Bank of Moscow

Group of Joint Stock Commercial Bank Bank of Moscow (Open Joint Stock Company)

Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008 together with Independent Auditor's Review Report

Moscow

2008

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Independent Auditor's Review Report

To the Shareholders and the Board of Directors of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)

We have reviewed the accompanying interim consolidated financial statements of the Group of Joint Stock Commercial Bank – Bank of Moscow (Open Joint Stock Company), which comprise the interim consolidated balance sheet as at 30 June 2008, and the interim consolidated statement of income, interim consolidated statement of cash flows and interim consolidated statement of changes in equity for the six months then ended, a summary of significant accounting policies and other explanatory notes. The accompanying interim consolidated financial statements are prepared in accordance with requirements of IAS 34 "Interim Financial Statements". Management of the Group of Joint Stock Commercial Bank – Bank of Moscow (Open Joint Stock Company) is responsible for the preparation of these interim consolidated financial statements.

Management of the Group of Joint Stock Commercial Bank – Bank of Moscow (Open Joint Stock Company) is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these interim consolidated financial statements based on our 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". This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical and other review procedures applied to financial data. A review is substantially less in scope than an audit conducted in accordance with International Standards of 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. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not presented fairly, in all material respects in accordance with IAS 34.

Alexander Verenkov
FCCA
Partner

12 September 2008

BDO Unicon Inc.
125/1, section 11, Warshavskoye Shosse, Moscow, Russian Federation

Statement of Management's Responsibilities for the Preparation and Approval of Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's review report is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the interim consolidated financial statements of Joint Stock Commercial Bank –Bank of Moscow and its subsidiaries (the Group).

Management is responsible for the preparation of the interim consolidated financial statements that present fairly the financial position of the Group as at 30 June 2008, the results of its operations and cash flows for the six months then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the interim consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements; and
- Preparing the interim consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the interim consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and detecting and preventing fraud and other irregularities.

On behalf of the Group's management the interim consolidated financial statements for the six months ended 30 June 2008 were authorized for issue on 12 September 2008 by:

Yu.G. Maksutov	Davydova
Vice-President	Chief Accountant

Bank of Moscow OJSC

12 September 2008

(in thousands of Russian Roubles)

	Note	30 June 2008	31 December 2007
Assets			
Cash and cash equivalents	5	30 658 119	63 920 118
Mandatory cash balances with central banks		10 661 261	6 294 827
Financial assets at fair value through profit or loss	6	47 556 635	51 312 593
Due from other banks	7	79 276 089	40 853 080
Loans to customers	8	431 116 823	351 622 231
Financial assets available for sale	9	2 060 827	3 771 181
Investments in associates and non-consolidated subsidiaries	10	3 212 888	266 883
Premises and equipment and intangible assets		8 182 628	7 800 053
Other assets	11	3 386 578	2 227 266
Tax assets		22 230	17 966
Total assets		**616 134 078**	**528 086 198**
Liabilities			
Due to other banks	12	99 860 555	69 624 721
Customer accounts	13	387 296 647	350 646 223
Financial liabilities at fair value through profit or loss	14	1 199 222	154 010
Debt securities issued	15	71 537 881	55 956 291
Other liabilities	16	1 418 488	1 614 181
Tax liabilities		1 124 935	1 495 769
Total liabilities		**562 437 728**	**479 491 195**
Equity			
Share capital	18	15 476 839	15 476 839
Share premium		8 642 176	8 642 176
Treasury shares		-	(11 483)
Fair value reserve for financial assets available for sale		941	5 710
Revaluation reserve for premises and equipment		312 997	314 317
Accumulated exchange differences		(126 866)	(113 986)
Retained earnings		27 845 355	22 852 385
Equity attributable to the shareholders of the parent Bank		**52 151 442**	**47 165 958**
Minority interest	**17**	**1 544 908**	**1 429 045**
Total equity		**53 696 350**	**48 595 003**
Total liabilities and equity		**616 134 078**	**528 086 198**

Yu.G. Maksutov
Vice-President

L.N. Davydova
Chief Accountant

12 September 2008

The notes set out on pages 10 to 48 are an integral part of these interim consolidated financial statements.

(in thousands of Russian Roubles)

	Note	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Interest income	19	26 526 905	18 111 025
Interest expense	19	(13 987 418)	(9 475 882)
Net interest income		**12 539 487**	**8 635 143**
Provisions for impairment of due from other banks and loans to customers	7, 8	(2 569 909)	(839 852)
Net interest income after provision for impairment of due from other banks and loans to customers		**9 969 578**	**7 795 291**
Gains less losses arising from financial assets at fair value through profit or loss		(874 735)	(473 669)
Gains less losses arising from financial liabilities at fair value through profit or loss		(90 377)	(24 089)
Gains less losses arising from financial assets available for sale		59 784	4 320
Gains less losses from dealing in foreign currencies and precious metals		2 072 187	609 199
Gains less losses from revaluation of foreign currency and precious metals		(1 482 790)	(264 605)
Fee and commission income	20	3 847 875	2 434 105
Fee and commission expense	20	(687 955)	(353 787)
Dividends received		11 892	2 130
Provision for impairment of financial assets available for sale	9	(9 662)	3
Provision for impairment of other assets	11	(299)	(6 962)
Net income		**12 815 498**	**9 721 936**
General and administrative expenses	21	(6 595 611)	(5 048 575)
Contributions to the Deposit Insurance Fund		(314 704)	(247 335)
Other operating income less expenses		600 429	197 470
Operating income		**6 505 612**	**4 623 496**
Share in net profit of associates	10	42 803	9 488
Net share in other movements in equity of non-consolidated subsidiaries		(6 839)	(4 290)
Net gain on acquisition and sale of subsidiaries and associates	24	42 122	1 790 889
Profit before taxation		**6 583 698**	**6 419 583**
Income tax expense		(1 340 463)	(1 496 177)
Net profit		**5 243 235**	**4 923 406**
Net profit attributable to the shareholders of the parent Bank		5 221 583	3 786 422
Net profit attributable to minority interest	17	21 652	1 136 984
Basic earnings per share (EPS) (RUR per share)	**22**	**40,17**	**29,87**

Yu. G. Maksutov
Vice-President

12 September 2008

L. N. Davydova
Chief Accountant

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(in thousands of Russian Roubles)

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Cash flows from operating activities		
Interest received	24 196 289	17 122 224
Interest paid	(11 882 836)	(8 629 501)
Gains less losses arising from financial assets at fair value through profit or loss	(938 676)	(626 183)
Gains less losses from dealing in foreign currency and precious metals	2 072 187	345 766
Fees and commissions received	3 847 875	2 434 105
Fees and commissions paid	(687 955)	(353 787)
General and administrative expenses paid, other net operating income received less expenses, and contributions to the Deposit Insurance Fund	(5 924 046)	(4 851 749)
Income tax paid	(1 715 561)	(1 566 401)
Cash flows from operating activities before changes in operating assets and liabilities	**8 967 277**	**3 874 474**
Net (increase)/decrease in operating assets		
Mandatory cash balances with central banks	(4 366 434)	(1 882 384)
Financial assets at fair value through profit or loss	3 755 958	(1 612 895)
Due from other banks	(38 359 701)	(24 777 034)
Loans to customers	(79 896 202)	(52 242 890)
Other assets	(1 159 679)	(98 471)
Net increase/(decrease) in operating liabilities		
Due to other banks	30 188 126	10 120 770
Customer accounts	33 419 726	40 932 956
Financial liabilities at fair value through profit or loss	535 700	-
Debt securities issued (excluding eurobonds)	10 876 970	(2 410 407)
Other liabilities	(195 693)	(437 708)
Net cash flows from operating activities	**(36 233 952)**	**(28 533 589)**
Cash flows from investing activities		
Acquisition of subsidiaries and associates	(11 902)	(57 290)
Acquisition of financial assets available for sale	(194 296)	(238 981)
Proceeds from disposal of financial assets available for sale	59 784	4 320
Increase in cash and cash equivalents on acquisition of subsidiaries	109 910	-
Purchase of premises and equipment	(486 944)	(546 250)
Proceeds from sale of premises and equipment	646	30 102
Dividends received	11 892	2 130
Net cash flows from investing activities	**(510 910)**	**(805 969)**
Cash flows from financing activities		
Share issue	-	6 985 776
Eurobonds issued by the Bank	3 560 019	10 259 915
Dividends paid (Note 23)	-	(1 836)
Net cash flows from financing activities	**3 560 019**	**17 243 855**
Effect of exchange rate changes on cash and cash equivalents	(77 156)	(23 443)
Net change in cash and cash equivalents	**(33 261 999)**	**(12 119 146)**
Cash and cash equivalents at 31 December (Note 5)	63 920 118	43 652 648
Cash and cash equivalents at 30 June (Note 5)	**30 658 119**	**31 533 502**

Yu.G. Maksutov
Vice-President

E.N. Davydova
Chief Accountant

12 September 2008

The notes set out on pages 10 to 48 are an integral part of these interim consolidated financial statements.

(in thousands of Russian Roubles)

	Note	Equity attributable to the shareholders of the parent Bank: Share capital	Share premium	Treasury shares	Fair value reserve for financial assets available for sale	Revaluation reserve for premises and equipment	Accumulated exchange differences	Retained earnings	Minority interest	Total equity
Balance as at 31 December 2007		15 476 839	8 642 176	(11 483)	5 710	314 317	(113 986)	22 852 385	1 429 045	48 595 003
Revaluation at fair value of financial assets available for sale		-	-	-	(4 769)	-	-	-	-	(4 769)
Depreciation of revaluation reserve for premises and equipment		-	-	-	-	(1 521)	-	2 002	-	481
Revaluation of premises and equipment less deferred taxation		-	-	-	-	201	-	-	-	201
Exchange differences arising from translation of investments in foreign subsidiary banks		-	-	-	-	-	(12 880)	-	-	(12 880)
Disposal of treasury shares		-	-	11 483	-	-	-	-	-	11 483
Net profit for the six months ended 30 June 2008		-	-	-	-	-	-	5 221 583	21 652	5 243 235
Dividends declared for the year 2007		-	-	-	-	-	-	(232 420)	-	(232 420)
Transfer from non-consolidated subsidiaries into consolidated subsidiaries		-	-	-	-	-	-	1 805	-	1 805
Change in minority interest on acquisition of subsidiaries	17	-	-	-	-	-	-	-	94 211	94 211
Balance as at 30 June 2008		15 476 839	8 642 176	-	941	312 997	(126 866)	27 845 355	1 544 908	53 696 350

Yu.G. Maksutov
Vice-President

L.N. Davydova
Chief Accountant

12 September 2008

The notes set out on pages 10 to 48 are an integral part of these interim consolidated financial statements.

(in thousands of Russian Roubles)

		Equity attributable to the shareholders of the parent Bank							Minority interest	Total equity
	Note	Share capital	Share premium	Treasury shares	Fair value reserve for financial assets available for sale	Revaluation reserve for premises and equipment	Accumulated exchange differences	Retained earnings		
Balance as at 31 December 2006		14 786 839	2 346 400	(11 483)	549	358 183	(64 005)	14 130 359	422 511	31 969 353
Share issue										
- nominal value		690 000	-	-	-	-	-	-	-	690 000
- share premium		-	6 295 776	-	-	-	-	-	-	6 295 776
Revaluation of financial assets available for sale at fair value		-	-	-	2	-	-	-	-	2
Depreciation of revaluation reserve for premises and equipment		-	-	-	-	(1 848)	-	1 848	-	-
Exchange differences arising from translation of investments in foreign subsidiary banks		-	-	-	-	-	(12 475)	-	(219)	(12 694)
Dividends declared for the year 2006	17, 23	-	-	-	-	-	-	(165 582)	(1 830)	(167 412)
Net profit for the six months ended 30 June 2007		-	-	-	-	-	-	3 786 422	1 136 984	4 923 406
Change in minority interest on acquisition of subsidiaries	17	-	-	-	-	-	-	-	(168 844)	(168 844)
Balance as at 30 June 2007		15 476 839	8 642 176	(11 483)	551	356 335	(76 480)	17 753 047	1 388 602	43 529 587

Yu.G. Maksutov
Vice-President
12 September 2008

L.N. Davydova
Chief Accountant

The notes set out on pages 10 to 48 are an integral part of these interim consolidated financial statements.

1. Principal Activities of the Group

These interim consolidated financial statements comprise the financial statements of Joint-Stock Commercial Bank – Bank of Moscow (open joint stock company) (hereinafter the "Bank" or the "Bank of Moscow") and its subsidiaries. The Bank and its subsidiaries are jointly referred to as the "Group" or "Group of the Bank of Moscow". The list of subsidiaries and associates included in these interim consolidated financial statements is disclosed in Note 3.

The Bank of Moscow is a joint stock commercial bank registered in the Russian Federation. The Bank of Moscow was set up in March 1995 through reorganisation of Moscow Settlement Bank registered in the Russian Federation in 1994.

The Bank operates under General Banking License No. 2748 issued by the Central Bank of the Russian Federation (hereinafter the Central Bank of RF or the Bank of Russia) on 14 October 2004. The Bank also holds licenses of the professional securities market participant and a license for trading in precious metals.

The principal activities of the Bank and its subsidiaries are corporate and retail banking services, brokerage transactions and investment services on the territory of the Russian Federation and abroad.

