Group for direct lending to Russian companies in accordance with the terms of the agreements. At 30 June 2008 these term borrowings were accounted for at amortised cost of RR 5 510 million (31 December 2007: RR 5 968 million), had floating interest rates varying from 3.2% to 6.8% (31 December 2007: from 4.7% to 6.8%) and maturity dates from July 2008 to January 2016 (31 December 2007: from May 2008 to January 2016).

**8 Share Capital**

<i>In millions of Russian Roubles, except for number of shares</i>	30 June 2008 (Unaudited)			31 December 2007		
	Number of shares, in thousands	Nominal amount	Inflation adjusted amount	Number of shares, in thousands	Nominal amount	Inflation adjusted amount
Ordinary shares	21 586 948	64 761	83 337	21 586 948	64 761	83 337
Preference shares	1 000 000	3 000	4 405	1 000 000	3 000	4 405
<b>Total share capital</b>	<b>22 586 948</b>	<b>67 761</b>	<b>87 742</b>	<b>22 586 948</b>	<b>67 761</b>	<b>87 742</b>
Less: Treasury shares						
- Ordinary shares	(2 012)	(6)	(1)	(1 679)	(5)	-
<b>Total share capital less treasury shares</b>	<b>22 584 936</b>	<b>67 755</b>	<b>87 741</b>	<b>22 585 269</b>	<b>67 756</b>	<b>87 742</b>

As at 30 June 2008 all ordinary shares have a nominal value of RR 3 per share and rank equally. Each ordinary share carries one vote. Preference shares have a nominal value of RR 3 per share and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders meeting. If preference dividends are not declared, the preference shareholders obtain the right to vote as ordinary shareholders, but lose this right when the next dividend is paid. Preference share dividends rank above ordinary dividends.

**9 Interest Income and Expense**

<i>In millions of Russian Roubles</i>	<b>Six months ended 30 June 2008 (Unaudited)</b>	<b>Three months ended 30 June 2008 (Unaudited)</b>	<b>Six months ended 30 June 2007 (Unaudited)</b>	<b>Three months ended 30 June 2007 (Unaudited)</b>
<b>Interest income</b>				
Loans and advances to customers	260 396	132 746	169 014	88 072
Other debt securities at fair value through profit or loss	7 591	3 597	8 064	3 634
Debt trading securities	6 186	2 517	8 030	5 228
Debt investment securities available for sale	1 920	1 259	-	-
Due from other banks	1 601	740	5 083	3 703
Correspondent accounts with other banks	395	256	341	45
Debt investment securities held to maturity	-	-	1 841	926
<b>Total interest income</b>	<b>278 089</b>	<b>141 115</b>	<b>192 373</b>	<b>101 608</b>
<b>Interest expense</b>				
Deposits of individuals	76 004	38 412	63 286	33 251
Term deposits of legal entities	17 468	10 330	6 799	4 219
Current/settlement accounts	6 528	3 437	4 748	2 492
Debt securities in issue	4 714	2 592	1 933	1 060
Other borrowed funds	2 528	1 081	3 201	1 586
Term placements of other banks	1 368	633	196	80
Subordinated debt	747	331	809	403
Correspondent accounts of other banks	387	173	415	106
<b>Total interest expense</b>	<b>109 744</b>	<b>56 989</b>	<b>81 387</b>	<b>43 197</b>
<b>Net interest income</b>	<b>168 345</b>	<b>84 126</b>	<b>110 986</b>	<b>58 411</b>



