OJSC “BANK“ST PETERSBURG” Group

Condensed Consolidated Interim Financial Information and Independent Auditors’ Report on Review

30 June 2008

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Independent Auditor's Report

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

Report on Review of the Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of OJSC "Bank "St Petersburg" (the "Bank") and its subsidiaries (the "Group") as at 30 June 2008, and the related condensed consolidated interim statements of income, changes in shareholders' equity and cash flows for the six-month period then ended (the consolidated interim financial information). Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of the Group as at 30 June 2008 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

ZAO KPMG

ZAO KPMG
10 September 2008

(In thousands of Russian Roubles)	Note	30 June 2008	31 December 2007
ASSETS			
Cash and cash equivalents		9 898 806	9 612 448
Mandatory cash balances with the Central Bank of the Russian Federation		2 649 158	1 551 913
Trading securities	6	12 135 468	11 650 690
Securities pledged under repurchase agreements	7	1 733 812	517 834
Reverse sale and repurchase agreements on securities	8	13 656 027	916 651
Loans to banks		1 089 098	6 736 881
Loans and advances to customers	9	119 676 631	91 730 134
Other financial assets		170 570	155 007
Prepaid income tax		-	93 946
Premises and equipment		4 289 182	3 433 461
Intangible assets		942	1 016
Other assets		492 339	256 231
TOTAL ASSETS		**165 792 033**	**126 656 212**
LIABILITIES			
Due to banks		6 622 206	677 266
Customer accounts	10	120 140 127	88 728 772
Bonds issued	11	8 123 351	6 587 222
Other debt securities in issue		5 995 098	7 425 303
Other borrowed funds	12	7 373 518	7 641 887
Other financial liabilities		106 601	57 012
Income tax liability		117 189	-
Deferred income tax liability		177 498	248 131
Other liabilities		418 023	285 556
TOTAL LIABILITIES		**149 073 611**	**111 651 149**
EQUITY			
Share capital		3 564 330	3 564 330
Share premium		9 725 450	9 725 450
Revaluation reserve for premises		1 141 992	1 141 992
Retained earnings		2 286 650	573 291
TOTAL EQUITY		**16 718 422**	**15 005 063**
TOTAL LIABILITIES AND EQUITY		**165 792 033**	**126 656 212**

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

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО "БАНК "САНКТ-ПЕТЕРБУРГ" (ОАО "Банк "Санкт-Петербург") * ОГРН 1027800000140 * Санкт-Петербург * ИНН 7831000027

A.V. Saveliev
Chairman of the Board

S.E. Lobach
Chief Accountant

The notes set out on pages 7 to 40 form an integral part of this condensed consolidated interim financial information.

(In thousands of Russian Roubles)	**Note**	**6 months ended 30 June 2008**	**6 months ended 30 June 2007**
Interest income	13	7 862 142	3 696 337
Interest expense	13	(3 828 000)	(1 798 922)
Net interest income		**4 034 142**	**1 897 415**
Provision for loan impairment		(662 936)	(396 927)
Net interest income after provision for loan impairment		**3 371 206**	**1 500 488**
Losses less gains arising from trading securities		(183 578)	(33 246)
Losses less gains from other securities at fair value through profit or loss		-	(4 071)
Gains less losses from trading in foreign currencies		250 326	116 867
Foreign exchange translation losses less gains		(4 618)	(22 411)
Fee and commission income		736 237	458 042
Fee and commission expense		(210 835)	(87 989)
Release of provision on premises		-	33 566
Other net operating income		43 883	44 406
Administrative and other operating expenses			
- staff costs		(903 833)	(461 719)
- expenses related to premises and equipment		(209 061)	(144 488)
- other administrative and operating expenses		(553 588)	(317 439)
Profit before tax		**2 336 139**	**1 082 006**
Income tax expense		(581 068)	(257 189)
Profit for the period		**1 755 071**	**824 817**
Basic and diluted earnings per ordinary share (in Russian Roubles per share)	14	**6.2**	**3.9**

(In thousands of Russian Roubles)	**Note**	**Share capital**	**Share premium**	**Revaluation reserve for premises**	**Retained earnings/ (accumulated deficit)**	**Total equity**
Balance as at 1 January 2007		**3 483 580**	**1 925 556**	**498 698**	**(1 401 310)**	**4 506 524**
Revaluation of buildings and premises		-	-	846 439	-	846 439
Deferred tax recognised directly in equity		-	-	(203 145)	-	(203 145)
Income recognised directly in equity		-	-	643 294	-	643 294
Profit for the period		-	-	-	824 817	824 817
Total recognised income for the six months ended 30 June 2007		-	-	643 294	824 817	1 468 111
Share issue		30 000	1 560 000	-	-	1 590 000
Dividends declared						
- Ordinary shares	15	-	-	-	(32 396)	(32 396)
- Preference shares	15	-	-	-	(2 211)	(2 211)
Balance as at 30 June 2007		**3 513 580**	**3 485 556**	**1 141 992**	**(611 100)**	**7 530 028**
Balance as at 1 January 2008		**3 564 330**	**9 725 450**	**1 141 992**	**573 291**	**15 005 063**
Profit for the period		-	-	-	1 755 071	1 755 071
Total recognised income for the six months ended 30 June 2008		-	-	-	1 755 071	1 755 071
Dividends declared						
- Ordinary shares	15	-	-	-	(39 501)	(39 501)
- Preference shares	15	-	-	-	(2 211)	(2 211)
Balance as at 30 June 2008		**3 564 330**	**9 725 450**	**1 141 992**	**2 286 650**	**16 718 422**