Provision of services to individuals makes up a considerable portion of the Bank's operations. The Bank is the third largest Russian bank by the volume of customer accounts attracted from individuals.

The Government of the City of Moscow directly and indirectly (through OJSC Moscow Insurance Company) owns the Bank being its principal shareholder.

The Bank is registered at the following address: 8/15, section 3, Rozhdestvenka Str., Moscow, Russian Federation.

As at 30 June 2008, the Bank had 373 divisions on the territory of the Russian Federation and 6 subsidiary banks: in the Russian Federation (Moscow) – OJSC Mosvodokanalbank, Group's interest of 50.1%; (Bryansk) - Commercial Joint Stock Bank Bezhitsa-Bank (OJSC), Group's interest of 50.0%; in the Republic of Belarus (Minsk) – Foreign Bank Moscow-Minsk, Group's interest of 100.0%; in the Republic of Latvia (Riga) – JSC Latvian Businessbank (AS Latvijas Biznesa Banka), Group's interest of 99.87%; in the Republic of Estonia (Tallinn) – Estonian Credit Bank (Eesti Krediidipank), Group's interest of 89.04%; in the Republic of Ukraine (Kiev) – BM Bank LLC, Group's interest of 100.0%.

The Bank's head office is located in Moscow. Over 80% of the Bank's operations are concentrated in the head office. The Bank's 122 offices and sub-offices are located in all administrative districts of Moscow and in large towns of Moscow region. The Bank is the financial agent of the Government of the City of Moscow for investment programs and is the authorised dealer for bonds issues of the City of Moscow. The Bank is an active participant of a number of Moscow financial and industrial programs. It provides services to most municipal and commercial organisations, which participate in the implementation of Moscow Government programs.

As at 30 June 2008, the Bank of Moscow regional network comprised 53 branches and 194 sub-branches located on the territory of the Russian Federation (as at 31 December 2007: 53 branches and 191 sub-branches). The subsidiary bank – Commercial Joint Stock Bank Bezhitsa-Bank (OJSC) – has 2 branches on the territory of the Russian Federation (as at 31 December 2007: 2 branches). The subsidiary bank – Foreign Bank Moscow-Minsk – has 5 branches and 26 sub-branches located on the territory of the Republic of Belarus (as at 31 December 2007: 5 branches and 15 sub-branches). The subsidiary bank –BM Bank LLC – has 31 sub-branches on the territory of the Republic of Ukraine (as at 31 December 2007: 12 sub-branches). The subsidiary bank – JSC Latvian Businessbank (AS Latvijas Biznesa Banka) has 1 sub-brunch located on the territory of the Republic of Latvia (as at 31 December 2007: 1 sub-branch). Estonian Credit Bank (Eesti Krediidipank) has 10 branches and 13 sub-branches located on the territory of the Republic of Estonia (as at 31 December 2007: 10 branches and 13 sub-branches).

On 8 August 2008 the international rating agency Moody's Investors Service confirmed the long-term foreign currency deposit ratings of the Bank of Moscow at the level "Baa1", and short-term deposit ratings at the level "P-2", the outlook is "positive".

On 20 August 2008 the international rating agency Fitch Ratings confirmed the Bank's long-term credit rating at the level «BBB», short-term credit rating at "F3", support rating at "2", the ratings outlook is "stable".

As at 30 June 2008, the average number of the Group employees was 11 257 (as at 31 December 2007: 10 017).

(in thousands of Russian Roubles)

2. Operating Environment of the Group

General

Over the past decade the Russian Federation has undergone substantial political, economic and social changes. Though since 2002 the Russian economy has been recognised to be the market economy and a number of main reforms aimed at establishment of banking, judicial, tax and legislative systems have been implemented the business and legislative framework do not possess the same level of stability as in the countries with more developed economy.

In 2004 the Bank joined the Mandatory Deposit Insurance System. The activities of the Mandatory Deposit Insurance System are provided for by federal laws and regulations. It is managed by the state corporation Deposit Insurance Agency. The limit of coverage of the Bank's liabilities to private customers is up to RUR 400 thousand per each depositor in the event of bankruptcy or withdrawal of the license for banking operations by the Central Bank of Russia.

Currently, the economy of the Russian Federation continues to display characteristics of an emerging market. These characteristics include:

- relatively high inflation rates during a number of years;
- low level of liquidity on capital markets.

Inflation

Russia continues to experience relatively high levels of inflation. The inflation indices for the last five years and six months of the year 2008 are given in the table below:

Period ended	Inflation for the period
30 June 2008	8.7%
31 December 2007	11.9%
31 December 2006	9.0%
31 December 2005	10.9%
31 December 2004	11.7%
31 December 2003	12.0%

Currency transactions and currency control

Foreign currencies, in particular the US dollar and EUR, play a significant role in measuring economic parameters of many business transactions in Russia.

The table below shows the exchange rates of USD and EUR relative to RUR:

Date	USD	EUR
30 June 2008	23.4573	36.9077
31 December 2007	24.5462	35.9332
31 December 2006	26.3311	34.6965
31 December 2005	28.7825	34.1850
31 December 2004	27.7487	37.8104
31 December 2003	29.4545	36.8240

Financial market transactions

Economic conditions in the Russian Federation continue to limit the volume of activity in the financial markets. Market quotations may not reflect the values of financial instruments, which would be determined in an active market on transactions on an arm's-length basis between knowledgeable and willing counterparties. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values, where considered necessary.

Russia's investment attractiveness and reduced macroeconomic risks and inflationary expectations were confirmed by the investment ratings awarded to the Russian Federation by the following world rating agencies: Moody's – Baa1 with "positive" outlook on 16 July 2008, Fitch Ratings – BBB+ with "stable" outlook on 2 July 2008, Standard & Poor's – BBB+ with "positive" outlook on 2 July 2008.

Since the second half of 2007 there has been a sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond the US market as many investors have re-evaluated their risk management policies, resulting in increased volatility, lower liquidity and reduced borrowing in the financial markets. Such circumstances may affect the ability of the Group to obtain new borrowings in international capital markets.

The accompanying interim consolidated financial statements reflect the Group management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future economic development of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the Government and other factors including regulatory and political developments, which are beyond the Group's control. The Group's management cannot predict the impact of the above factors on the financial position of the Bank and the Group. The accompanying interim consolidated financial statements do not include the adjustments associated with this risk.

3. Basis of Presentation

General principles

These interim consolidated financial statements are prepared in accordance with IFRS 34 "Interim Financial Reporting". They do not include all of the information required by IFRS for a complete set of annual financial statements. Operating results for the six-month period ended 30 June 2008 are not necessarily indicative of the results that may be expected for the year ended 31 December 2008. These interim consolidated financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS. The Group subsidiaries and banks domiciled outside of the Russian Federation independently prepare their financial statements in accordance with IFRS, which are subsequently consolidated into the Group's interim consolidated financial statements.

The preparation of interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of income and expenses during the reporting period. These estimates and assumptions are based on the information available at the date these interim consolidated financial statements are published. Actual results may differ from those estimates and assumptions. The most material are estimates used to determine a provision for impairment of financial assets, useful lives of premises and equipment and the amount of off-balance sheet risks and contingent liabilities.

The accounting policies of the subsidiaries were adjusted where necessary in order to comply with the accounting policies of Bank of Moscow.

Subsidiaries

Subsidiary undertakings, i.e. those entities in which the Group owns over one half of the voting shares or is otherwise able to exercise control over the operations, including special purpose entities (SPE) have been consolidated. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquisition of subsidiaries

The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the date of acquisition, if the business combination of the companies is made by one transaction; and the date of each share purchase if the business combination of the companies occurs in stages by successive share purchases. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the date of acquisition, irrespective of the extent of any minority interest.

The excess of the cost of the acquisition over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of the acquisition is less than the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the interim consolidated statement of income.

Minority interest

Minority interest is the share of the subsidiary that is not owned by the Group. Minority interest at the reporting date is minority's portion of the net fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition and post-acquisition changes in the equity of the subsidiary. Minority interest is recorded within equity.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary and are allocated to the Group unless there is a binding obligation of the minority to fund the losses.

(in thousands of Russian Roubles)

Below are the consolidated Group's subsidiaries as at 30 June 2008:

Name	Location	Business activity	Percentage of ownership	Year of acquisition
CJSC Imagine	Russia	Financial services	100.00	1996
CJSC Altruist	Russia	Financial services	100.00	1996
CJSC Press Magnate	Russia	Publishing	100.00	1996
CJSC Vechernyaya Moskva	Russia	Publishing	100.00	1997
BM Holding LTD	Switzerland	Financial services	100.00	1998
JSC Bank Moscow-Minsk	Belarus	Banking services	100.00	2000
CJSC DOSSOM	Russia	Catering	100.00	2001
CJSC Bank of Moscow management company	Russia	Financial services	100.00	2002
LLC BM Bank	Ukraine	Banking services	100.00	2005
CJSC Stroiportinvest	Russia	Financial services	100.00	2006
BoM Finance Ltd.	British Virgin Islands	Financial services	100.00	2007
BoM Asset Management Ltd.	Cyprus	Financial services	100.00	2007
Crossplanet Ltd.	Cyprus	Financial services	100.00	2007
LLC "Mos-Broker"	Russia	Brokerage, dealer, depository services	100.00	2008
AS Latvijas Biznesa Banka	Latvia	Banking services	99.87	2002
LLC Selkhozstroi	Russia	Machine-building and equipment	99.00	2006
LLC PO Montazh	Russia	Machine-building and equipment	99.00	2006
AS Eesti Krediidipank	Estonia	Banking services	89.04	2005
AS Martinoza	Estonia	Real estate management	89.04	2005
AS Krediidipanga Liising	Estonia	Leasing	89.04	2005
CJSC Concern Vechernyaya Moskva	Russia	Publishing	57.00	1997
CJSC Financial Assistant	Russia	Financial services	50.67	2006
OJSC Mosvodokanalbank	Russia	Banking services	50.10	1997
OJSC International Asset Management Company	Russia	Financial services	50.00	2003
Commercial Joint Stock Bank Bezhitsa-Bank (OJSC)	Russia	Banking services	50.00	2008

Below are the consolidated Group's subsidiaries as at 31 December 2007:

Name	Location	Business activity	Percentage of ownership	Year of acquisition
CJSC Imagine	Russia	Financial services	100.00	1996
CJSC Altruist	Russia	Financial services	100.00	1996
CJSC Press Magnate	Russia	Publishing	100.00	1996
CJSC Vechernyaya Moskva	Russia	Publishing	100.00	1997
CJSC DOSSOM	Russia	Catering	100.00	2001
JSC Bank Moscow-Minsk	Belarus	Banking services	100.00	2000
CJSC Bank of Moscow management company	Russia	Financial services	100.00	2002
LLC BM Bank	Ukraine	Banking services	100.00	2005
CJSC Stroiportinvest	Russia	Financial services	100.00	2006
AS Latvijas Biznesa Banka	Latvia	Banking services	99.87	2002
LLC Selkhozstroi	Russia	Machine-building and equipment	99.00	2006
LLC PO Montazh	Russia	Machine-building and equipment	99.00	2006
AS Eesti Krediidipank	Estonia	Banking services	89.04	2005
AS Martinoza	Estonia	Real estate management	89.04	2005
AS Krediidipanga Liising	Estonia	Leasing	89.04	2005
CJSC Concern Vechernyaya Moskva	Russia	Publishing	57.00	1997
CJSC Financial Assistant	Russia	Financial services	50.67	2006
OJSC Mosvodokanalbank	Russia	Banking services	50.10	1997
OJSC International Asset Management Company	Russia	Financial services	50.00	2003

(in thousands of Russian Roubles)

Kuznetski Capital S.A. founded in 2004 for special purposes as SPE (Eurobonds issue) and registered in Luxemburg was also included in these interim consolidated financial statements.

Where the companies do not have a significant influence on the interim consolidated financial statements of the Group, they are not consolidated. These companies are reflected within investments in associates and non-consolidated subsidiaries in the interim consolidated balance sheet.

Following is a list of the companies, which were not included into the interim consolidated financial statements as at 30 June 2008:

Name	Location	Business activity	Percentage of ownership	Year of acquisition
CJSC Monolit	Russia	Wholesale	99.00	2007
Private security company Yaroslavna, LLC	Russia	Security	75.30	1999
CJSC Stolichnaya Neftyanaya Kompania	Russia	Production	75.00	2005
Editorial office of MK-Boulevard magazine, LLC	Russia	Publishing	50.00	2002

Following is a list of the companies, which were not included into consolidated financial statements as at 31 December 2007:

Name	Location	Business activity	Percentage of ownership	Year of acquisition
BM Holding LTD	Switzerland	Financial services	100.00	1998
BoM Finance Ltd.	British Virginia Isles	Financial services	100.00	2007
BoM Asset Management Ltd.	Cyprus	Financial services	100.00	2007
Crossplanet Ltd.	Cyprus	Financial services	100.00	2007
CJSC Monolit	Russia	Wholesale	99.00	2007
Private security company Yaroslavna, LLC	Russia	Security	75.30	1999
CJSC Stolichnaya Neftyanaya Kompania	Russia	Production	75.00	2005
Editorial office of MK-Boulevard magazine, LLC	Russia	Publishing	50.00	2002

Associates

Associates are entities in which the Group directly or indirectly owns between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence (for example, through representation in management bodies), but which it does not control. Investments in associates are accounted for under the equity method and are initially recognised at cost. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in the interim consolidated statement of income, and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments on behalf of the associate.