**10 Fee and Commission Income and Expense**

<i>In millions of Russian Roubles</i>	<b>Six months ended 30 June 2008 (Unaudited)</b>	<b>Three months ended 30 June 2008 (Unaudited)</b>	<b>Six months ended 30 June 2007 (Unaudited)</b>	<b>Three months ended 30 June 2007 (Unaudited)</b>
<b>Fee and commission income</b>				
Cash and settlements transactions with legal entities	14 490	7 841	11 252	6 062
Cash and settlements transactions with individuals	13 813	7 315	10 182	5 397
Plastic cards operations	6 315	3 413	4 417	2 392
Operations with foreign currency	2 178	1 167	1 383	722
Cash collection	1 647	877	1 285	678
Guarantees issued	445	155	440	255
Transactions with securities	311	168	377	187
Fiduciary management operations	13	8	36	10
Other	287	155	683	370
<b>Total fee and commission income</b>	<b>39 499</b>	<b>21 099</b>	<b>30 055</b>	<b>16 073</b>
<b>Fee and commission expense</b>				
Settlement transactions	1 440	791	717	378
Operations with foreign currency	67	25	184	103
Cash collection	50	28	50	26
Other	127	63	82	44
<b>Total fee and commission expense</b>	<b>1 684</b>	<b>907</b>	<b>1 033</b>	<b>551</b>
<b>Net fee and commission income</b>	<b>37 815</b>	<b>20 192</b>	<b>29 022</b>	<b>15 522</b>

## 11 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

<i>In millions of Russian Roubles</i>	<b>Six months ended 30 June 2008 (Unaudited)</b>	<b>Three months ended 30 June 2008 (Unaudited)</b>	<b>Six months ended 30 June 2007 (Unaudited)</b>	<b>Three months ended 30 June 2007 (Unaudited)</b>
Profit attributable to equity holders of the Bank	67 012	35 900	47 991	21 214
Less: preference dividends	(650)	(650)	(465)	(465)
<b>Profit attributable to the Bank's ordinary shareholders</b>	<b>66 362</b>	<b>35 250</b>	<b>47 526</b>	<b>20 749</b>
Weighted average number of ordinary shares in issue (in millions)	21 585	21 585	20 327	21 585
<b>Basic and diluted earnings per ordinary share (expressed in RR per share)</b>	<b>3.1</b>	<b>1.6</b>	<b>2.3</b>	<b>1.0</b>

Earnings per share for the six months ended 30 June 2007 and for the three months ended 30 June 2007 reflect the result of the nominal value split of the Bank's shares, which happened in July of 2007.

## 12 Dividends

<i>In millions of Russian Roubles</i>	<b>Six months ended 30 June 2008 (Unaudited)</b>		<b>Six months ended 30 June 2007 (Unaudited)</b>	
	<b>Ordinary</b>	<b>Preference</b>	<b>Ordinary</b>	<b>Preference</b>
Dividends payable at 1 January	100	23	59	18
Dividends declared during the six months ended 30 June	11 009	650	8 322	465
Dividends paid during the six months ended 30 June	(25)	(2)	(5)	(4)
<b>Dividends payable as at 30 June</b>	<b>11 084</b>	<b>671</b>	<b>8 376</b>	<b>479</b>
<b>Dividends per share declared during the reporting period (RR per share)</b>	<b>0.51</b>	<b>0.65</b>	<b>385.50</b>	<b>9.30</b>

All dividends are declared and paid in Russian Roubles. Amount of dividends per share declared during the six months ended 30 June 2008 reflects the results of the nominal value split of the Bank's shares.

### **13 Segment Analysis**

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

**Business Segments.** The Bank is organised on a basis of two main business segments:

- Retail banking – representing private customer current accounts, deposits, custody, debit cards, consumer loans and mortgages.
- Corporate banking – representing operation with securities, current and settlement accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

Intra-Group items comprise other operations of the Group, which, based on their size, do not comprise a separately reportable segment.

During six months ended 30 June 2008 the Group measured business segment revenues, expenses and results on the basis of inter-segment prices used for internal management purposes only. Internal transfer pricing rates are established, approved and regularly revised by the Management of the Group.

For the purposes of these condensed interim consolidated financial statements segment revenue consists of interest income and fees and commission income in the amount of RR 215 637 million for corporate banking and in the amount of RR 174 702 million for retail banking for the six months ended 30 June 2008 and in the amount of RR 109 339 million for corporate banking and RR 87 556 million for retail banking for the three months ended 30 June 2008 (the six months ended 30 June 2007: RR 144 410 million and RR 132 567 million, respectively; the three months ended 30 June 2007: RR 77 039 million and RR 72 490 million, respectively).