(In thousands of Russian Roubles)	**6 months ended 30 June 2008**	**6 months ended 30 June 2007**
Net cash from/ (used in) operating activities	**85 448**	**(1 974 748)**
Net cash used in investing activities	**(955 218)**	**(532 153)**
Net cash from financing activities	**1 060 183**	**3 630 113**
Effect of exchange rate changes on cash and cash equivalents	95 945	(33 211)
Net increase in cash and cash equivalents	**286 358**	**1 090 001**
Cash and cash equivalents at the beginning of the period	9 612 448	8 756 668
Cash and cash equivalents at the end of the period	**9 898 806**	**9 846 669**

1 Introduction

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with International Financial Reporting Standards for OJSC "Bank "St Petersburg" (the "Bank") and a controlled special purpose entity BSPB Finance plc (together referred to as the "Group" or OJSC "Bank "St Petersburg" Group").

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as a result of the privatization process of the former Leningrad regional office of Zhilsotsbank.

As at 30 June 2008, 29.9% of the ordinary shares of the Bank are controlled by Mr. Saveliev (31 December 2007: 24.6%). The rest of the management of the Bank controls a further 13.3% of the ordinary shares of the Bank (31 December 2007: 13.3%). As at 30 June 2008 12.6% of ordinary shares of the Bank are controlled by the company "Systemnye Tehnologii (31 December 2007: 11.0%). Mr. Saveliev acquired 19% of the interest in the company "Systemnye Tehnologii" and he has a call option to purchase 81% of the interest in the company "Systemnye Tehnologii". This option arose in 2007 and was prolonged to 2010 in March 2008 and can be exercised at any time before 1 April 2010. There is no contractual agreement between any members of management team and Mr Saveliev on joint control of the Bank. There is no ultimate controlling party in the Bank.

Other shareholders of the Bank are: 4.6% (31 December 2007: 11.4%) of the shares are controlled by Mr. Troitskiy and 11.4% (31 December 2007: 11.4%) of the shares are controlled by Mr. Korzhev. The remaining 28.2% (31 December 2007: 28.3%) of the shares are widely held.

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a general banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1997. The Bank takes part in the state deposit insurance scheme introduced by Federal Law No.177-FZ "Deposits of individuals insurance in the Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 100 thousand and repayment of 90% of individual deposits in excess of RR 100 thousand up to a limit of RR 400 thousand per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

During the first half of 2008 the Bank reorganized its branch network. Branches in St.Petersburg were transformed into commercial offices (outlets). As at 30 June 2008 the Bank had 4 branches within the Russian Federation: 2 branches are located in the North-West region of Russia, one branch in Moscow and one branch in Nizhny Novgorod, the total number of commercial offices is 36 (31 December 2007: the Bank had 11 branches within the Russian Federation: 10 branches were located in the North-West region of Russia, and one branch in Moscow, the total number of commercial offices (outlets) was 32).

Special purpose entity BSPB Finance plc is used by the Bank for its Eurobond issues.

Registered address and place of business. The Bank's registered address and place of business is: 193167, Russian Federation, Saint Petersburg, Nevsky Prospect, 178.

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

2 Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including the existence of a currency that is in practice not convertible in most countries outside of the Russian Federation, relatively high inflation and strong economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity.

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

Recent volatility in global financial markets. 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 housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. The volume of Eurobond issues and similar wholesale financing by Russian banks has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to similar transactions in recent periods. Borrowers of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed.

3 Basis of Preparation and Significant Accounting Policies

Basis of preparation. As permitted by IAS 34 an entity may elect to provide less information at interim dates as compared to its annual financial statements. This condensed consolidated interim financial information has been prepared in accordance with IAS 34. The accounting policies and methods of computations applied in the preparation of this condensed consolidated interim financial information are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2007. These policies have been consistently applied to all the periods presented. The Group’s condensed consolidated interim financial information does not contain all the explanatory notes as required for a full set of financial statements and should be read in conjunction with the consolidated financial statements of the Group for 2007.

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

The preparation of this condensed consolidated interim financial information in conformity with IAS 34 required the use of certain critical accounting estimates. It also required Management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this condensed consolidated interim financial information are disclosed in Note 5.

3 Basis of Preparation and Significant Accounting Policies (Continued)

The Group's operations are not of a seasonal or cyclical nature.

Changes in presentation. Certain comparative information has been reclassified to conform to changes in presentation in the current period. The effect of this reclassification is as follows:

(In thousands of Russian Roubles)	**2007**
Increase in	
Reverse sale and repurchase agreements on securities	916 651
Decrease in	
Loans to banks	(300 133)
Loans and advances to customers	(616 518)

4 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning after 1 January 2008 or later periods and have not been applied in preparing this condensed consolidated interim financial information. The Group plans to adopt the pronouncements below when they become effective. The Group has not yet analysed in detail the likely impact of these new standards on its consolidated financial statements.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.

4 New Accounting Pronouncements (Continued)

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree’s identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

5 Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/- one month, the provision would be approximately RR 65 247 thousand higher or RR 65 247 thousand lower (2007: RR 47 250 thousand higher or RR 47 250 thousand lower).

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

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

Revaluation of premises. The fair values of premises of the Group are determined by using valuation methods and are based on their market value. Market values of the Group's premises are obtained from the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value was last assessed at 30 June 2007 using the *sales comparison* approach i.e. comparison with other premises which were sold or are offered for sale. To the extent that the assessed change in the fair value of the Group's premises differs by 10%, the effect of the revaluation adjustment would be approximately RR 311 370 thousand (before deferred tax) as at 30 June 2008 (2007: RR 266 810 thousand).