Below is the list of the Group's associates as at 30 June 2008:

Name	Location	Business activity	Percentage of ownership	Year of acquisition
City Centre for Data Processing (EIRTS), LLC	Russia	Maintenance of software and hardware	49.50	2005
SIA "LBB ĪPAŠUMI"	Latvia	Real estate business	48.94	2008
VM-Service, LLC	Russia	Logistics	48.50	2002
Äigrumäe Kinnisvara AS	Estonia	Financial services	44.43	2007
JSCB Russky Zemelny Bank	Russia	Banking services	31.00	1999
CJSC Automated Banking Technologies	Russia	Information technologies	20.02	2006
JSCB Russian National Commercial Bank	Russia	Banking services	20.00	1999
LLC Pension Reserve	Russia	Financial services	19.00	2008
OJSC Capital Insurance Group	Russia	Insurance	12.67	2007

(in thousands of Russian Roubles)

Below is the list of the Group's associates as at 31 December 2007:

Name	Location	Business activity	Percentage of ownership	Year of acquisition
City Centre for Data Processing (EIRTS), LLC	Russia	Maintenance of software and hardware	49.50	2005
VM-Service, LLC	Russia	Logistics	48.50	2002
Äigrumäe Kinnisvara AS	Estonia	Financial services	44.43	2007
JSCB Russky Zemelny Bank	Russia	Banking services	31.00	1999
CJSC Automated Banking Technologies	Russia	Information technologies	20.02	2006
JSCB Russian National Commercial Bank	Russia	Banking services	20.00	1999

Standards applied

In the first six months of 2008 the Group applied the effective International Financial Reporting Standards, including all previously adopted standards and SIC and IFRIC interpretations.

Where necessary the comparative information was adjusted to comply with the presentation format of the reporting period.

The changes introduced to the accounting policies were made in accordance with the requirements for application of the respective standards.

IFRS and IFRIC interpretations not yet effective

The Group has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

- IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009);
- IAS 23 "Borrowing Costs" (amended in March 2007; applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is 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, i.e. from 1 January 2008);
- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on 1 January 2009);
- IFRIC 13 "Customer Loyalty Programs" (effective for annual periods beginning on 1 July 2008 or after this date);
- IFRIC 14 IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on 1 January 2008 or after this date).

4. Summary of Significant Accounting Policies

The accompanying interim consolidated financial statements were prepared in accordance with the significant accounting policies disclosed in the Group's consolidated financial statements prepared under IFRS for the year ended 31 December 2007.

As at 30 June 2008, the official exchange rates applied for restatement of account balances denominated in foreign currencies were as follows:

- RUR 23.4573 per USD 1 (at 31 December 2007: RUR 24.5462);
- RUR 36.9077 per EUR 1 (at 31 December 2007: RUR 35.9332);
- RUR 11.0355 per BYR 1 000 (at 31 December 2007: RUR 11.3897);
- RUR 52.4749 per LVL 1 (at 31 December 2007: RUR 51.2452);
- RUR 23.5674 per EEK 10 (at 31 December 2007: RUR 22.8460);
- RUR 49.5654 per UAH 10 (at 31 December 2007: RUR 48.2357).

The income tax expense in the reporting period comprises the amount calculated using the estimated effective income tax rate and the amount of deferred tax. It means that the income tax expense in the half-year period is accrued by using the tax rate which would be applied to the expected total income for the year. The income tax is recognised in full in the interim consolidated statement of income except to the extent that it relates to items recognised directly in equity.

(in thousands of Russian Roubles)

5. Cash and Cash Equivalents

	30 June 2008	31 December 2007
Cash on hand	12 377 229	17 412 571
Precious metals	125 995	143 113
Cash balances with the central banks (other than mandatory reserve deposits)	8 074 837	38 204 695
Correspondent accounts and overnight deposits with other banks:		
- the Russian Federation;	1 392 679	1 676 438
- other countries	8 687 379	6 483 301
Total cash and cash equivalents	**30 658 119**	**63 920 118**

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss reflected in the interim consolidated balance sheet include trading securities and derivative financial instruments. As at the balance sheet date the Group does not have other types of financial instruments classified into this category.

	30 June 2008	31 December 2007
Rouble-denominated securities		
Corporate bonds	26 994 175	25 334 898
Equity securities	4 307 032	4 786 411
Bonds of RF subjects and local authorities	2 678 043	3 677 534
Corporate promissory notes	2 547 013	1 979 574
Corporate eurobonds	6 327 994	-
Russian Federation bonds (OFZ)	404 309	4 489 052
	43 258 566	**40 267 469**
US dollar denominated securities		
Corporate eurobonds	1 107 265	1 990 669
Bonds of foreign governments	584 600	42 636
Equity securities	152 833	289 163
Eurobonds of the Russian Federation	422	5 626 009
Corporate promissory notes	52	51
Federal currency bonds	-	1 649 830
	1 845 172	**9 598 358**
EUR denominated securities		
Bonds of foreign governments	681 229	259
Equity securities	2 151	25 449
Corporate eurobonds	583	-
	683 963	**25 709**
Securities denominated in other currencies		
Bonds of central banks	994 010	-
Bonds of foreign governments	676 916	1 291 679
Corporate eurobonds	17 121	-
Equity securities	16 709	11 037
Corporate promissory notes	237	256
Corporate bonds	-	8 250
	1 704 993	**1 311 221**
Derivative financial instruments in Russian Roubles	26 778	106
Derivative financial instruments in US dollars	26 002	109 730
Derivative financial instruments in other currencies	11 161	-
	63 941	**109 836**
Total financial assets at fair value through profit or loss	**47 556 635**	**51 312 593**

Corporate bonds are represented by Rouble denominated interest-bearing securities issued by large Russian companies and credit institutions, quoted on the Moscow Interbank Currency Exchange (MICEX), and bonds of large Ukrainian entities and Latvian credit institutions. As at 30 June 2008, these bonds in the Group's portfolio have maturities from 19 September 2008 to 15 November 2018, coupon rates ranging from 5.0% to 11.5% per annum in the year 2008 and yield to maturity ranging from 2.68% to 22.88% per annum, depending on the issue.

As at 30 June 2008, corporate bonds include mortgage-backed bonds of OJSC Mortgage Lending, CB Moscow Mortgage Agency (JSC) and OJSC Moscow Regional Mortgage Agency, with the fair value of RUR 5 698 846 thousand, maturing from 21 December 2010 to 15 November 2018, with coupon rates ranging from 7.75% to 10% per annum and yield to maturity ranging from 8.13% to 12.78% per annum. Out of which, the bonds secured by state guarantees of the City of Moscow amount to RUR 1 103 987 thousand and have a maturity date of 20 September 2012, coupon rate of 10% per annum and yield to maturity of 8.4% per annum.

Equity securities are represented by shares of large Russian companies quoted on the MICEX and Russian Trading System, and depository receipts for shares of large Russian entities quoted on the London and New York Stock Exchanges.

Bonds of RF subjects and local authorities represent Rouble-denominated interest-bearing securities quoted on the MICEX. As at 30 June 2008, these bonds in the Group's portfolio have maturities from 3 August 2008 to 14 June 2017, coupon rates ranging from 6% to 10 % per annum and yield to maturity from 7.17% to 10.23% per annum, depending on the issue.

Corporate promissory notes are Rouble-denominated notes of large Russian credit institutions. As at 30 June 2008, promissory notes in the Group's portfolio have maturities from 30 July 2008 to 25 June 2009 and yield to maturity ranging from 7.10% to 12.10% per annum.

Corporate eurobonds are represented by interest-bearing securities denominated in RUR, USD and EUR issued by large Russian companies and credit institutions and quoted on international markets. As at 30 June 2008, corporate eurobonds in the Group's portfolio have maturity dates from August 2008 to March 2030, coupon rates ranging from 1.5% to 12.75% per annum in the year 2008 and yield to maturity ranging from 1.2% to 10.5% per annum, depending on the issue.

OFZ are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 30 June 2008, OFZ in the Group's portfolio have maturity dates from 10 September 2008 to 8 August 2018, coupon rates ranging from 6.10% to 10% per annum in the year 2008 and yield to maturity from 1.58% to 7.57% per annum, depending on the issue.

Bonds of foreign governments are represented by bonds of Germany, Belarus, the Netherlands, Latvia and Ukraine.

Eurobonds of the Russian Federation are US dollar denominated securities issued by the Ministry of Finance of the Russian Federation and quoted on international markets. As at 30 June 2008, eurobonds in the Group's portfolio have maturities from 24 June 2028 to 31 March 2030, coupon rates ranging from 7.5% to 12.75% per annum and yield to maturity from 5.32% to 6.12% per annum.

The bonds of the central banks represent bonds of the National Bank of the Republic of Belarus denominated in BYR. As at 30 June 2008, these bonds in the Group's portfolio have maturity date on 2 July 2008 and coupon rate of 9.93% per annum.

As at 30 June 2008, financial assets at fair value through profit or loss comprise securities provided as collateral under sale and repurchase agreements (REPO) with the fair value of RUR 1 300 921 thousand, and the related liabilities are recorded within due to other banks (Note 12) and costumer accounts (Note 13).

As the trading securities are stated at fair value determined on the basis of observable market quotations, the Group does not analyse or monitors the impairment indicators.

The credit quality analysis of trading debt securities as at 30 June 2008 and 31 December 2007 has shown that all above-stated trading debt securities in the total amount of RUR 43 013 969 thousand (as at 31 December 2007: RUR 46 090 697 thousand) are current.

There are no overdue trading debt securities.

There are no revised balances representing the carrying amount of trading debt securities with revised conditions whose payment would otherwise be overdue.

(in thousands of Russian Roubles)

7. Due from other Banks

	30 June 2008	31 December 2007
Loans and deposits with other banks	58 639 350	33 982 979
Reverse repo agreements with other banks	8 658 074	6 896 028
Overdue placements with other banks	1 915	2 549
Deposits with the Central Bank of Russia	12 000 328	-
Less: provision for impairment of due from other banks	(23 578)	(28 476)
Total due from other banks	**79 276 089**	**40 853 080**

As at 30 June 2008, the Group had deposits balances above 10% of the Group capital with 1 bank (as at 31 December 2007: 2 banks). The aggregate amount of these funds was RUR 5 831 417 thousand (as at 31 December 2007: RUR 11 039 719 thousand) or 7.4% of due from other banks (as at 31 December 2007: 27.0%).

As at 30 June 2008, securities acquired from banks under reverse repo agreements comprise corporate shares with the fair value of RUR 2 383 947 thousand (as at 31 December 2007: RUR 4 308 690 thousand), corporate bonds with the fair value of RUR 3 659 250 thousand (as at 31 December 2007: RUR 3 396 914 thousand), bonds of RF subjects with the fair value of RUR 2 140 031 thousand (as at 31 December 2007: 91 970 thousand), debt securities of RF Ministry of Finance with the fair value of RUR 52 449 thousand (as at 31 December 2007: RUR 417 069 thousand), eurobonds of corporate issuers with the fair value of RUR 418 737 thousand (as at 31 December 2007: none) and RF eurobonds at the fair value of RUR 71 841 thousand (as at 31 December 2007: none).

Movements in the provision for impairment of due from other banks are as follows:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Provision for impairment of due from other banks as at 1 January	28 476	9 278
(Recovery of provision)/Provision for impairment of due from other banks during the year	(5 033)	1 781
Exchange difference	135	(53)
Provision for impairment of due from other banks as at 30 June	**23 578**	**11 006**

The credit quality analysis of due from other banks as at 30 June 2008 and as at 31 December 2007 has shown that all the above classes of due from other banks in the total amount of RUR 79 297 752 thousand are current (as at 31 December 2007: RUR 40 879 007 thousand). Due from other banks in the amount of RUR 1 915 thousand (as at 31 December 2007: RUR 2 549 thousand) are more than 1 year overdue.

There are no revised balances representing the carrying amount of due from other banks whose payment would otherwise be overdue.

Due from other banks except for "reverse repo" transactions are not collateralised.

The Group provided a number of loans to related parties. The relevant information on related party transactions is disclosed in Note 29.

(in thousands of Russian Roubles)

8. Loans to Customers

	30 June 2008	31 December 2007
Corporate loans	267 908 288	219 096 665
Loans to small and medium business	51 649 320	42 300 754
Loans to government and municipal authorities	6 801 237	5 524 281
Reverse repo agreements	12 532 830	14 599 704
Less: provision for impairment of loans to legal entities	(3 086 824)	(2 375 000)
Total loans to legal entities	**335 804 851**	**279 146 404**
Consumer loans	51 458 162	35 627 724
Mortgage loans	22 634 518	17 326 936
Car loans	16 077 798	13 816 866
Scoring loans	4 321 493	4 203 119
Credit cards	4 820 979	3 593 714
Overdrafts	111 147	57 586
Less: provision for impairment of loans to individuals	(4 112 125)	(2 150 118)
Total loans to individuals	**95 311 972**	**72 475 827**
Total loans to customers	**431 116 823**	**351 622 231**

As at 30 June 2008, the Group had a concentration of loans due from 4 borrowers (as at 31 December 2007: 3 borrowers) with the total amount over 10% of the Group's capital. The aggregate amount of these loans was RUR 32 127 784 thousand (as at 31 December 2007: RUR 16 944 403 thousand) or 7.3% of loans to customers (as at 31 December 2007: 4.8%).