Segment information for the main reportable business segments of the Group as at 30 June 2008 and 31 December 2007, as well as for the six months and the three months ended 30 June 2008, the six months and the three months ended 30 June 2007 is as follows:

**13 Segment Analysis (Continued)**

Segment reporting of the Group's assets and liabilities per business segments as at 30 June 2008 is as follows:

<i>(Unaudited)</i> <i>(In millions of Russian Roubles)</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Intra-Group items</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	-	-	216 059	216 059
Mandatory cash balances with the Bank of Russia	31 858	56 637	-	88 495
Trading securities	148 902	-	-	148 902
Other securities at fair value through profit or loss	224 485	-	-	224 485
Due from other banks	3 978	-	-	3 978
Loans and advances to customers	3 505 153	1 107 209	-	4 612 362
Repurchase receivable	4 136	-	-	4 136
Investment securities available for sale	98 374	-	-	98 374
Deferred income tax asset	-	-	2 595	2 595
Premises and equipment	56 944	93 393	-	150 337
Other assets	6 744	29 081	18 710	54 535
<b>Total assets</b>	<b>4 080 574</b>	<b>1 286 320</b>	<b>237 364</b>	<b>5 604 258</b>
<b>Liabilities</b>				
Due to other banks	64 559	-	-	64 559
Deposits from individuals	-	2 937 559	-	2 937 559
Customer accounts	1 529 736	-	-	1 529 736
Debt securities in issue	171 157	21 506	-	192 663
Other borrowed funds	97 280	-	-	97 280
Deferred income tax liability	-	-	23	23
Other liabilities	24 214	33 527	9 580	67 321
Subordinated debt	23 953	-	-	23 953
<b>Total liabilities</b>	<b>1 910 899</b>	<b>2 992 592</b>	<b>9 603</b>	<b>4 913 094</b>
<b>Other disclosures</b>				
Capital expenditure incurred during six months ended 30 June 2008 (additions of fixed assets)	5 542	9 436	-	14 978
Depreciation expenses accrued during six months ended 30 June 2008	3 429	5 838	-	9 267

**13 Segment Analysis (Continued)**

Segment reporting of the Group's income and expenses per business segments for the six months ended 30 June 2008 is as follows:

<i>(Unaudited)</i> <i>(In millions of Russian Roubles)</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Intra-Group items</b>	<b>Total</b>
Interest income	195 632	82 457	-	278 089
Interest expense	(33 437)	(76 307)	-	(109 744)
Inter-segment (expense) and income	(120 059)	72 751	47 308	-
Fee and commission income	20 005	19 494	-	39 499
Fee and commission expense	(382)	(1 302)	-	(1 684)
Losses, net of gains arising from trading securities	(1 348)	-	-	(1 348)
Losses, net of gains arising from other securities at fair value through profit or loss	(359)	-	-	(359)
Gains less losses arising from investment securities available for sale	1 088	-	-	1 088
Gains less losses arising from trading in foreign currencies	786	2 583	-	3 369
Foreign exchange translation losses net of gains	(3 947)	-	-	(3 947)
Gains less losses arising from operations with foreign currencies and securities derivatives	3 539	-	-	3 539
Gains less losses arising from operations with precious metals	1 968	474	-	2 442
Other operating income	1 905	505	-	2 410
<b>Operating income before provision for loan impairment</b>	<b>65 391</b>	<b>100 655</b>	<b>47 308</b>	<b>213 354</b>
Provision for loan impairment	(12 944)	(4 334)	-	(17 278)
<b>Operating income</b>	<b>52 447</b>	<b>96 321</b>	<b>47 308</b>	<b>196 076</b>
Administrative and other operating expenses	(21 086)	(40 206)	(47 308)	(108 600)
<b>Profit before tax (Segment result)</b>	<b>31 361</b>	<b>56 115</b>	<b>-</b>	<b>87 476</b>

**13 Segment Analysis (Continued)**

Segment reporting of the Group's income and expenses per business segments for the three months ended 30 June 2008 is as follows:

<i>(Unaudited)</i> <i>(In millions of Russian Roubles)</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Intra-Group items</b>	<b>Total</b>
Interest income	98 639	42 476	-	141 115
Interest expense	(18 583)	(38 406)	-	(56 989)
Inter-segment (expense) and income	(63 113)	34 681	28 432	-
Fee and commission income	10 700	10 399	-	21 099
Fee and commission expense	(201)	(706)	-	(907)
Gains less losses arising from trading securities	197	-	-	197
Gains less losses arising from other securities at fair value through profit or loss	766	-	-	766
Gains less losses arising from investment securities available for sale	1	-	-	1
Gains less losses arising from trading in foreign currencies	423	957	-	1 380
Foreign exchange translation losses net of gains	(2)	-	-	(2)
Gains less losses arising from operations with foreign currencies and securities derivatives	2 681	-	-	2 681
Losses, net of gains arising from operations with precious metals	(1 671)	186	-	(1 485)
Other operating income	1 364	298	-	1 662
<b>Operating income before provision for loan impairment</b>	<b>31 201</b>	<b>49 885</b>	<b>28 432</b>	<b>109 518</b>
Provision for loan impairment	(7 805)	(1 925)	-	(9 730)
<b>Operating income</b>	<b>23 396</b>	<b>47 960</b>	<b>28 432</b>	<b>99 788</b>
Administrative and other operating expenses	(8 498)	(16 117)	(28 432)	(53 047)
<b>Profit before tax (Segment result)</b>	<b>14 898</b>	<b>31 843</b>	<b>-</b>	<b>46 741</b>

**13 Segment Analysis (Continued)**

Segment reporting of the Group's assets and liabilities per business segments as at 31 December 2007 is as follows:

<i>In millions of Russian Roubles</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Intra-Group items</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	-	-	242 231	242 231
Mandatory cash balances with the Bank of Russia	18 741	38 049	-	56 790
Trading securities	246 221	-	-	246 221
Other securities at fair value through profit or loss	247 024	-	-	247 024
Due from other banks	5 071	-	-	5 071
Loans and advances to customers	3 009 202	912 344	-	3 921 546
Investment securities available for sale	10 094	-	-	10 094
Deferred income tax asset	-	-	68	68
Premises and equipment	56 166	90 684	-	146 850
Other assets	6 657	32 076	14 180	52 913
<b>Total assets</b>	<b>3 599 176</b>	<b>1 073 153</b>	<b>256 479</b>	<b>4 928 808</b>
<b>Liabilities</b>				
Due to other banks	80 321	-	-	80 321
Deposits from individuals	-	2 681 986	-	2 681 986
Customer accounts	1 195 634	-	-	1 195 634
Debt securities in issue	143 552	20 275	-	163 827
Other borrowed funds	112 025	-	-	112 025
Other liabilities	9 251	16 842	6 661	32 754
Subordinated debt	25 064	-	-	25 064
<b>Total liabilities</b>	<b>1 565 847</b>	<b>2 719 103</b>	<b>6 661</b>	<b>4 291 611</b>
<b>Other disclosures</b>				
Capital expenditure incurred during six months ended 30 June 2007 (additions of fixed assets)	3 349	6 499	-	9 848
Depreciation expenses accrued during six months ended 30 June 2007	2 719	5 278	-	7 997

**13 Segment Analysis (Continued)**

Segment reporting of the Group's income and expenses per business segments for the six months ended 30 June 2007 is as follows:

<i>(Unaudited)</i> <i>(In millions of Russian Roubles)</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Intra-Group items</b>	<b>Total</b>
Interest income	129 116	63 257	-	192 373
Interest expense	(17 592)	(63 795)	-	(81 387)
Inter-segment (expense) and income	(66 528)	54 549	11 979	-
Fee and commission income	15 294	14 761	-	30 055
Fee and commission expense	(1 033)	-	-	(1 033)
Gains less losses arising from trading securities	3 282	-	-	3 282
Losses, net of gains arising from other securities at fair value through profit or loss	(204)	-	-	(204)
Gains less losses arising from trading in foreign currencies	833	1 875	-	2 708
Foreign exchange translation losses net of gains	(188)	-	-	(188)
Losses, net of gains arising from operations with foreign currencies and securities derivatives	(288)	-	-	(288)
Gains less losses arising from operations with precious metals	50	431	-	481
Other operating income	1 364	-	-	1 364
<b>Operating income before provision for loan impairment</b>	<b>64 106</b>	<b>71 078</b>	<b>11 979</b>	<b>147 163</b>
Recovery of provision / (provision) for loan impairment	2 327	(2 729)	-	(402)
<b>Operating income</b>	<b>66 433</b>	<b>68 349</b>	<b>11 979</b>	<b>146 761</b>
Administrative and other operating expenses	(23 128)	(50 212)	(11 979)	(85 319)
<b>Profit before tax (Segment result)</b>	<b>43 305</b>	<b>18 137</b>	<b>-</b>	<b>61 442</b>