Frequency of revaluation of premises. The premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The Group's management uses judgement for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

Related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

6 Trading Securities

(In thousands of Russian Roubles)	**30 June 2008**	**31 December 2007**
Corporate bonds	6 765 846	1 697 080
Federal loan bonds (OFZ bonds)	2 253 292	4 476 304
Municipal bonds	1 853 100	592 958
Russian Federation Eurobonds	922 918	4 074 171
Corporate Eurobonds	116 366	-
Total debt securities	**11 911 522**	**10 840 513**
Corporate shares	223 946	810 177
Total trading securities	**12 135 468**	**11 650 690**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies, and are freely tradable at the Russian market. These bonds have maturity dates from 22 January 2009 to 13 July 2018 (31 December 2007: from 19 June 2008 to 19 July 2012), coupon rates of approximately 6.7% - 15.2% p.a. (31 December 2007: from 8.4% - 13.5% p.a.) and yields to maturity from 4.6% to 14.4% p.a. (31 December 2007: from 8.6% to 16.0% p.a.), depending on the type of bond issue.

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from 29 April 2009 to 6 February 2036 (31 December 2007: from 29 April 2009 to 6 February 2036), coupon rates of approximately 5.8% - 10.0% p.a. (31 December 2007: from 5.8% -10.0% p.a.) and yields to maturity from 5.6% to 7.3% p.a. as at 30 June 2008 (31 December 2007: from 5.9% to 6.8% p.a.), depending on the type of bond issue.

Municipal bonds are Russian Rouble denominated securities issued by municipal administrations of St Petersburg, Moscow, Irkutsk, Samara and Nizhny Novgorod Regions, Republic of Sakha (Yakutia) (31 December 2007: municipal administrations of St Petersburg and Moscow Region). Bonds are issued at a discount to nominal value, have maturity dates from 21 April 2009 to 6 August 2014 (31 December 2007: from 21 April 2009 to 16 April 2014), coupon rates of 7.2% - 11.0% p.a. (31 December 2007: from 8.0% - 11.5% p.a.) and yields to maturity from 6.4% to 9.6% p.a. as at 30 June 2008 (31 December 2007: from 6.2% to 7.0% p.a.), depending on the type of bond issue.

Russian Federation Eurobonds are interest bearing securities denominated in USD, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have a maturity date of 31 March 2030 (31 December 2007: 31 March 2030), coupon rate of 7.5% p.a. (31 December 2007: 7.5% p.a.) and yield to maturity of 5.7% p.a. as at 30 June 2008 (31 December 2007: 5.5% p.a.).

Corporate Eurobonds are interest bearing securities denominated in USD, issued by Russian companies, and are freely tradable at the Russian market. These bonds have maturity dates from 17 December 2009 to 28 June 2010, coupon rate of approximately 8.2% - 8.8% p.a. and yield to maturity from 9.0% to 9.6% p.a. as at 30 June 2008.

Corporate shares are shares of Russian companies.

Trading securities are carried at fair value which also reflects the credit risk of these securities. As trading securities are carried at fair value based on observable market data, the Group does not analyse or monitor impairment indicators. The Group holds no overdue trading securities.

6 Trading Securities (Continued)

Analysis by credit quality of debt trading securities outstanding at 30 June 2008 is as follows:

(In thousands of Russian Roubles)	**Federal loan bonds**	**Russian Federation Eurobonds**	**Municipal bonds**	**Corporate bonds**	**Corporate Eurobonds**	**Total**
Group A	2 253 292	922 918	179 825	-	-	3 356 035
Group B	-	-	1 673 275	6 765 846	116 366	8 555 487
Total debt trading securities	**2 253 292**	**922 918**	**1 853 100**	**6 765 846**	**116 366**	**11 911 522**

Analysis by credit quality of debt trading securities outstanding at 31 December 2007 is as follows:

(In thousands of Russian Roubles)	**Federal loan bonds**	**Russian Federation Eurobonds**	**Municipal bonds**	**Corporate bonds**	**Total**
Group A	4 476 304	4 074 171	368 205	-	8 918 680
Group B	-		224 753	1 697 080	1 921 833
Total debt trading securities	**4 476 304**	**4 074 171**	**592 958**	**1 697 080**	**10 840 513**

Debt trading securities of the Group are divided by credit quality types and parameters into the following groups:

Group A – debt financial instruments with low credit risks; the issuers are at least BBB- rated.

Group B – other debt instruments.

Currency and maturity analyses of trading securities are disclosed in Note 17.

The Bank is licensed by the Federal Agency of the Russian Federation for Financial Markets for trading in securities.

7 Securities pledged under repurchase agreements

(In thousands of Russian Roubles)	**30 June 2008**	**31 December 2007**
Federal loan bonds (OFZ)	1 116 822	-
Municipal bonds	516 875	517 834
Corporate bonds	100 115	-
Total securities pledged under repurchase agreements	**1 733 812**	**517 834**

Securities pledged under repurchase agreements are represented by federal loan bonds, municipal bonds issued by the municipal administration of St Petersburg and bonds of OJSC RZhD (31 December 2007: municipal bonds issued by the municipal administration of St Petersburg). These bonds are purchased at a discount to nominal value. These bonds have maturity dates from 29 April 2009 to 6 August 2014 (31 December 2007: 18 June 2008 to 6 August 2014), coupon rates of 5.8% – 11.0% p.a. (31 December 2007: from 9.0%–10.0% p.a.), and yields to maturity from 5.7% to 8.1% as at 30 June 2008 (31 December 2007: from 3.1% to 6.5% p.a.), depending on the type of bond issue. The term of repurchase transactions is from 7 to 91 days with the effective rate of 1.25% - 7.5% p.a. (31 December 2007: the term of repurchase transactions was 195 days with the effective rate of 5.3% p.a.). As at 30 June 2008, the customer accounts included sale and repurchase agreements with legal entities for RR 2 607 515 thousand (31 December 2007: sale and repurchase agreements with legal entities for RR 492 712 thousand). Refer to Note 10.