As at 30 June 2008, securities acquired under reverse repo agreements comprise corporate shares with the fair value of RUR 8 333 121 thousand (as at 31 December 2007: RUR 6 748 531 thousand), corporate bonds with the fair value of RUR 4 999 022 thousand (as at 31 December 2007: RUR 6 242 152 thousand), bonds of RF subjects with the fair value of RUR 1 034 981 thousand (as at 31 December 2007: RUR: 2 101 871 thousand), debt securities of the Russian Ministry of Finance with the fair value of RUR 333 064 thousand (as at 31 December 2007: RUR 2 099 203 thousand) and corporate eurobonds with the fair value of RUR 314 268 thousand (as at 31 December 2007: none).

There are no revised balances representing the carrying amount of loans to customers whose payment would otherwise be overdue.

Movements in the provision for impairment of loans to legal entities during the six months of the year 2008 are as follows:

	Corporate loans	Loans to small and medium business	Loans to government and municipal authorities	Total
Provision for impairment of loans to legal entities as at 1 January	**1 651 104**	**722 296**	**1 600**	**2 375 000**
(Recovery of provision)/Provision for impairment during the six months	138 865	477 144	(1 600)	614 409
Provision of the acquired subsidiary	94 430	2 867	-	97 297
Exchange difference	288	512	-	800
Loans written off during the six months as uncollectible	(682)	-	-	(682)
Provision for impairment of loans to legal entities as at 30 June	**1 884 005**	**1 202 819**	**-**	**3 086 824**

(in thousands of Russian Roubles)

Movements in the provision for impairment of loans to individuals during the six months of the year 2008 are as follows:

	Consumer loans	Mortgage loans	Car loans	Scoring loans	Credit cards	Over-drafts	Total
Provision for impairment of loans to individuals as at 1 January	**840 243**	**26 391**	**368 298**	**662 103**	**244 175**	**8 908**	**2 150 118**
Provision for impairment during the six months	1 388 043	107 914	157 194	25 314	278 862	3 206	1 960 533
Provision of the acquired subsidiary	398	-	-	-	-	-	398
Exchange difference	880	196	-	-	-	-	1 076
Provision for impairment of loans to individuals as at 30 June	**2 229 564**	**134 501**	**525 492**	**687 417**	**523 037**	**12 114**	**4 112 125**

Movements in the provision for impairment of loans to legal entities during the six months of the year 2007 are as follows:

	Corporate loans	Loans to small and medium business	Total
Provision for impairment of loans to legal entities as at 1 January	**1 458 376**	**485 064**	**1 943 440**
Provision for impairment during the six months	403 027	71 264	474 291
Exchange difference	(1 747)	(2 953)	(4 700)
Provision for impairment of loans to legal entities as at 30 June	**1 859 656**	**553 375**	**2 413 031**

Movements in the provision for impairment of loans to individuals during the six months of the year 2007 are as follows:

	Consumer loans	Mortgage loans	Car loans	Scoring loans	Credit cards	Over-drafts	Total
Provision for impairment of loans to individuals as at 1 January	**166 049**	**6 076**	**42 514**	**809 644**	**358 127**	**10 558**	**1 392 968**
(Recovery of provision)/Provision for impairment during the six months	42 660	(2 815)	34 531	280 806	6 617	1 981	363 780
Exchange difference	(456)	(97)	(20)	-	-	-	(573)
Provision for impairment of loans to individuals as at 30 June	**208 253**	**3 164**	**77 025**	**1 090 450**	**364 744**	**12 539**	**1 756 175**

Structure of the Group's loan portfolio by type of ownership is as follows:

Type of ownership	**30 June 2008**		**31 December 2007**	
	Amount	**%**	**Amount**	**%**
Loans to non-state entities and organisations	319 191 671	72.8	258 167 041	72.4
Loans to individuals	99 424 097	22.7	74 625 945	21.0
Loans to enterprises in federal ownership	9 942 890	2.2	13 046 627	3.6
Loans to RF subjects	6 801 237	1.6	5 524 281	1.6
Loans to enterprises owned by the Government of the City of Moscow	2 763 889	0.6	4 138 342	1.2
Loans to enterprises in regional (municipal) ownership (other than the Government of the City of Moscow)	191 988	0.1	645 113	0.2
Total loans to customers (gross)	**438 315 772**	**100.0**	**356 147 349**	**100.0**

(in thousands of Russian Roubles)

Economic sector concentrations within the Group's loan portfolio are as follows:

	30 June 2008		31 December 2007	
	Amount	**%**	**Amount**	**%**
Individuals	99 424 097	22.8	74 625 945	21.0
Financial services	86 943 119	19.8	66 528 365	18.7
Construction	69 754 170	15.9	57 140 438	16.0
Manufacturing	63 892 662	14.6	63 113 533	17.7
Trade	61 080 267	13.9	47 747 211	13.4
Fuel and energy sector	10 099582	2.3	4 962 882	1.4
Transport and communications	9 771 841	2.2	7 678 857	2.2
Metallurgy	9 389 136	2.1	7 496 040	2.1
State agencies	6 801 237	1.6	5 524 281	1.6
Food industry	6 596 560	1.5	6 118 862	1.7
Science	1 933 814	0.4	2 399 520	0.7
Agriculture and fishing	1 350 923	0.3	1 083 384	0.3
Other	11 278 364	2.6	11 728 031	3.2
Total loans to customers (gross)	**438 315 772**	**100.0**	**356 147 349**	**100.0**

The table below contains information on the collateral as at 30 June 2008:

	Guarantees and sureties	**Property**	**Securities**	**Total**
Corporate loans	179 527 469	201 974 203	34 917 708	416 419 380
Loans to small and medium business	136 172 998	90 356 547	-	226 529 545
Loans to government and municipal authorities	104 189	20 981	-	125 170
Reverse repo agreements	-	-	15 014 456	15 014 456
Total collateral against loans to legal entities	**315 804 656**	**292 351 731**	**49 932 164**	**658 088 551**
Car loans	9 457 711	23 721 608	313	33 179 632
Consumer loans	9 031 271	3 072 554	125 500	12 229 325
Mortgage loans	9 200 503	30 615 501	1 373 670	41 189 674
Total collateral against loans to individuals	**27 689 485**	**57 409 663**	**1 499 483**	**86 598 631**
Total collateral against loans to customers	**343 494 141**	**349 761 394**	**51 431 647**	**744 687 182**

The table below contains information on the collateral as at 31 December 2007:

	Guarantees and sureties	**Property**	**Securities**	**Total**
Corporate loans	183 292 942	140 645 845	44 625 455	368 564 242
Loans to small and medium business	116 094 069	50 447 451	2 099 408	168 640 928
Reverse repo agreements	-	-	17 191 757	17 191 757
Total collateral against loans to legal entities	**299 387 011**	**191 093 296**	**63 916 620**	**554 396 927**
Car loans	9 557 942	21 243 026	313	30 801 281
Consumer loans	6 038 965	1 137 577	237 486	7 414 028
Mortgage loans	6 041 858	21 787 515	769 950	28 599 323
Total collateral against loans to individuals	**21 638 765**	**44 168 118**	**1 007 749**	**66 814 632**
Total collateral against loans to customers	**321 025 776**	**235 261 414**	**64 924 369**	**621 211 559**

The fair value of collateral may vary from the carrying amount.

(in thousands of Russian Roubles)

The credit quality analysis of loans to customers as at 30 June 2008 is shown below:

	Current and unimpaired	Impaired	Total
Corporate loans	214 311 529	53 596 759	267 908 288
Loans to small and medium business	40 883 718	10 765 602	51 649 320
Loans to government and municipal authorities	6 688 236	113 001	6 801 237
Reverse repo agreements	12 532 830	-	12 532 830
Less: provision for impairment of loans to legal entities	-	(3 086 824)	(3 086 824)
Total loans to legal entities	**274 416 313**	**61 388 538**	**335 804 851**
Consumer loans	43 242 867	8 215 295	51 458 162
Scoring loans	3 231 296	1 090 197	4 321 493
Credit cards	3 629 721	1 191 258	4 820 979
Car loans	14 876 379	1 201 419	16 077 798
Mortgage loans	21 902 038	732 480	22 634 518
Overdrafts	95 456	15 691	111 147
Less: provision for impairment of loans to individuals	-	(4 112 125)	(4 112 125)
Total loans to individuals	**86 977 757**	**8 334 215**	**95 311 972**
Total loans to customers	**361 394 070**	**69 722 753**	**431 116 823**

In the second half of 2007 a crisis on the international financial market made the Group revise its approach to risk assessment.

The strategic objective set by the Group was to apply a more conservative approach in evaluating the quality of the borrowers' financial position. The Group increased requirements to the size and quality of collateral. As a result, the volume of current impaired loans increased as at 31 December 2007 as loans were categorized as impaired due to the toughened provisioning requirements and not due to actual growth in the borrowers' default on their obligations.

The reasons for substantial decrease in impaired loans without revision of the impairment assessment approach were as follows: as at 30 June 2008 the majority of assets, classified as impaired loans at 31 December 2007, was repaid by debtors at their respective maturity dates, and part of the loans was additionally collateralised.

The analysis of impaired loans to customers as at 30 June 2008 is shown below:

	Current	Overdue			Total
		Less than 1 month	From 1 to 6 months	More than 6 months	
Corporate loans	53 093 611	63 182	365 233	74 733	53 596 759
Loans to small and medium business	10 271 092	328 227	32 839	133 444	10 765 602
Loans to government and municipal authorities	113 001	-	-	-	113 001
Less: provision for impairment of loans to legal entities	(2 184 903)	(373 492)	(327 283)	(201 146)	(3 086 824)
Total impaired loans to legal entities	**61 292 801**	**17 917**	**70 789**	**7 031**	**61 388 538**
Consumer loans	6 981 676	68 483	155 578	1 009 558	8 215 295
Scoring loans	421 341	16 979	70 742	581 135	1 090 197
Credit cards	723 956	27 950	75 662	363 690	1 191 258
Car loans	805 814	7 951	28 240	359 414	1 201 419
Mortgage loans	683 641	5 066	23 495	20 278	732 480
Overdrafts	159	2 488	3 344	9 700	15 691
Less: provision for impairment of loans to individuals	(1 657 336)	(470)	(130 046)	(2 324 273)	(4 112 125)
Total impaired loans to individuals	**7 959 251**	**128 447**	**227 015**	**19 502**	**8 334 215**
Total impaired loans to customers	**69 252 052**	**146 364**	**297 804**	**26 533**	**69 722 753**

(in thousands of Russian Roubles)

The analysis of impaired loans to customers as at 31 December 2007 is shown below:

	Current and unimpaired	Impaired	Total
Corporate loans	117 443 094	101 653 571	219 096 665
Loans to small and medium business	13 819 501	28 481 253	42 300 754
Loans to government and municipal authorities	5 364 281	160 000	5 524 281
Reverse repo agreements	14 599 704	-	14 599 704
Less: provision for impairment of loans to legal entities	-	(2 375 000)	(2 375 000)
Total loans to legal entities	**151 226 580**	**127 919 824**	**279 146 404**
Consumer loans	30 281 576	5 346 148	35 627 724
Scoring loans	3 639 610	563 509	4 203 119
Credit cards	2 877 508	716 206	3 593 714
Car loans	13 004 502	812 364	13 816 866
Mortgage loans	16 958 535	368 401	17 326 936
Overdrafts	45 677	11 909	57 586
Less: provision for impairment of loans to individuals	-	(2 150 118)	(2 150 118)
Total loans to individuals	**66 807 408**	**5 668 419**	**72 475 827**
Total loans to customers	**218 033 988**	**133 588 243**	**351 622 231**

The credit quality analysis of loans to customers as at 31 December 2007 is shown below:

	Current	Overdue			Total
		Less than 1 month	From 1 to 6 months	More than 6 months	
Corporate loans	101 629 076	-	3 843	20 652	101 653 571
Loans to small and medium business	28 273 705	57 944	42 134	107 470	28 481 253
Loans to government and municipal authorities	160 000	-	-	-	160 000
Less: provision for impairment of loans to legal entities	(2 181 579)	(43 854)	(38 434)	(111 133)	(2 375 000)
Total impaired loans to legal entities	**127 881 202**	**14 090**	**7 543**	**16 989**	**127 919 824**
Consumer loans	4 736 496	68 090	117 030	424 532	5 346 148
Scoring loans	66 379	5 971	37 663	453 496	563 509
Credit cards	506 621	17 322	49 000	143 263	716 206
Car loans	619 550	5 587	26 218	161 009	812 364
Mortgage loans	351 643	319	7 734	8 705	368 401
Overdrafts	17	1 380	2 418	8 094	11 909
Less: provision for impairment of loans to individuals	(854 257)	(8 670)	(97 445)	(1 189 746)	(2 150 118)
Total impaired loans to individuals	**5 426 449**	**89 999**	**142 618**	**9 353**	**5 668 419**
Total impaired loans to customers	**133 307 651**	**104 089**	**150 161**	**26 342**	**133 588 243**

The Group provided a number of loans to related parties. The relevant information on related party transactions is disclosed in Note 29.