**13 Segment Analysis (Continued)**

Segment reporting of the Group's income and expenses per business segments for the three months ended 30 June 2007 is as follows:

<i>(Unaudited)</i> <i>(In millions of Russian Roubles)</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Intra-Group items</b>	<b>Total</b>
Interest income	68 853	32 755	-	101 608
Interest expense	(9 680)	(33 517)	-	(43 197)
Inter-segment (expense) and income	(36 063)	31 848	4 215	-
Fee and commission income	8 186	7 887	-	16 073
Fee and commission expense	(551)	-	-	(551)
Gains less losses arising from trading securities	1 460	-	-	1 460
Gains less losses arising from other securities at fair value through profit or loss	894	-	-	894
Gains less losses arising from trading in foreign currencies	420	1 055	-	1 475
Foreign exchange translation losses net of gains	(338)	-	-	(338)
Gains less losses arising from operations with foreign currencies and securities derivatives	242	-	-	242
Gains less losses arising from operations with precious metals	30	189	-	219
Other operating income	598	-	-	598
<b>Operating income before provision for loan impairment</b>	<b>34 051</b>	<b>40 217</b>	<b>4 215</b>	<b>78 483</b>
Recovery of provision / (provision) for loan impairment	1 236	(2 010)	-	(774)
<b>Operating income</b>	<b>35 287</b>	<b>38 207</b>	<b>4 215</b>	<b>77 709</b>
Administrative and other operating expenses	(14 624)	(30 957)	(4 215)	(49 796)
<b>Profit before tax (Segment result)</b>	<b>20 663</b>	<b>7 250</b>	<b>-</b>	<b>27 913</b>

#### 14 Related Party Transactions

For the purposes of these condensed interim consolidated financial statements, 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.

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Disclosures are made in Note 15 for transactions with state-controlled entities and government bodies.

As at 30 June 2008 and 31 December 2007, the outstanding balances with the Bank of Russia and key management personnel of the Group were as follows:

<i>In millions of Russian Roubles</i>	<b>30 June 2008 (Unaudited)</b>	<b>31 December 2007</b>
<b>Assets</b>		
Mandatory cash balances with the Bank of Russia	88 495	56 790
Account with the Bank of Russia (other than mandatory cash balances)	19 709	24 782
Bonds of the Bank of Russia	-	83 081
<b>Liabilities</b>		
Due to other banks	6 269	667
Key management personnel of the Group remuneration liabilities	266	29

The income and expense items with the Bank of Russia for the six months ended 30 June 2008 and 30 June 2007 were as follows:

<i>In millions of Russian Roubles</i>	<b>Six months ended 30 June 2008 (Unaudited)</b>	<b>Six months ended 30 June 2007 (Unaudited)</b>
Interest income	1 114	5 432
Interest expense	(376)	(12)
Gains less losses arising from trading securities	96	2 996
Losses, net of gains arising from investment securities available for sale	(43)	-
Other operating expenses	(337)	(141)

The income and expense items with the Bank of Russia for the three months ended 30 June 2008 and 30 June 2007 were as follows:

<i>In millions of Russian Roubles</i>	<b>Three months ended 30 June 2008 (Unaudited)</b>	<b>Three months ended 30 June 2007 (Unaudited)</b>
Interest income	151	4 717
Interest expense	(101)	-
Gains less losses arising from trading securities	-	2 167
Other operating expenses	(203)	(74)

#### 14 Related Party Transactions (Continued)

For the six-months period ended 30 June 2008, the remuneration of the members of the key management personnel comprised salaries and bonuses totalling RR 429 million (the six-months period ended 30 June 2007: RR 630 million).

For the three-months period ended 30 June 2008, the remuneration of the members of the key management personnel comprised salaries and bonuses totalling RR 220 million (the three-months period ended 30 June 2007: RR 472 million).