The securities of the Group classified as repurchase receivables are included in Group A referred to in Note 6.

Currency and maturity analyses of securities pledged under repurchase agreements are disclosed in Note 17.

8 Reverse sale and repurchase agreements on securities

(In thousands of Russian Roubles)	30 June 2008	31 December 2007
Reverse repurchase agreements with customers	8 562 252	616 518
Reverse repurchase agreements with banks	5 093 775	300 133
Total reverse sale and repurchase agreements on securities	**13 656 027**	**916 651**

As at 30 June 2008 reverse repurchase agreements represents agreements with customers and banks, secured by government bonds and corporate shares with fair value of RR 14 560 255 thousand. (31 December 2007:RR 1 088 965 thousand). Corporate shares with fair value of RR 1 032 694 thousand received as collateral under reverse repurchase agreements were transferred as collateral under sale and repurchase agreements. (Refer to Note 10).

Currency and maturity analyses of reverse sale and repurchase agreements on securities are disclosed in Note 17.

9 Loans and Advances to Customers

(In thousands of Russian Roubles)	30 June 2008	31 December 2007
Corporate loans		
- working capital loans	79 168 000	61 275 836
- investment loans	24 897 812	21 971 101
- loans to entities financed by the government	5 891 006	2 598 882
Loans to individuals		
- mortgage loans	7 299 450	4 274 713
- car loans	1 726 763	1 641 927
- other loans to individuals	3 852 449	2 560 495
Less: Provision for loan impairment	(3 158 849)	(2 592 820)
Total loans and advances to customers	**119 676 631**	**91 730 134**

9 Loans and Advances to Customers (Continued)

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

(In thousands of Russian Roubles)	Corporate loans	Loans to individuals	Total
Provision for loan impairment at 31 December 2007	**2 432 381**	**160 439**	**2 592 820**
Provision for impairment created during the period	552 408	110 528	662 936
Amounts written off during the period as uncollectible	(96 895)	(12)	(96 907)
Provision for loan impairment at 30 June 2008	**2 887 894**	**270 955**	**3 158 849**

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

(In thousands of Russian Roubles)	Corporate loans	Loans to individuals	Total
Provision for loan impairment at 31 December 2006	**1 542 578**	**62 178**	**1 604 756**
Provision for impairment created during the period	385 450	13 309	398 759
Amounts written off during the period as uncollectible	(10 284)	-	(10 284)
Provision for loan impairment at 30 June 2007	**1 917 744**	**75 487**	**1 993 231**

9 Loans and Advances to Customers (Continued)

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

	30 June 2008		31 December 2007	
(In thousands of Russian Roubles)	**Amount**	**%**	**Amount**	**%**
Trade	21 451 627	17.5	15 242 551	16.2
Heavy machinery and ship-building	18 898 615	15.4	8 474 636	9.0
Construction	17 249 107	14.0	11 651 470	12.3
Real estate operations	15 239 288	12.4	16 310 925	17.3
Individuals	12 878 662	10.5	8 477 134	9.0
Leasing and financial services	9 763 528	7.9	12 646 781	13.4
Federal and municipal transportation and storage facilities	5 891 006	4.8	2 598 882	2.8
Production and food industry	5 360 300	4.4	5 335 203	5.7
Transport	5 190 248	4.2	2 227 345	2.3
Chemical industry	1 770 014	1.4	2 622 630	2.8
Energy	301 217	0.2	692 993	0.7
Other	8 841 868	7.3	8 042 404	8.5
Total loans and advances to customers (before impairment)	**122 835 480**	**100.0**	**94 322 954**	**100.0**

As at 30 June 2008, the Group’s 20 largest groups of related borrowers had aggregated loan amounts of RR 37 836 493 thousand (31 December 2007: RR 29 846 976 thousand), or 30.8% (31 December 2007: 31.6%) of the gross loan portfolio before impairment.

9 Loans and Advances to Customers (Continued)

The loans and advances to customers and the related provisions for impairment as at 30 June 2008 are as follows:

(In thousands of Russian Roubles)	**Loans and advances to customers (before provision for impairment)**	**Provision for impairment**	**Total loans and advances to customers (after provision for impairment)**	**Provision for impairment to loans %**
Loans and advances to legal entities:				
Loans individually assessed for impairment, but not impaired	6 881 404	-	6 881 404	0.00
Loans collectively assessed for impairment, but not specifically impaired	101 584 965	2 643 736	98 941 229	2.60
Impaired loans individually assessed for impairment				
- loans with signs of impairment	1 392 434	146 143	1 246 291	10.50
- uncollectible loans	98 015	98 015	-	100.00
Total loans and advances to legal entities	**109 956 818**	**2 887 894**	**107 068 924**	**2.63**
Loans and advances to individuals:				
Loans collectively assessed for impairment	12 878 662	270 955	12 607 707	2.10
Total loans and advances to individuals	**12 878 662**	**270 955**	**12 607 707**	**2.10**
Total loans and advances to customers	**122 835 480**	**3 158 849**	**119 676 631**	**2.57**