(in thousands of Russian Roubles)

9. Financial Assets Available for Sale

	30 June 2008	31 December 2007
Equity securities	1 344 973	3 239 911
Corporate debt securities	560 499	448 163
Corporate eurobonds	175 586	93 626
Less: provision for impairment of financial assets available for sale	(20 231)	(10 519)
Total financial assets available for sale	**2 060 827**	**3 771 181**

Equity securities mainly represent shares and equity holdings of Moscow enterprises: JSC Insurance Group, OJSC Pushkinskaya Ploshchad Polygraphic Company, as well as shares of regional commercial banks JSCB Zarechiye and JSCB Bank of Khakasia.

Corporate debt securities are represented by interest-bearing securities issued by Ukraine companies with maturity ranging from 14 July 2008 to 6 July 2009, coupon rates ranging from 10.5% to 19.0% per annum and yield to maturity ranging from 9.56% to 16.23% per annum, and interest-bearing bonds of Russian enterprises with maturity ranging from 3 July 2008 to 15 March 2040, coupon rates ranging from 7.5% to 13.8% per annum and yield to maturity ranging from 8.3% to 17.78% per annum.

Corporate eurobonds are represented by interest-bearing securities denominated in USD and EUR issued by credit institutions and companies of Kazakhstan, Ukraine, Belarus, Latvia and Russia with maturity ranging from 1 August 2008 to 5 March 2014, coupon rates ranging from 3.38% to 10.5% per annum and yield to maturity ranging from 7.5% to 10.5% per annum.

Movements in the provision for impairment of financial assets available for sale are as follows:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Provision for impairment of financial assets available for sale as at 1 January	**10 519**	**10 519**
(Recovery of provision)/Provision for impairment of financial assets available for sale	9 662	(3)
Exchange difference	50	-
Provision for impairment of financial assets available for sale as at 30 June	**20 231**	**10 516**

10. Investments in Associates and Non-Consolidated Subsidiaries

	30 June 2008	31 December 2007
Investments in associates	3 198 009	236 792
Investments in non-consolidated subsidiaries	14 879	30 091
Total investments in associates and non-consolidated subsidiaries	**3 212 888**	**266 883**

Movements in the carrying value of investments in associates are as follows:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Carrying value as at 1 January	**236 792**	**722 895**
Share in net profit of the associates	42 803	9 488
Transfer from the financial assets available for sale	2 909 957	-
Acquisition/(disposal) of associates	8 459	(506 395)
Exchange difference	(2)	-
Carrying value as at 30 June	**3 198 009**	**225 988**

(in thousands of Russian Roubles)

Below is the list of investments in associates:

Name	30 June 2008 Amount of investment	% of ownership	31 December 2007 Amount of investment	% of ownership
CJSC Capital Insurance Group *	2 940 763	12.7	-	-
JSCB Russian National Commercial Bank	138 689	20.0	137 277	20.0
JSCB Russky Zemelny Bank	80 255	31.0	70 572	31.0
CJSC Automated Banking Technologies	25 249	20.0	27 764	20.0
LLC Pension Reserve**	11 851	19.0	-	-
Äigrumäe Kinnisvara AS	1 151	44.5	1 179	44.5
SIA "LBB ĪPAŠUMI" ***	51	48.9	-	-
City Centre for Data Processing (EIRTS), LLC	-	49.5	-	49.5
VM-Service, LLC	-	48.5	-	48.5
Total investments in associates	**3 198 009**		**236 792**	

* In the first six months of the year 2008, OJSC Capital Insurance Group was transferred from financial assets available for sale into associates.

** The company is acquired in the reporting period. Information on acquisition of associates is disclosed in Note 24.

*** The company was founded in the reporting period. Information on acquisition of associates is disclosed in Note 24.

Below is the list of investments in non-consolidated subsidiaries:

Company	30 June 2008 Amount of investment	% of ownership	31 December 2007 Amount of investment	% of ownership
Private security company Yaroslavna, LLC	14 879	75.3	15 520	75.3
BM Holding LTD*	-	100.0	9 665	100.0
Editorial office of MK-Boulevard magazine, LLC	-	50.0	4 896	50.0
CJSC Monolit	-	99.0	10	99.0
CJSC Stolichnaya Neftyanaya Kompania	-	75.0	-	75.0
Total investments in non-consolidated subsidiaries	**14 879**		**30 091**	

* In the reporting period the company was included in the interim consolidated financial statements using full consolidation method and includes financial statements of the companies BoM Finance Ltd., BoM Assets Management Ltd. and Crossplanet Ltd.

Financial statements of the above subsidiaries were not included in the Groups' interim consolidated financial statements, as they would not have a material effect on the interim consolidated financial statements (less than 0.1% of total assets and net profit of the Group during the first six months of the year 2008).

11. Other assets

	30 June 2008	31 December 2007
Receivables	1 692 504	1 135 627
Contribution to the share capital of the subsidiary bank in the process of foundation	553 616	-
Prepayments	259 225	519 871
Prepaid expenses	213 868	123 579
Plastic card receivables	177 196	112 376
Property transferred to the Group as loan repayment	105 190	104 150
Taxes payable (other than income tax)	26 493	8 955
Other	361 603	225 458
Less: provision for impairment of other assets	(3 117)	(2 750)
Total other assets	**3 386 578**	**2 227 266**

The contribution to the share capital of the subsidiary bank in the process of foundation is a prepayment made by the Group under establishment of the bank JSC Bank of Moscow in Belgrad, Serbia.

(in thousands of Russian Roubles)

Property received by the Group into its ownership for non-payments represents real estate objects received by the Group in settlement of overdue loans. The Group intends to realize these assets in the foreseeable future. The assets are not classified as held for sale in accordance with IFRS 5, as the Group has not started active marketing of these assets to sell them. These assets were recognized at fair value on acquisition.

The table below shows the analysis of changes in the provision for impairment of other assets:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Provision for impairment of other assets as at 1 January	**2 750**	**1 816**
Provision for impairment of other assets	299	6 962
Exchange differences	68	-
Provision for impairment of other assets as at 30 June	**3 117**	**8 778**

The credit quality analysis of other financial assets as at 30 June 2008 and 31 December 2007 shows that all other financial assets totalling RUR 2 423 316 thousand are current (as at 31 December 2007: RUR 1 248 003 thousand).

The Group does not have any overdue receivables.

Receivables are not secured by collateral.

12. Due to Other Banks

	30 June 2008	31 December 2007
Term deposits and loans of other banks	46 583 150	24 565 374
Syndicated loans of foreign banks	44 936 884	40 117 444
Subordinated loan	2 324 912	2 431 982
Correspondent accounts of other banks	1 675 828	2 509 921
Repo agreements with other banks	4 339 781	-
Total due to other banks	**99 860 555**	**69 624 721**

As at 30 June 2008, the securities sold under repo agreements include bonds of foreign governments and corporate eurobonds with the fair value of RUR 577 923 thousand and RUR 4 995 608 thousand, accordingly (as at 31 December 2007: none).

As at 30 June 2008, the Group raised funds over 10% of the Group's capital from four banks (as at 31 December 2007: four banks). The aggregate amount of these funds was RUR 56 217 950 thousand (as at 31 December 2007: RUR 34 258 674 thousand) or 56.3% of due to other banks (as at 31 December 2007: 49.2%).

As at 30 June 2008, the Group raised syndicated loans from foreign banks:

Description	Interest rate	Payment schedule	Date of origination	Maturity date	Nominal value, '000	Carrying amount, RUR'000
I	LIBOR+0.7%	every half year	11.05.2006	11.05.2009	$400 000	9 407 573
II	LIBOR+0.5%	every half year	03.11.2006	03.11.2008	$500 000	11 777 843
III	LIBOR+0.55%	every half year	19.03.2007	19.03.2010	$105 000	2 471 883
IV	LIBOR+0.55%	every half year	23.11.2007	24.05.2010	$600 000	14 043 114
V	LIBOR+0.65%	every half year	13.05.2008	13.11.2009	$220 000	5 121 556
Total syndicated loans in USD					**$1 825 000**	**42 821 969**
VI	Euribor +0.9%	quarterly	10.12.2007	03.12.2008	€10 000	368 846
VII	5.75%	quarterly	06.04.2007	06.10.2008	€5 000	186 128
VIII	5.76%	quarterly	22.04.2008	15.09.2012	€5 000	184 449
IX	5.44%	quarterly	26.09.2007	19.09.2008	€22 000	820 517
X	5.55%	quarterly	26.09.2007	19.09.2008	€10 000	371 627
XI	6.08%	quarterly	04.06.2008	27.11.2009	€5 000	183 348
Total syndicated loans in EUR					**€57 000**	**2 114 915**
Total syndicated loans						**44 936 884**

In the first six months of the year 2008 the Group raised a loan from ING Bank, Amsterdam, in the amount of USD 25 300 thousand (or RUR 593 470 thousand) maturing on 25 June 2010.

(in thousands of Russian Roubles)

In the year 2007 the Group raised a loan from Sumitomo Mitsui Banking Corporation Europe LTD in the amount of JPY 3 900 000 thousand (or RUR 851 920 thousand), maturing on 18 December 2012.

In the year 2007 the Group raised a loan from Commerzbank in the amount of 61 150 thousand Swiss francs (or RUR 1 341 876 thousand) maturing before 2012.

On 21 December 2006 the Group raised a subordinated loan from ABN Amro Bank in the amount of USD 100 000 thousand (or RUR 2 324 912 thousand) maturing on 21 December 2016.

13. Customer Accounts

	30 June 2008	31 December 2007
Federal and regional budgets and funds	**126 021 620**	**98 569 613**
- Current/settlement accounts	19 067 896	36 169 613
- Term deposits	106 953 724	62 400 000
State-owned organisations	**25 121 968**	**20 371 065**
- Current/settlement accounts	19 579 654	19 976 649
- Term deposits	5 542 314	394 416
Other legal entities	**101 221 377**	**105 049 069**
- Current/settlement accounts	75 959 347	83 463 772
- Term deposits	25 262 030	21 585 297
Individuals	**134 931 682**	**126 656 476**
- Current/demand accounts	28 044 310	27 509 948
- Term deposits	106 887 372	99 146 528
Total customer accounts	**387 296 647**	**350 646 223**

According to the Russian Civil Code, the Bank is obliged to repay deposits to individual depositors at short notice. If a fixed-term deposit is withdrawn by the depositor ahead of term, interest is payable at the rate applied to demand deposits.

As at 30 June 2008, the Group raised funds over 10% of the Group's capital from 2 clients (as at 31 December 2007: 4 clients). The aggregate amount of these funds was RUR 126 937 194 thousand (as at 31 December 2007: RUR 117 796 586 thousand) or 32.8% of customer accounts (as at 31 December 2007: 33.6%).

As at 30 June 2008, funds of other legal entities included RUR 718 924 thousand received from sale of securities under sale and repurchase agreements: bonds of RF subjects with the fair value of RUR 94 370 thousand, RF government bonds with the fair value of RUR 39 954 thousand and bonds of foreign governments with the fair value of RUR 584 600 thousand. As at 30 June 2008, these securities were recorded in the interim consolidated balance sheet as financial assets at fair value through profit or loss.

Information on the funds raised from related parties is disclosed in Note 29.

14. Financial Liabilities at Fair Value through Profit or Loss

	30 June 2008	31 December 2007
Fair value of securities	644 027	-
Unrealised loss on currency interest rate swaps	420 910	108 013
Unrealised loss from dealing in foreign currencies	67 453	45 920
Unrealised loss from dealing in securities	66 832	-
Unrealised loss from dealing in precious metals	-	77
Total financial liabilities at fair value through profit or loss	**1 199 222**	**154 010**

Financial liabilities at fair value through profit or loss are current liabilities of the Group for purchase of bonds of foreign governments and corporate issuers quoted on organized security markets for the purposes of reverse repo agreements execution.