#### 15 Operations with State-Controlled Entities and Government Bodies

The Government of the Russian Federation does not provide to the general public or entities under its ownership/control a complete list of the entities, which are owned or controlled directly or indirectly by the State. Under these circumstances the Management of the Group disclosed only information that its current internal management and accounting systems allow to present in relation to operations with state-controlled entities and where the Management believes such entities could be considered as state-controlled based on its best knowledge. These condensed interim consolidated financial statements disclose operations with government bodies and entities, in which the government directly owns more than 50% of the share capital. In relation to state-controlled entities, Management analysed the Group's transactions with its largest customers and extracted balances and results of operations in relation to the following groups of entities which were included in the tables below: 1) 100% State subsidiaries and government bodies and 2) largest entities where the State controls over 50% of its share capital.

Transactions with government bodies and State-controlled entities are entered into in the normal course of business and priced at market rates. At 30 June 2008 and 31 December 2007, the outstanding balances with State-controlled entities and government bodies were as follows:

	30 June 2008 (Unaudited)		31 December 2007	
	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital
<i>In millions of Russian Roubles</i>				
Cash and cash equivalents	1	690	1	1 220
Trading securities	126 616	7 553	142 061	7 887
Other securities at fair value through profit or loss	211 478	3 250	226 384	2 772
Gross amount of loans and advances to customers (before provision for impairment)	217 789	124 684	185 419	125 936
Impairment provision for loans and advances to customers	(2 625)	(558)	(2 317)	(636)
Repurchase receivable	4 136	-	-	-
Investment securities available for sale	79 469	4 360	301	-
Due to other banks	5 864	-	3 286	10 901
Customer accounts	163 320	96 069	82 230	28 926

**15 Operations with State-Controlled Entities and Government Bodies (Continued)**

Income and expense items with State-controlled entities and government bodies for the six-months period ended 30 June 2008 and 30 June 2007 were as follows:

	Six months ended 30 June 2008 (Unaudited)		Six months ended 30 June 2007 (Unaudited)	
	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital
<i>In millions of Russian Roubles</i>				
Interest income	23 767	4 988	19 500	3 139
Interest expense	(3 563)	(870)	(1 459)	(388)
Losses, net of gains arising from trading securities	(1 349)	(25)	(612)	231
Losses, net of gains arising from other securities at fair value through profit or loss	(821)	481	330	(206)
Gains less losses arising from investment securities available for sale	-	288	-	-
Fee and commission income	1 218	221	484	142

Income and expense items with State-controlled entities and government bodies for the three-months period ended 30 June 2008 and 30 June 2007 were as follows:

	Three months ended 30 June 2008 (Unaudited)		Three months ended 30 June 2007 (Unaudited)	
	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share Capital	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital
<i>In millions of Russian Roubles</i>				
Interest income	11 842	2 369	9 405	1 226
Interest expense	(2 671)	(527)	(452)	(245)
Gains less losses arising from trading securities	183	1	184	215
Gains less losses arising from other securities at fair value through profit or loss	3	553	994	(218)
Gains less losses arising from investment securities available for sale	-	18	-	-
Fee and commission income	599	116	360	80

Transactions with the State also include taxes. Russian Federation income tax expense of the Group amounts to RR 20 403 million for the six-months period ended 30 June 2008 (RR 13 451 million for the six-months period ended 30 June 2007).

Russian Federation income tax expense amounts to RR 10 804 million for the three-months period ended 30 June 2008 (RR 6 699 million for the three-months period ended 30 June 2007).

## **16 Capital Adequacy Ratio**

As of 30 June 2008, Capital Adequacy Ratio calculated by the Bank in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basle I requirements, was as follows:

	<b>30 June 2008 (Unaudited)</b>	<b>31 December 2007</b>
Core capital adequacy ratio (Tier 1)	13.0%	13.9%
Total capital adequacy ratio (Tier 1 and Tier 2)	13.4%	14.5%

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## **17 Subsequent events**

On 2 July 2008 the Group attracted USD 500 million within MTN programme at a fixed rate of 6.47% p.a. maturing on 2 July 2013.

On 2 October 2008, the Group entered into a syndicated loan agreement with a consortium of foreign banks. Under this agreement, the Group received a USD 1,2 billion loan that has a three-year term and bears interest at LIBOR plus 0.85% per annum.