9 Loans and Advances to Customers (Continued)

The loans and advances to customers and the related provisions for impairment as at 31 December 2007 are as follows:

(In thousands of Russian Roubles)	**Loans and advances to customers (before provision for impairment)**	**Provision for impairment**	**Total loans and advances to customers (after provision for impairment)**	**Provision for impairment to loans %**
Loans and advances to legal entities:				
Loans individually assessed for impairment, but not impaired	4 216 204	-	4 216 204	0.00
Loans collectively assessed for impairment, but not specifically impaired	79 062 536	2 049 303	77 013 233	2.59
Impaired loans individually assessed for impairment				
- loans with signs of impairment	2 388 201	204 200	2 184 001	8.55
- uncollectible loans	178 879	178 879	-	100.00
Total loans and advances to legal entities	**85 845 820**	**2 432 382**	**83 413 438**	**2.83**
Loans and advances to individuals:				
Loans collectively assessed for impairment	8 477 134	160 438	8 316 696	1.89
Total loans and advances to individuals	**8 477 134**	**160 438**	**8 316 696**	**1.89**
Total loans and advances to customers	**94 322 954**	**2 592 820**	**91 730 134**	**2.75**

The primary factors that the Group considers when deciding whether a loan is individually impaired is its overdue status and/or occurrence of any factors which may make it impossible for the borrowers to repay full amounts owed to the Group in time.

Currency and maturity analyses of loans and advances to customers are disclosed in Note 17. The information on related party balances is disclosed in Note 19.

10 Customer Accounts

(In thousands of Russian Roubles)	30 June 2008	31 December 2007
State and public organisations		
- Current/settlement accounts	1 348 973	1 319 910
- Term deposits	7 097 899	4 920 868
Other legal entities		
- Current/settlement accounts	29 977 823	24 040 675
- Term deposits	37 346 719	27 738 723
- Sale and repurchase agreements	2 607 515	492 712
Individuals		
- Current/demand accounts	7 611 230	5 505 729
- Term deposits	34 149 968	24 710 155
Total customer accounts	**120 140 127**	**88 728 772**

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

	30 June 2008		31 December 2007	
(In thousands of Russian Roubles)	Amount	%	Amount	%
Individuals	41 761 198	34.8	30 215 884	34.1
Financial services	16 540 920	13.8	6 563 381	7.4
Trade	12 152 628	10.1	10 583 808	11.9
Cities and municipalities	8 347 483	6.9	6 191 715	7.0
Construction	7 819 362	6.5	8 480 095	9.6
Production	5 782 208	4.8	5 073 424	5.7
Real estate	5 550 476	4.6	2 229 305	2.5
Energy	4 978 800	4.1	5 001 781	5.6
Transport	4 819 716	4.0	4 674 449	5.3
Public utilities	4 089 313	3.4	4 014 146	4.5
Communications	2 880 659	2.4	2 486 462	2.8
Art, science and education	1 555 494	1.3	1 471 001	1.7
Medical institutions	458 722	0.4	333 909	0.4
Other	3 403 148	2.9	1 409 412	1.5
Total customer accounts	**120 140 127**	**100.0**	**88 728 772**	**100.0**

As at 30 June 2008, included in customer accounts were sale and repurchase agreements with legal entities in the amount of RR 2 607 515 thousand. Securities pledged under these sale and repurchase agreements are federal loan bonds, municipal bonds and corporate bonds with the fair value of RR 1 733 812 thousand. The Group has transferred corporate shares with fair value of RR 1 032 694 thousand as at 30 June 2008 received under reverse repurchase agreements as a collateral under sale and repurchase agreements (31 December 2007: included in customer accounts were sale and repurchase agreements with legal entities in the amount of RR 492 712 thousand. Securities pledged under these sale and repurchase agreements were municipal bonds with the fair value of RR 517 834 thousand). Refer to Note 7 and 8.

As at 30 June 2008, included in customer accounts are deposits of RR 1 716 563 thousand held as collateral for irrevocable commitments under import letters of credit (31 December 2007: RR 1 347 709 thousand).

Currency and maturity analyses of customer accounts are disclosed in Note 17. The information on related party balances is disclosed in Note 19.

11 Bonds Issued

(In thousands of Russian Roubles)	30 June 2008	31 December 2007
Eurobonds	4 713 161	3 065 263
Subordinated Eurobonds	2 410 259	2 522 904
Bonds	999 931	999 055
Total bonds issued	**8 123 351**	**6 587 222**

In November 2006, the Group placed 1 250 interest-bearing US Dollar-denominated Eurobonds (one bond – USD 100 000). The issue was arranged by ABN AMRO Bank N.V. and Dresdner Bank AG. The issue was registered on the Irish Stock Exchange. As at 30 June 2008, the carrying value of these bonds was USD 125 159 thousand, the equivalent of RR 2 935 895 thousand (31 December 2007: the carrying value of these bonds was USD 124 877 thousand, the equivalent of RR 3 065 263 thousand). These Eurobonds have a maturity of 25 November 2009, nominal coupon rate of 9.501% p.a. and effective interest rate of 10.57% p.a. The Group should observe certain covenants, relating to the Eurobond issue. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's management believes that as at 30 June 2008 and 31 December 2007 the Group fully met all covenants of the loan agreements. (Refer to Note 21).

On 16 April 2008, the Group placed 750 interest-bearing US Dollar-denominated Eurobonds (one bond – USD 100 000). The issue was arranged by Dresdner Bank AG. The issue was registered on the Irish Stock Exchange. As at 30 June 2008, the carrying value of these bonds was USD 75 766 thousand, the equivalent of RR 1 777 266 thousand. These Eurobonds have a maturity of 16 April 2010, nominal coupon rate of 9.975% p.a. and effective interest rate of 11.08% p.a. The Group should observe certain covenants, relating to the Eurobond issue. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's management believes that as at 30 June 2008 and 31 December 2007 the Group fully met all covenants of the loan agreements. (Refer to Note 21).