(in thousands of Russian Roubles)

15. Debt Securities Issued

	30 June 2008	31 December 2007
Eurobonds	52 122 510	47 989 195
Bonds	10 727 025	611 950
Promissory notes	8 688 346	7 351 781
Certificates of deposit	-	3 365
Total debt securities issued	**71 537 881**	**55 956 291**

As at 30 June 2008, eurobonds comprised:

Description	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
I tranche	8 %, every half year	28.09.2004	28.09.2009	$250 000	5 969 046	102.38%
II tranche	7.375 %, every half year	26.05.2005	26.11.2010	$300 000	7 057 247	102.63%
III tranche, subordinated	7.5 %, every half year during the first 5 years, then the rate equals US Treasury plus 4.567%	25.11.2005	25.11.2015	$300 000	7 050 082	98.00%
IV tranche	7.335%, every half year	13.05.2006	13.05.2013	$500 000	11 791 960	98.38%
VI tranche subordinated	6.807%, every half year	10.05.2007	10.05.2017	$400 000	9 420 194	91.00%
VII tranche	6.253% , every year	04.03.2008	04.03.2011	CHF 250 000	5 812 150	-
Total foreign currency eurobonds					**47 100 679**	
V tranche	7.25%, every half year	25.11.2006	25.11.2009	RUR 5 000 000	5 021 831	99.00%
Total eurobonds					**52 122 510**	

As at 31 December 2007, eurobonds comprised:

Description	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
I tranche	8 %, every half year	28.09.2004	28.09.2009	$250 000	6 242 459	103.88
II tranche	7.375 %, every half year	26.05.2005	26.11.2010	$300 000	7 382 074	103.25
III tranche, subordinated	7.5 %, every half year during the first 5 years, then the rate equals US Treasury plus 4.567%	25.11.2005	25.11.2015	$300 000	7 373 158	101.94
IV tranche	7.335%, every half year	13.05.2006	13.05.2013	$500 000	12 095 118	102.67
VI tranche subordinated	6.807%, every half year	10.05.2007	10.05.2017	$400 000	9 879 418	98.36
Total foreign currency eurobonds				**$1 750 000**	**42 972 227**	
V tranche	7.25%, every half year	25.11.2006	25.11.2009	RUR 5 000 000	5 016 968	99.25
Total eurobonds					**47 989 195**	

As at 30 June 2008, the bonds comprised:

Type/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
A	14.5%, every quarter	25.06.2007	21.06.2010	UAH 45 000	223 704	-
B	13%, every quarter	26.11.2007	16.11.2010	UAH 25 000	125 718	-
C	12%, every quarter	12.12.2007	07.12.2010	UAH 14 400	71 840	-
Total bonds in foreign currency				**UAH 84 400**	**421 262**	
40202748B	7.85%, every half year	08.02.2008	01.02.2013	RUR 10 000 000	10 305 763	100.59
Total bonds					**10 727 025**	

(in thousands of Russian Roubles)

As at 31 December 2007, bonds comprised:

Type/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
A	13.5%, every quarter	25.06.2007	21.06.2010	UAH 45 000	217 700	-
B	13%, every quarter	26.11.2007	16.11.2010	UAH 25 000	122 138	-
EE3300093046	-	01.10.2007	01.04.2008	EKK 7 500	173 689	-
EE3300080688	4.99%, at the end of the period	20.02.2007	20.02.2008	EKK 4 250	98 423	-
Total bonds					611 950	

16. Other Liabilities

	30 June 2008	31 December 2007
Settlements with plastic cards	647 086	151 883
Dividends payable	232 453	33
Payables	217 451	730 732
Taxes payable other than income tax	114 533	2 524
Remuneration to employees payable	64 691	681 854
Deferred income	60 508	46 300
Other	81 766	855
Total other liabilities	**1 418 488**	**1 614 181**

As at 31 December 2007, remuneration to employees payable included accrued bonus to the employees in the total amount of RUR 660 366 thousand for the year 2007 which was paid in two instalments in January and March 2008.

17. Minority Interest

Movements in minority interest of the Group are as follows:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Minority interest as at 1 January	**1 429 045**	**422 511**
Share in net profit	21 652	1 136 984
Dividends declared	-	(1 830)
Acquisition of subsidiaries	94 211	(168 844)
Exchange difference	-	(219)
Minority interest as at 30 June	**1 544 908**	**1 388 602**

In 2007 the Group's subsidiary AS Eesti Krediidipank declared dividends for the year 2006 in the amount of RUR 15 888 thousand. The Group reflected changes in minority interest in the amount of RUR 1 830 thousand.

18. Share Capital

Authorised, issued and fully paid share capital comprises:

	30 June 2008		31 December 2007	
	Number of shares	Nominal value, RUR'000	Number of shares	Nominal value, RUR'000
Ordinary shares	130 000 932	13 000 093	130 000 932	13 000 093
Restatement of share capital prior to 31 December 2002 under IAS 29	-	2 476 746	-	2 476 746
Total share capital	**130 000 932**	**15 476 839**	**130 000 932**	**15 476 839**

The nominal value of each ordinary share is 100 roubles. Each share gives the right of one vote.

The Government of the City of Moscow directly and indirectly (through OJSC Moscow Insurance Company) owns the Bank, being its principal shareholder.

(in thousands of Russian Roubles)

The share capital structure is as follows:

	30 June 2008	31 December 2007
Government of the City of Moscow	44.00%	44.00%
OJSC Moscow Insurance Company	15.37%	15.37%
LLC NPO FARMATSEVTIKA*	4.51%	4.51%
LLC Stroyelektromontazh*	4.47%	4.47%
LLC Association GAZDORSTROY*	4.44%	4.44%
LLC KHIMPROMEXPORT *	4.20%	4.20%
Other shareholders with less than 5% in the share capital	23.01%	23.01%
Total	**100.00%**	**100.00%**

* As at 30 June 2008, the ultimate beneficiaries in the proportion of 80/20 are Mr. A.F. Borodin, President of the Bank, and Mr. L.F. Alaluev, Deputy Chairman of the Board of Directors.

19. Interest Income and Expense

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Interest income		
Loans to customers	21 916 264	14 224 750
Financial assets at fair value through profit or loss	2 850 155	2 030 840
Due from other banks	1 756 335	1 841 622
Financial assets available for sale	4 151	13 813
Total interest income	**26 526 905**	**18 111 025**
Interest expense		
Current accounts and term deposits of customers	9 164 746	6 218 965
Term deposits of banks	2 602 329	1 363 684
Debt securities issued	2 220 343	1 893 233
Total interest expense	**13 987 418**	**9 475 882**
Net interest income	**12 539 487**	**8 635 143**

20. Fee and Commission Income and Expense

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Fee and commission income		
Commission on settlement and cash transactions	2 075 679	1 165 454
Commission on operations with plastic cards	698 387	609 247
Commission on guarantees issued	329 981	172 470
Commissions from fiduciary activities	127 641	160 514
Commission on transactions with securities	117 452	88 514
Commission on cash collection	92 964	88 308
Other	405 771	149 598
Total fee and commission income	**3 847 875**	**2 434 105**
Fee and commission expense		
Commission on cash collection	257 079	153 424
Commission on operations with plastic cards	223 550	138 749
Commission on settlement and cash transactions	98 022	48 357
Commission on transactions with securities	15 871	614
Commission on guarantees received	100	188
Other	93 333	12 455
Total fee and commission expense	**687 955**	**353 787**
Net fee and commission income	**3 159 920**	**2 080 318**

21. General and Administrative Expenses

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Staff costs	3 494 440	2 557 932
Rent	783 262	547 598
Taxes other than income tax	456 485	419 928
Depreciation and amortization	385 840	246 691
Professional services (security, communications and other)	374 667	369 201
Administrative expenses	320 979	174 036
Expenses related to premises and equipment	278 279	106 862
Advertising and marketing	268 687	309 366
Charity	30 638	30 947
Other	202 334	286 014
Total general and administrative expenses	**6 595 611**	**5 048 575**

Staff costs include remuneration to employees and unified social tax.

22. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares during the first six months less the average number of ordinary shares bought out by the Group from its shareholders.

The Group has no potentially dilutive ordinary shares. Therefore, diluted earnings per share equal basic earnings per share.

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Net profit attributable to shareholders of the parent Bank (in thousands of roubles)	5 221 583	3 786 422
Weighted average number of ordinary shares in issue (in thousands)	130 001	126 742
Basic earnings per share (RUR per share)	**40.17**	**29.87**

23. Dividends

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Dividends payable as at 1 January	33	26
Dividends for the year 2007 declared during the six months	232 420	-
Dividends for the year 2006 declared during the six months	-	167 412
Dividends paid during six months	-	(1 836)
Dividends payable as at 30 June	**232 453**	**165 602**
Dividends per share, declared during the six months ended 30 June	**1.79**	**1.35**

Dividends declared for the year 2007 include dividends attributable to the shareholders of the parent Bank in the amount of RUR 232 420 thousand.

Dividends declared for the year 2006 include dividends attributable to the shareholders of the parent Bank in the amount of RUR 165 582 thousand and to minority interest in the amount of RUR 1 830 thousand.

(in thousands of Russian Roubles)

24. Acquisitions and Disposals

Acquisition of subsidiary banks

Commercial joint stock bank Bezhitsa-bank (OJSC)

As at 14 February 2008, the Group acquired 50% in the share capital of commercial joint stock bank Bezhitsa-bank (OJSC) through payment of additional share issue.

The fair value of assets and liabilities of commercial joint stock bank Bezhitsa-bank (OJSC) and the excess of the Group's share in the net fair value of identifiable assets and liabilities acquired over the cost of acquisition are shown in the table below:

	At the date of acquisition - 14 February 2008
Cash and cash equivalents	162 436
Mandatory reserve deposits with central banks	8 606
Loans to customers	657 058
Premises and equipment	14 808
Other assets	3 090
Due to other banks	(20 045)
Customer accounts	(592 465)
Debt securities issued	(24 773)
Other liabilities	(20 292)
Total net assets	**188 423**
Acquired share in the net assets	**94 211**
The excess of the Group's share in the net fair value of the net assets acquired over the cost of acquisition	**(42 122)**
Consideration paid (gross)	**52 089**

The excess of the Group's share in the net fair values of identifiable assets and liabilities of commercial joint stock bank Bezhitsa-bank (OJSC) over the cost of acquisition was recorded within net gain on acquisition and sale of subsidiaries and associates of the interim consolidated statement of income at the time of acquisition.

Acquisition of associates

SIA "LBB ĪPAŠUMI"

In the first six months of the year 2008, the Group established SIA "LBB ĪPAŠUMI" with the interest in the share capital equal to 48.94%. The company is registered in Latvia and its share capital amounts to 2 thousand lats.

LLC Pension Reserve

In the first six months of 2008, the Group acquired 19% in the share capital of LLC Pension Reserve for RUR 8 408 thousand. The company is registered in Russia and its share capital amounts to RUR 110 thousand.

25. Segment Reporting

The Group uses information on business segments as its primary format for reporting segment information. Over 95% of the Group's banking business is concentrated on the territory of the Russian Federation at the location of the parent company of the Group – the Bank of Moscow. Based on this, the Group considers unreasonable to segment this business by geographic principle.

The Group's main business segments are as follows:

Treasury business – this business segment includes trading in financial instruments, transactions with securities and derivatives, including REPO deals, foreign currency transactions, raising and origination of loans on interbank loan markets, interest rate arbitrage on SWAP transactions. Besides, the treasury function includes the Group's short-term asset management and the Group's open positions in foreign currencies, i.e. currency risk management.

Corporate business – this business segment includes services associated with servicing settlement and current accounts of legal entities, acceptance of deposits from corporate clients, extension of credit lines in the form of overdrafts, issuance of loans and other types of financing, rendering of investment banking services, trade financing of corporate clients, rendering of structured financing, merging and acquisition consulting services.

Retail business – this segment covers rendering of banking services to individuals - opening and maintaining accounts, acceptance of deposits from individuals, fiduciary services, accumulation of investments, servicing debit and credit cards, consumer and mortgage lending.

The Group transactions not included in the above business segments are disclosed separately.

Transactions between business segments are conducted on an arm's length basis. In the ordinary course of business the Group's financial resources are reallocated between business segments. As a result, intersegment allocations are reflected within assets/liabilities of a business segment and the cost of reallocated financial resources is included in the business segment income/expenses.

(in thousands of Russian Roubles)

Segment information on main business segments of the Group for the six months ended 30 June 2008 is given in the table below:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and cash equivalents	3 071 801	15 104 618	12 377 167	104 533	-	30 658 119
Financial assets at fair value through profit or loss	28 186 839	19 089 876	-	279 920	-	47 556 635
Due from other banks	70 441 031	-	-	-	-	70 441 031
Other assets	-	-	177 196	203 283	3 006 099	3 386 578
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	**101 699 671**	**34 194 494**	**12 554 363**	**587 736**	**3 006 099**	**152 042 363**
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	6 613 311	4 047 950	-	-	10 661 261
Due from other banks	750 239	8 084 819	-	-	-	8 835 058
Financial assets available for sale	-	736 085	-	261 346	1 063 396	2 060 827
Loans to customers	-	335 708 507	95 279 946	128 370	-	431 116 823
Tax assets	-	-	-	5 096	17 134	22 230
Investments in associates and non-consolidated subsidiaries	-	-	-	2 983 141	229 747	3 212 888
Premises and equipment, and intangible assets	-	-	-	85 529	8 097 099	8 182 628
Total assets maturing in more than 1 month and part of assets with no stated maturity	**750 239**	**351 142 722**	**99 327 896**	**3 463 482**	**9 407 376**	**464 091 715**
Total assets	**102 449 910**	**385 337 216**	**111 882 259**	**4 051 218**	**12 413 475**	**616 134 078**

(in thousands of Russian Roubles)

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to other banks	6 877 111	-	362 647	-	-	7 239 758
Customer accounts	-	114 606 897	28 044 310	-	-	142 651 207
Financial liabilities at fair value through profit or loss	1 199 222	-	-	-	-	1 199 222
Other liabilities	-	-	647 086	68 050	-	715 136
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	**8 076 333**	**114 606 897**	**29 054 043**	**68 050**	**-**	**151 805 323**
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to other banks	-	88 006 649	4 614 148	-	-	92 620 797
Customer accounts	224 908	137 430 357	106 887 372	102 803	-	244 645 440
Debt securities issued	-	63 539 436	5 812 150	2 186 295	-	71 537 881
Other liabilities	-	-	-	-	703 352	703 352
Tax liabilities	-	-	-	-	1 124 935	1 124 935
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	**224 908**	**288 976 442**	**117 313 670**	**2 289 098**	**1 828 287**	**410 632 405**
Total liabilities	**8 301 241**	**403 583 339**	**146 367 713**	**2 357 148**	**1 828 287**	**562 437 728**
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity	**(93 623 338)**	**80 412 403**	**16 499 680**	**(519 686)**	**(3 006 099)**	**(237 040)**
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	93 623338	(64 569 295)	(29 054 043)	-	-	-
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	**(525 331)**	**(62 166 280)**	**17 985 774**	**(1 174 384)**	**(7 579 089)**	**(53 459 310)**
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	-	5 431 411	(5 431 411)	-	-	-
Equity financing	525 331	40 891 761	-	1 694 070	10 585 188	53 696 350
Net uncovered deficit/unallocated surplus on financing	**-**	**-**	**-**	**-**	**-**	**-**