In July 2007, the Group placed 1 000 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 100 000). The issue was arranged by J.P. Morgan and UBS. The issue was registered on the Irish Stock Exchange. As at 30 June 2008, the carrying value of these bonds was USD 102 751 thousand, the equivalent of RR 2 410 259 thousand (31 December 2007: the carrying value of these bonds was USD 102 782 thousand, the equivalent of RR 2 522 904 thousand). The subordinated Eurobonds have a maturity of 25 July 2017 with an early redemption option at nominal value on 25 July 2012, nominal coupon rate of 10.5% p.a. and effective interest rate of 11.31% p.a. The Group should observe certain covenants relating to the Eurobond issue. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's management believes that as at 30 June 2008 and 31 December 2007 the Group fully met all covenants of the loan agreements. (Refer to Note 21).

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

On 14 June 2006, the Group placed 1 000 000 Russian Rouble denominated interest-bearing bonds (one bond – RR 1 000). As at 30 June 2008, the carrying value of these bonds was RR 999 931 thousand (31 December 2007: RR 999 055 thousand). The bonds have a maturity date of 22 June 2009. For the coupon periods starting from 20 June 2008 coupon rate shall be 10.5% p.a.

Currency and maturity analyses of bonds issued are disclosed in Note 17.

12 Other Borrowed Funds

(In thousands of Russian Roubles)	30 June 2008	31 December 2007
Syndicated loan	4 743 553	4 893 544
Subordinated loans	1 168 166	1 221 894
Funds attracted from EBRD	710 599	745 678
Funds attracted from Nordic Investment Bank	679 941	706 522
Funds attracted from UniCredit Bank	71 259	74 249
Total other borrowed funds	**7 373 518**	**7 641 887**

On 26 June 2008 the Group attracted a syndicated loan in the amount of USD 100 000 thousand arranged by European Bank of Reconstruction and Development (EBRD) in 2 tranches. The first tranche of USD 25 000 thousand a maturity date of 23 June 2012. The interest rate on this loan is LIBOR + 3.45% p.a. The second tranche of USD 75 000 thousand has a maturity date of 23 December 2009. The interest rate on this loan is LIBOR + 2.75% p.a. The participants of the loan are 14 non-resident banks. As at 30 June 2008 the carrying value of this loan was USD 98 362 thousand, the equivalent of RR 2 307 311 thousand. The interest rate is 6.636% p.a. for the first tranche and 5.936% p.a. for the second tranche.

On 4 April 2008 the Group attracted a syndicated loan in the amount of USD 5 000 thousand, arranged by Bank of New York, which has a maturity date of 30 March 2009. This loan was issued for the purposes of refinancing of export contracts of the Group’s clients. The interest rate on this loan is LIBOR + 1.5% p.a. As at 30 June 2008 the carrying value of this loan was USD 5 011 thousand, the equivalent of RR 117 548 thousand. As at 30 June 2008 the interest rate was 4.154% p.a.

On 29 November 2007 the Group attracted a syndicated loan in the amount of USD 70 000 thousand in 2 tranches. The first tranche of USD 44 500 thousand has a maturity date of 22 November 2008. The second tranche of USD 25 500 thousand has a maturity date of 22 May 2009. The loan is arranged by Commerzbank Aktiengesellschaft, ICICI Bank Limited, Hong Kong branch and UniCredit Group, acting through Bank Austria Creditanstalt AG. The participants of the loan are 15 non-resident banks and 3 resident banks. As at 30 June 2008 the carrying value of this loan was USD 71 219 thousand, the equivalent of RR 1 670 600 thousand (31 December 2007: the carrying value of this loan was USD 69 612 thousand, the equivalent of RR 1 708 710 thousand). The interest rate on this loan is LIBOR + 2.0% p.a. for the first tranche and LIBOR + 2.25% p.a. for the second tranche. As at 30 June 2008 the interest rates were 5.017% p.a. and 5.267% p.a. respectively.

On 31 July 2006 the Group attracted a syndicated loan in the amount of USD 30 000 thousand arranged by ABN AMRO Bank N.V. The syndicated loan had a maturity date of 30 July 2007 with the possibility to extend it for 364 days at the discretion of the Group’s management. On 25 July 2007 this loan was extended in the amount of USD 27 500 thousand. The participants of the extended syndicated loan are 8 non-resident banks. As at 30 June 2008, the carrying value of this loan was USD 27 629 thousand, the equivalent of RR 648 094 thousand (31 December 2007: the carrying value was USD 27 871 thousand, the equivalent of RR 684 115 thousand). The interest rate on this loan is LIBOR + 2.4% p.a. As at 30 June 2008 the interest rate was 4.956% p.a. (31 December 2007: the interest rate was 7.34% p.a.). This syndicated loan was repaid on 23 July 2008.

12 Other Borrowed Funds (Continued)

On 20 June 2008 the Group repaid a syndicated loan in the amount of USD 100 000 thousand arranged by Standard Bank Plc. The participants of this loan were 16 non-resident banks and 4 resident banks (31 December 2007: carrying value of this loan was USD 101 878 thousand, the equivalent of RR 2 500 719 thousand).