(in thousands of Russian Roubles)

Segment information on main business segments of the Group for the year ended 31 December 2007 is given in the table below:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and cash equivalents	1 551 604	44 918 869	17 412 518	37 127	-	63 920 118
Financial assets at fair value through profit or loss	31 169 053	19 836 673	-	306 867	-	51 312 593
Due from other banks	28 702 998	-	-	-	-	28 702 998
Other assets	-	-	112 376	100 170	2 014 720	2 227 266
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	**61 423 655**	**64 755 542**	**17 524 894**	**444 164**	**2 014 720**	**146 162 975**
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	2 495 133	3 799 694	-	-	6 294 827
Financial assets available for sale	-	541 789	-	3 107 051	122 341	3 771 181
Due from other banks	7 337 494	4 812 588	-	-	-	12 150 082
Loans to customers	-	278 982 822	72 474 432	164 977	-	351 622 231
Tax assets	-	-	-	3 475	14 491	17 966
Investments in associates and non-consolidated subsidiaries	-	-	-	45 544	221 339	266 883
Premises and equipment, and intangible assets	-	-	-	118 364	7 681 689	7 800 053
Total assets maturing in more than 1 month and part of assets with no stated maturity	**7 337 494**	**286 832 332**	**76 274 126**	**3 439 411**	**8 039 860**	**381 923 223**
Total assets	**68 761 149**	**351 587 874**	**93 799 020**	**3 883 575**	**10 054 580**	**528 086 198**

(in thousands of Russian Roubles)

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to other banks	6 452 908	-	501 678	-	-	6 954 586
Customer accounts	-	139 610 034	27 509 948	-	-	167 119 982
Financial assets at fair value through profit or loss	154 010	-	-	-	-	154 010
Other liabilities	-	-	151 883	29 207	-	181 090
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	**6 606 918**	**139 610 034**	**28 163 509**	**29 207**	**-**	**174 409 668**
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to other banks	6 175 376	51 240 783	5 253 976	-	-	62 670 135
Customer accounts	-	84 363 015	99 146 528	16 698	-	183 526 241
Debt securities issued	-	53 823 636	-	2 132 655	-	55 956 291
Other liabilities	-	-	-	-	1 433 091	1 433 091
Tax liabilities	-	-	-	7 579	1 488 190	1 495 769
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	**6 175 376**	**189 427 434**	**104 400 504**	**2 156 932**	**2 921 281**	**305 081 527**
Total liabilities	**12 782 294**	**329 037 468**	**132 564 013**	**2 186 139**	**2 921 281**	**479 491 195**
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity	**(54 816 737)**	**74 854 492**	**10 638 615**	**(414 957)**	**(2 014 720)**	**28 246 693**
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	54 816 737	(26 653 228)	(28 163 509)	-	-	-
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	**(1 162 118)**	**(97 404 898)**	**28 126 378**	**(1 282 479)**	**(5 118 579)**	**(76 841 696)**
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	-	8 904 048	(10 601 484)	1 697 436	-	-
Equity financing	1 162 118	40 299 586	-	-	7 133 299	48 595 003
Net uncovered deficit/unallocated surplus on financing	**-**	**-**	**-**	**-**	**-**	**-**

(in thousands of Russian Roubles)

The table below shows a breakdown of the interim consolidated statement of income of the Group by business segments for the six months ended 30 June 2008:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Interest income	3 603 411	16 351 380	6 548 108	24 006	-	26 526 905
Interest expense	(792 953)	(9 089 574)	(4 034 802)	(70 089)	-	(13 987 418)
Gains less losses arising from financial assets at fair value through profit or loss	(961 206)	-	-	86 471	-	(874 735)
Gains less losses arising from financial liabilities at fair value through profit or loss	(90 377)	-	-	-	-	(90 377)
Gains less losses arising from financial assets available for sale	29 749	-	-	30 035	-	59 784
Gains less losses from dealing in foreign currency and revaluation of foreign currency	386 956	-	204 576	(2 135)	-	589 397
Net operating result on banking assets and liabilities	**2 175 580**	**7 261 806**	**2 717 882**	**68 288**	**-**	**12 223 556**
Income/(expense) on re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	(501 279)	308 057	193 222	-	-	-
Income/(expense) on re-allocation of funds maturing in more than 1 month and with no stated maturity	-	(413 736)	413 736	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	**1 674 301**	**7 156 127**	**3 324 840**	**68 288**	**-**	**12 223 556**
Fee and commission income	117 414	2 379 576	1 245 560	105 325	-	3 847 875
Fee and commission expense	(15 814)	(448 089)	(223 550)	(502)	-	(687 955)
Provisions for impairment of due from other banks and loans to customers	5 033	(603 983)	(1 953 191)	(17 768)	-	(2 569 909)
General and administrative expenses	(246 457)	(2 033 271)	(2 258 434)	(190 292)	(1 867 157)	(6 595 611)
Other income/(expense)	-	35 013	(43 887)	113 021	261 595	365 742
Profit before taxation	**1 534 477**	**6 485 373**	**91 338**	**78 072**	**(1 605 562)**	**6 583 698**
Income tax expense	-	-	-	(12 273)	(1 328 190)	(1 340 463)
Profit after taxation	**1 534 477**	**6 485 373**	**91 338**	**65 799**	**(2 933 752)**	**5 243 235**
Minority interest	-	-	-	-	(21 652)	(21 652)
Net profit	**1 534 477**	**6 485 373**	**91 338**	**65 799**	**(2 955 404)**	**5 221 583**

(in thousands of Russian Roubles)

The table below shows a breakdown of the interim consolidated statement of income of the Group by business segments for the six months ended 30 June 2007:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Interest income	3 172 591	11 415 156	3 491 296	31 982	-	18 111 025
Interest expense	(216 397)	(5 852 103)	(3 360 941)	(46 441)	-	(9 475 882)
Gains less losses arising from financial assets at fair value through profit or loss	(473 838)	-	-	169	-	(473 669)
Gains less losses arising from financial liabilities at fair value through profit or loss	(24 089)	-	-	-	-	(24 089)
Gains less losses arising from financial assets available for sale	-	-	-	4 320	-	4 320
Gains less losses from dealing in foreign currency and revaluation of foreign currency	241 807	-	102 787	-	-	344 594
Net operating result on banking assets and liabilities	**2 700 074**	**5 563 053**	**233 142**	**(9 970)**	**-**	**8 486 299**
Income/(expense) on re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	(1 468 495)	954 249	514 246	-	-	-
Income/(expense) on re-allocation of funds maturing in more than 1 month and with no stated maturity	-	(1 093 865)	1 184 330	(90 465)	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	**1 231 579**	**5 423 437**	**1 931 718**	**(100 435)**	**-**	**8 486 299**
Fee and commission income	88 514	1 153 467	1 094 817	97 307	-	2 434 105
Fee and commission expense	(188)	(200 527)	(152 892)	(180)	-	(353 787)
Provisions for impairment of due from other banks and loans to customers	(1 781)	(462 695)	(375 194)	(182)	-	(839 852)
General and administrative expenses	(189 100)	(1 560 072)	(1 599 815)	(100 622)	(1 598 966)	(5 048 575)
Other income/(expense)	-	-	(247 335)	1 831 002	157 726	1 741 393
Profit before taxation	**1 129 024**	**4 353 610**	**651 299**	**1 726 890**	**(1 441 240)**	**6 419 583**
Income tax expense	-	-	-	(24 810)	(1 471 367)	(1 496 177)
Profit after taxation	**1 129 024**	**4 353 610**	**651 299**	**1 702 080**	**(2 912 607)**	**4 923 406**
Minority interest	-	-	-	-	(1 136 984)	(1 136 984)
Net profit	**1 129 024**	**4 353 610**	**651 299**	**1 702 080**	**(4 049 591)**	**3 786 422**

(in thousands of Russian Roubles)

26. Contingent Liabilities

Insurance. The insurance market in the Russian Federation is still in the phase of development, so many forms of insurance protection applied in other countries are not available in the Russian Federation yet. The Group has not obtained full insurance coverage for premises and equipment, against discontinuance of operations or third party liability with respect to property or ecological damage arsing due to malfunction of banking equipment or in connection with the main operations of the Group.

However, the Group has obtained insurance coverage for the most significant property items: premises, motor vehicles, ATM and other items against damage due to accidents and unlawful actions of third parties.

Legal issues. In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation legislation. The tax system of the Russian Federation is characterised by a large number of taxes and frequently changed regulations that may have the retroactive effect and often contain ambiguous and contradictory statements. Often, differing opinions exist among various regulatory bodies in respect of the same regulation. Accuracy of tax computations is subject to review and investigation by a number of fiscal authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in the Russian Federation, which are substantially more significant than typically found in other countries.

As at 30 June 2008, the management believes that its interpretation of the respective legislation is appropriate, and the Group's tax, currency and customs positions will be sustained.

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

	30 June 2008	31 December 2007
Less than 1 year	678 174	485 865
From 1 to 5 years	256 127	182 249
Total operating lease commitments	**934 301**	**668 114**

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to the third parties, carry the same credit risk as loans. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit at a specific rate of interest during a fixed period of time are accounted for as derivative financial instruments unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting.

Credit related commitments of the Group are as follows:

	30 June 2008	31 December 2007
Guarantees issued	33 008 924	36 187 683
Commitments to extend credit	35 882 055	32 534 793
Letters of credit	8 268 254	8 918 743
Total credit related commitments	**77 159 233**	**77 641 219**

Commitments to extend credit represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of guarantees, letters of credit and undrawn credit lines does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded.

The Group's management estimates possibility of losses in connection with credit related commitments as immaterial. As at 30 June 2008 and 31 December 2007, the Group did not set up provisions for the related losses.

(in thousands of Russian Roubles)

Transactions with financial instruments maturing after the balance sheet date. The table below presents the analysis of contractual or agreed amounts and fair value of financial instruments. It reflects gross position before the netting of any counterparty position by type of instrument with a maturity date subsequent to 30 June 2008:

	Domestic contracts		Foreign contracts	
	Contract amount	Unrealised profit/(loss)	Contract amount	Unrealised profit/(loss)
Forward transactions				
Foreign currency				
- sale of foreign currency	1 747 569	15 161	291 403	(1 403)
- purchase of foreign currency	445 689	(5 826)	1 665 468	(11 434)
Securities				
- sale of securities	13 924	150	4 718 814	(37 823)
- purchase of securities	24 619	898	3 067 074	(28 907)
Precious metals				
- purchase of precious metals	701 285	2 344	-	-
Spot transactions				
Foreign currency				
- sale of foreign currency	7 717 452	(15 015)	8 340 707	(31 684)
- purchase of foreign currency	9 709 690	19 617	1 050 220	3 752
Options				
Foreign currency				
- sale foreign currency	-	-	1 876 584	11 616
Precious metals				
- sale precious metals	-	-	215 429	1 551
- purchase precious metals	-	-	215 429	6 659
Swap transactions	-	-	-	-
Currency and interest rate swaps	-	-	9 476 627	(420 910)
Total	**20 360 228**	**17 329**	**30 917 755**	**(508 583)**

27. Fair Value of Financial Instruments

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

Below is the estimated fair value of the Group's financial instruments as at 30 June 2008 and 31 December 2007:

	30 June 2008		31 December 2007	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	30 658 119	30 658 119	63 920 118	63 920 118
Financial assets at fair value through profit or loss	47 556 635	47 556 635	51 312 593	51 312 593
Due from other banks	79 276 089	79 276 089	40 853 080	40 853 080
Loans to customers	431 116 823	431 116 823	351 622 231	351 622 231
Financial assets available for sale	2 060 827	2 060 827	3 771 181	3 771 181
Financial liabilities				
Due to other banks	99 860 555	99 860 555	69 624 721	69 624 721
Customer accounts	387 296 647	387 296 647	350 646 223	350 646 223
Financial liabilities at fair value through profit or loss	1 199 222	1 199 222	154 010	154 010
Debt securities issued	71 537 881	72 209 933	55 956 291	55 454 797

Financial instruments carried at fair value. Cash and cash equivalents, financial assets at fair value through profit or loss and financial assets available for sale are carried in the interim consolidated balance sheet at their fair value (Notes 5, 6, 9). Some financial assets available for sale have no independent market quotations. The fair value of these assets was determined by the Group based on the results of recent sale of equity interests in the investees to unrelated third parties, analysis of other information, such as discounted cash flows and financial information about investees, as well as using other valuation methods.