In December 2006 the Group received a subordinated loan in the amount of USD 50 000 thousand with maturity in March 2012 financed by issuing credit notes. The provider of this subordinated loan was investment bank “TRUST”. As at 30 June 2008 the carrying value of this subordinated loan was USD 49 800 thousand, the equivalent of RR 1 168 166 thousand (31 December 2007: the carrying value of this loan was USD 49 779 thousand, the equivalent of RR 1 221 894 thousand). This subordinated loan was issued at fixed interest rate of 11% p.a.

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

On 25 October 2006, 26 February 2007 and 27 June 2007 the Group attracted three tranches of the loan provided by the European Bank of Reconstruction and Development (EBRD) in the amount of USD 10 000 thousand each, which should be repaid before November 2011. This loan was issued for the purposes of funding small and medium businesses. As at 30 June 2008, the carrying value of this loan was USD 30 293 thousand, the equivalent of RR 710 599 thousand (31 December 2007: USD 30 379 thousand, the equivalent of RR 745 678 thousand). The interest rate on this loan is LIBOR + 3% p.a. As at 30 June 2008, the interest rate was 5.965% p.a.

On 6 September 2007 the Group attracted three tranches and on 20 November 2007 the Group attracted one tranche of the credit facility provided by Nordic Investment Bank. The Group allocated the raised amounts for funding certain projects. As at 30 June 2008, the carrying value of this loan was USD 28 986 thousand, the equivalent of RR 679 941 thousand (31 December 2007: USD 28 783 thousand, the equivalent of RR 706 522 thousand). The loan maturity date of these credit facility is on 3 October 2015. The interest rate on the loan ranges from LIBOR+2.6% p.a. to LIBOR+2.95% p.a., depending on maturity dates of the tranches. As at 30 June 2008, the interest rates were from 5.216% to 5.566% p.a.

On 9 October 2007 the Group attracted two loans from the Unicredit Bank in the amount of USD 1 000 thousand and USD 2 000 thousand. The loan maturity dates are on 6 April 2009 and 6 October 2008 respectively. As at 30 June 2008 the carrying value of this loan was USD 3 038 thousand, the equivalent of RR 71 259 thousand (31 December 2007: USD 3 025 thousand, the equivalent of RR 74 249 thousand). The interest rate on the loans is LIBOR+2.1% p.a. and LIBOR+2.0% p.a. respectively. As at 30 June 2008 the interest rate on the loan ranges from 4.472% p.a. to 4.869% p.a., depending on the maturity dates.

The Group should observe certain covenants relating to attraction of syndicated loans, subordinated loans and EBRD funds. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group’s management believes that the Group fully meets all covenants of the loan agreements. (Refer to Note 21).

Currency and maturity analyses of other borrowed funds are disclosed in Note 17. The information on related party balances is disclosed in Note 19.

13 Interest Income and Expense

(In thousands of Russian Roubles)	**6 months ended 30 June 2008**	**6 months ended 30 June 2007**
Interest income		
Loans and advances to customers	7 151 593	3 362 198
Debt trading securities	371 515	226 841
Sale and repurchase agreements on securities	246 348	-
Due from banks	89 770	83 861
Other debt securities at fair value through profit or loss	-	21 523
Correspondent accounts with other banks	2 916	1 914
Total interest income	**7 862 142**	**3 696 337**
Interest expense		
Term deposits of legal entities	1 452 574	624 487
Term deposits of individuals	1 299 496	606 456
Bonds issued	353 731	211 154
Other borrowed funds	280 986	149 949
Other debt securities in issue	267 510	107 845
Due to banks	145 300	21 257
Current/settlement accounts	28 403	77 774
Total interest expense	**3 828 000**	**1 798 922**
Net interest income	**4 034 142**	**1 897 415**

14 Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period less treasury shares.

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

(In thousands of Russian Roubles)	**6 months ended 30 June 2008**	**6 months ended 30 June 2007**
Profit attributable to the Bank’s shareholders	1 755 071	824 817
Less: preference dividends	(2 211)	(2 211)
Profit attributable to the Bank’s ordinary shareholders	1 752 860	822 606
Weighted average number of ordinary shares in issue (thousands)	282 150	213 168
Basic and diluted earnings per share (expressed in RR per share)	**6.2**	**3.9**

15 Dividends

In thousands of Russian Roubles	**6 months ended 30 June 2008** Ordinary	**6 months ended 30 June 2008** Preference	**6 months ended 30 June 2007** Ordinary	**6 months ended 30 June 2007** Preference
Dividends payable as at 1 January	**1 511**	**-**	**475**	**-**
Dividends declared during the period	39 501	2 211	32 396	2 211
Dividends paid during the period	(37 896)	(2 211)	(30 813)	(2 211)
Dividends payable as at 30 June	**3 116**	**-**	**2 058**	**-**
Dividends per share declared during the period (RR per share)	**0.14**	**0.11**	**0.14**	**0.11**

All dividends are declared and paid in Russian Roubles.

16 Segment Analysis

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

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

- Corporate banking – representing settlement and current accounts, deposits, credit lines, loans and other credit facilities, foreign currency transactions with commercial and state entities.

- Operations on financial markets – representing financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages for individuals.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense. Interest charged for these funds is based on the market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, other assets and liabilities and balances on taxation settlements. Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment.

In 2008 the Group changed the basis of calculation of funding cost transfers to use more accurate methods. The Group has revised the corresponding items of segment information for the 6 months ended 30 June 2007, to reflect the changes made in 2008.