Due from other banks. The fair value of floating rate instruments is their carrying amount. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. In the opinion of the Group, the fair values of due from other banks as at 30 June 2008 and 31 December 2007 do not materially differ from respective carrying amounts (Note 7). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Loans to customers. Loans to customers are reported net of impairment provisions. The estimated fair value of loans to customers represent the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. The Group believes that fair values of loans to customers as at 30 June 2008 and 31 December 2007 do not materially differ from respective carrying amounts (Note 8). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Borrowings. The estimated fair value of borrowings with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The Group believes that fair values of borrowings as at 30 June 2008 and 31 December 2007 do not materially differ from respective carrying amounts (Notes 12, 13). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Debt securities issued. The fair value of fixed interest bearing financial liabilities carried at amortised cost is determined by comparing the market interest rates at initial recognition of these instruments with current market rates on similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for debt instruments with similar credit risk and remaining maturity. The fair value of debt securities actively traded on an exchange was based on their market quotations. The fair value of instruments without quoted market prices is determined using the discounted cash flows model, which is based on the current yield curve for the remaining maturity.

(in thousands of Russian Roubles)

28. Reconciliation of Categories of Financial Instruments to Balance Sheet

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" the Group classifies its financial assets in the following categories: 1) financial assets at fair value through profit or loss; 2) loans and receivables; 3) financial assets available for sale.

The table below shows reconciliation of categories of financial assets to the interim consolidated balance sheet as at 30 June 2008:

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Total
Cash and cash equivalents	30 658 119	-	-	30 658 119
Financial assets at fair value through profit or loss				
- Corporate bonds	26 994 175	-	-	26 994 175
- Corporate eurobonds	7 452 963	-	-	7 452 963
- Equity securities	4 478 725	-	-	4 478 725
- Bonds of RF subjects and local authorities	2 678 043	-	-	2 678 043
- Corporate promissory notes	2 547 302	-	-	2 547 302
- Bonds of foreign governments	1 942 745	-	-	1 942 745
- Bonds issued by central banks	994 010	-	-	994 010
- Russian Federation bonds (OFZ)	404 309	-	-	404 309
- Eurobonds of the Russian Federation	422	-	-	422
- Derivative financial instruments	63 941	-	-	63 941
Due from other banks				
- Loans and deposits with other banks	-	58 617 687	-	58 617 687
- Reverse repo agreements with other banks	-	8 658 074	-	8 658 074
- Deposits with the Central Bank of Russia	-	12 000 328	-	12 000 328
Loans to customers				
- Corporate loans	-	266 024 283	-	266 024 283
- Loans to small and medium business	-	50 446 501	-	50 446 501
- Loans to state and municipal authorities	-	6 801 237	-	6 801 237
- Consumer loans	-	49 228 598	-	49 228 598
- Mortgage loans	-	22 500 017	-	22 500 017
- Car loans	-	15 552 306	-	15 552 306
- Scoring loans	-	3 634 076	-	3 634 076
- Credit cards	-	4 297 942	-	4 297 942
- Overdrafts	-	99 033	-	99 033
- Reverse repo agreements	-	12 532 830	-	12 532 830
Financial assets available for sale				
- Equity securities	-	-	1 324 742	1 324 742
- Corporate debt obligations	-	-	560 499	560 499
- Corporate eurobonds	-	-	175 586	175 586
Other financial assets				
- Accounts receivable	-	1 692 504	-	1 692 504
- Contribution to the share capital of the subsidiary bank in the process of foundation	-	553 616	-	553 616
- Plastic cards receivables	-	177 196	-	177 196
Total financial assets	**78 214 754**	**512 816 228**	**2 060 827**	**593 091 809**
Non-financial assets				23 042 269
Total assets				**616 134 078**

(in thousands of Russian Roubles)

The table below shows reconciliation of categories of financial assets to the consolidated balance sheet as at 31 December 2007:

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Total
Cash and cash equivalents	63 920 118	-	-	63 920 118
Financial assets at fair value through profit or loss				
-Corporate bonds	25 343 148	-	-	25 343 148
- Eurobonds of the Russian Federation	5 626 009	-	-	5 626 009
- Equity securities	5 112 060	-	-	5 112 060
- Russian Federation bonds (OFZ)	4 489 052	-	-	4 489 052
- Bonds of RF subjects and local authorities	3 677 534	-	-	3 677 534
- Corporate eurobonds	1 990 669	-	-	1 990 669
- Corporate promissory notes	1 979 881	-	-	1 979 881
- Federal currency bonds (OVGVZ)	1 649 830	-	-	1 649 830
- Bonds of foreign governments	1 334 574	-	-	1 334 574
- Derivative financial instruments	109 836	-	-	109 836
Due from other banks				
- Loans and deposits with other banks	-	33 957 052	-	33 957 052
- Reverse repo agreements with other banks	-	6 896 028	-	6 896 028
Loans to customers				
- Corporate loans	-	217 445 561	-	217 445 561
- Loans to small and medium business	-	41 578 458	-	41 578 458
- Loans to state and municipal authorities	-	5 522 681	-	5 522 681
- Consumer loans	-	34 787 481	-	34 787 481
- Mortgage loans	-	17 300 545	-	17 300 545
- Car loans	-	13 448 568	-	13 448 568
- Scoring loans	-	3 541 016	-	3 541 016
- Credit cards	-	3 349 539	-	3 349 539
- Overdrafts	-	48 678	-	48 678
- Reverse repo agreements	-	14 599 704	-	14 599 704
Financial assets available for sale				
- Equity securities	-	-	3 229 392	3 229 392
- Corporate debt obligations	-	-	448 163	448 163
- Corporate eurobonds	-	-	93 626	93 626
Other financial assets				
- Accounts receivable	-	1 135 627	-	1 135 627
- Plastic card receivables	-	112 376	-	112 376
Total financial assets	**115 232 711**	**393 723 314**	**3 771 181**	**512 727 206**
Non-financial assets				15 358 992
Total assets				**528 086 198**

All financial liabilities of the Group, except the derivative financial instruments, are carried at amortised cost. Derivative financial instruments are classified as at fair value through profit or loss.

29. Related Party Transactions

In the normal course of business the Group enters into transactions with its main shareholders, directors and other related parties. For the purposes of these interim consolidated financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. These transactions include settlements, issuance of loans, deposit taking, guarantees, trade finance and foreign currency transactions. According to the Group's policy, the terms of related party transactions are equivalent to those that prevail in arm's length transactions.

(in thousands of Russian Roubles)

The outstanding balances at the end of the reporting period, asset-related transactions for the six months of the years 2008 and 2007 with related parties are as follows:

	Shareholders		Directors and key management personnel		Associates	
	For the six months ended 30 June 2008	For the six months ended 30 June 2007	For the six months ended 30 June 2008	For the six months ended 30 June 2007	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Financial assets at fair value through profit or loss						
Financial assets at fair value through profit or loss as at 1 January	812 205	284 186	-	-	4 105 820	2 445 604
Financial assets at fair value through profit or loss acquired during the reporting period	35 896 433	2 957 147	-	-	4 711 829	2 574 675
Financial assets at fair value through profit or loss sold and repaid during the reporting period	(35 607 902)	(1 999 202)	-	-	(4 688 223)	(3 744 449)
Financial assets at fair value through profit or loss as at 30 June	**1 100 736**	**1 242 131**	**-**	**-**	**4 129 426**	**1 275 830**
Due from other banks						
Due from other banks as at 1 January	-	-	-	-	633 717	545 000
Due from other banks placed during the reporting period	-	-	-	-	4 355 651	803 629
Due from other banks repaid during the reporting period	-	-	-	-	(4 467 904)	(822 813)
Due from other banks as at 30 June	**-**	**-**	**-**	**-**	**521 464**	**525 816**
Provisions for impairment of due from other banks						
Provision for impairment of due from other banks as at 1 January	-	-	-	-	5 000	5 000
Recovery of provision for impairment of due from other banks during the reporting period	-	-	-	-	(5 000)	-
Provision for impairment of due from other banks as at 30 June	**-**	**-**	**-**	**-**	**-**	**5 000**
Due from other banks as at 1 January (less provision for impairment)	**-**	**-**	**-**	**-**	**628 717**	**540 000**
Due from other banks as at 30 June (less provision for impairment)	**-**	**-**	**-**	**-**	**521 464**	**520 816**
Loans to customers						
Loans to customers as at 1 January (gross)	-	-	440 770	245 286	4 138 342	5 969 929
Loans to customers issued during the reporting period	-	-	190 983	355 953	11 983156	4 442 949
Loans to customers repaid during the reporting period	-	-	(281 827)	(212 326)	(13 357 609)	(3 718 935)
Loans to customers as at 30 June (gross)	**-**	**-**	**349 926**	**388 913**	**2 763 889**	**6 693 943**

(in thousands of Russian Roubles)

	Shareholders		Directors and key management personnel		Associates	
	For the six months ended 30 June 2008	For the six months ended 30 June 2007	For the six months ended 30 June 2008	For the six months ended 30 June 2007	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Provisions for loan impairment						
Provision for loan impairment as at 1 January	-	-	4 408	-	85 117	258 122
Recovery of provision for loan impairment during the reporting period	-	-	(913)	-	(3 660)	(20 067)
Provision for loan impairment as at 30 June	**-**	**-**	**3 495**		**81 457**	**238 055**
Loans to customers as at 1 January (less provision for impairment)	**-**	**-**	**436 362**	**245 286**	**4 053 225**	**5 711 807**
Loans to customers as at 30 June (less provision for impairment)	**-**	**-**	**346 431**	**388 913**	**2 682 432**	**6 455 888**
Interest received on loans to customers and due from other banks	**-**	**-**	**10 029**	**8 609**	**296 933**	**417 938**

(in thousands of Russian Roubles)

The outstanding balances at 30 June 2008, liability-related transactions with related parties for the six months of the years 2008 and 2007 are as follows:

	Shareholders		Directors and key management personnel		Associates	
	For the six months ended 30 June 2008	For the six months ended 30 June 2007	For the six months ended 30 June 2008	For the six months ended 30 June 2007	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Due to other banks						
Due to other banks as at 1 January	-	-	-	-	23 759	13 510
Due to other banks received during the reporting period	-	-	-	-	7 353 694	2 681 136
Due to other banks repaid during the reporting period	-	-	-	-	(7 241 648)	(2 677 993)
Due to other banks as at 30 June	**-**	**-**	**-**	**-**	**135 805**	**16 653**
Customer accounts						
Customer accounts as at 1 January	91 869 476	75 607 686	442 178	416 637	20 845 817	13 115 755
Customer accounts received during the reporting period	161 411 847	225 087 411	1 411 758	1 194 933	300 278 954	137 369 371
Customer accounts repaid during the reporting period	(134 765 474)	(205 937 792)	(1 337 962)	(1 182 255)	(304 023 458)	(143 569 516)
Customer accounts as at 30 June	**118 515 849**	**94 757 305**	**515 974**	**429 315**	**17 101 313**	**6 915 610**
Interest expense on deposits	**3 957 366**	**2 250 442**	**21 209**	**21 258**	**14 604**	**7 218**
Fee and commission income for the reporting period	**1 705**	**-**	**-**	**-**	**241 606**	**204 531**
Guarantees and sureties issued by the Group at the end of the reporting period	**-**	**1 548 972**	**-**	**-**	**-**	**1 549 135**
Guarantees and sureties received by the Group at the end of the reporting period	**-**	**-**	**-**	**-**	**-**	**-**
Import letters of credit at the end of the reporting period					**27 746**	**6 804**

Operations with the Moscow Government structural divisions account for a substantial share of related party transactions.

Remuneration to members of the Executive Board as at 30 June 2008 amounted to RUR 171 903 thousand (as at 30 June 2007: RUR 116 562 thousand).

30. Capital Adequacy

The Central Bank of the Russian Federation requires banks and banking groups to maintain a capital adequacy ratio of more than 10.0% of risk weighted assets.

As at 30 June 2008 and 31 December 2007, the capital adequacy ratio of the Group calculated in accordance with the Basle Accord dated 1988 exceeded the recommended minimum of 8%.

	30 June 2008	31 December 2007
Core capital (Tier 1 capital)	51 964 370	46 959 917
Secondary capital (Tier 2 capital)	18 845 708	19 795 840
Total equity (capital)	**70 810 078**	**66 755 757**
Risk-weighted assets	**544 897 238**	**450 813 917**
Capital adequacy ratio	**13.0%**	**14.8%**
Core capital adequacy ratio	**9.5%**	**10.4%**
Minimum capital adequacy ratio	8.0%	8.0%

31. Events after the Balance Sheet Date

On 1 August 2008, the Bank of Moscow placed documentary interest-bearing non-convertible bonds of 01 series in the amount of RUR 10 billion. The securities mature in 1 092 days. Under the terms of the issue, the buyback of bonds is possible in one year from the moment of flotation. The first coupon rate is 9.25% per annum.

On 1 August 2008, the share of the Bank of Moscow in the share capital of OJSC Mosvodokanalbank was increased to 65.87%.

On 4 August 2008, the Group received the notification about state registration of joint stock company Bank of Moscow – Belgrad. The share capital of Bank of Moscow j.s.c. – Belgrade (Moskovska Banka a.d. Belgrad) amounted to 1 235 134 500 Serbian dinars. The Group's share in the capital of the Serbian bank is 100%.

On 29 August 2008, the Bank of Russia registered the 12th additional issue of the Bank of Moscow shares. The Bank placed the entire issue in the amount of 7 358 648 shares. The nominal value of the securities amounted to RUR 100.