16 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group for the 6 months ended 30 June 2008 and 30 June 2007 is set out below:

(In thousands of Russian Roubles)	Corporate banking	Operations on financial markets	Retail banking	Eliminations	Total
6 months ended 30 June 2008					
External revenues	7 168 717	541 951	931 594	-	**8 642 262**
Revenues from other segments	2 575 886	6 199 635	2 348 983	(11 124 504)	**-**
Total revenues	**9 744 603**	**6 741 586**	**3 280 577**	**(11 124 504)**	**8 642 262**
Total revenues comprise:					
- Interest income	9 173 976	6 729 054	3 083 616	(11 124 504)	7 862 142
- Fee and commission income	528 373	12 532	195 332	-	736 237
- Other operating income	42 254	-	1 629	-	43 883
Segment results	**1 527 048**	**667 440**	**976 854**	**-**	**3 171 342**
Unallocated costs					(835 203)
Profit before tax					**2 336 139**
Income tax expense					(581 068)
Profit for the period					**1 755 071**

(In thousands of Russian Roubles)	Corporate banking	Operations on financial markets	Retail banking	Eliminations	Total
6 months ended 30 June 2007					
External revenues	3 425 442	366 774	392 587	-	**4 184 803**
Revenues from other segments	2 041 459	3 676 448	1 102 271	(6 820 178)	**-**
Total revenues	**5 466 901**	**4 043 222**	**1 494 858**	**(6 820 178)**	**4 184 803**
Total revenues comprise:					
- Interest income	5 134 122	4 010 587	1 371 806	(6 820 178)	3 696 337
- Fee and commission income	304 889	32 380	120 773	-	458 042
- Other operating income	27 890	255	2 279	-	30 424
Segment results	**605 429**	**389 850**	**513 942**	**-**	**1 509 221**
Unallocated costs					(427 215)
Profit before tax					**1 082 006**
Income tax expense					(257 189)
Profit for the period					**824 817**

17 Financial Risk Management

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

The Group risk management function includes establishment, implementation and monitoring of financial risk management policies and procedures to be further updated depending on the economic, business and regulatory changes.

The Group's main bodies performing the financial risk management functions are: the Supervisory Board, Bank's Management Board, Bank's Asset and Liability Management Committee, and Bank's Credit Committee.

The Supervisory Board is responsible for consideration of risk at the strategic level, i.e. it determines the level of risk the Bank may accept to achieve the desired level of profit. Accordingly, the Supervisory Board establishes benchmarks which determine the Bank's risk limits (in particular, the maximum amount of overdue debt in the loan portfolio, concentration of assets by industry, etc.). On a quarterly basis the Supervisory Board reviews and approves the reports submitted by the Bank's management on implementation of the Bank's Strategic Development Plan (including assessment of risk levels) and reports on the Bank's lending operations which contain information on the credit risk as the Goup's main financial risk. The ongoing monitoring of strategic indicators (both business indicators and risk limits) is performed by the Supervisory Board on a monthly basis.

The Bank's Management Board is responsible for exercising general control over financial risk management. The Bank's Management Board has approved the Risk Management Policy, the compliance with which is supervised by reviews and approvals of quarterly risk management reports. The said reports are prepared by the Department of Banking Risks and contain the description of the Group's risk position, both at the consolidated level and exposure to specific risks. The Bank's Management Board makes decisions on the risks that may be accepted by the Group or on arrangements to maintain the Group as a going concern in case of emergency when the decision-making process is beyond the scope of the Bank's Asset and Liability Management Committee and the Credit Committee.

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for credit risk). Weekly, the Asset and Liability Management Committee adopts resolutions on management of the Group's balance sheet structure and the related liquidity risks, and on determining and changing market risk limits. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for credit risk) and has the right to make decisions on financial risk management in case of emergency.

The Department of Banking Risks of the Bank is responsible for compliance with the Risk Management Policy, monitoring of the cumulative bank exposure level, development of methods of assessment of certain financial and non-financial risk levels, management procedures for these risks, compliance by the Bank divisions with existing procedures and limits restricting the level of these risks.

The Treasury Department is responsible for current management and operational control of certain risks, in particular, the liquidity and interest risks.

The Bank's Management Board, Bank's Main Credit Committee and Sub-Credit Committees of the Bank's branch subdivisions are responsible for making decisions on management of the Bank's credit risks. The Bank's Management Board approves the Credit Policy (a document containing guidelines on principles and procedures of credit risk management in the Bank and determining authority of the Bank's Main Credit Committee and Sub-Credit Committee). The Bank's Main Credit Committee and Sub-Credit Committees adopt resolutions on separate credit risk-related transactions or determine credit risk limits for certain borrowers (within the scope established by the Management Board in the credit policy). Whenever decisions on certain loans are out of the scope of Sub-Credit Committees, the respective authority is delegated to the Main Credit Committee and the Bank's Management Board.

17 Financial Risk Management (Continued)

Since credit risk is the main financial risk of the Group, the current management of the Group's credit risk is mostly performed by its specialized subdivision, the Credit Division, exercising operational control over the credit risk level.

Credit risk. The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay all amounts of the principal debt or interest in full when due.

The Group's maximum exposure to credit risk is primarily reflected in the carrying amounts of respective financial assets on the consolidated balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Group's overall approach to credit risk management is defined in the Credit Policy, which is annually approved by the Bank's Management Board. The Bank's credit policy reflects the general approach to the Group's credit risk management, credit risk management policy, the respective functions of the Bank's subdivisions, specifics of credit risk management for one borrower or a group of related borrowers, and the industry limits in lending operations.

Decision to grant loans

For credit risk management purposes the Bank adopted a collegial decision-making system for granting loans (except for common loans granted to individuals under the Bank's target programs). The branches have Sub-Credit Committees which grant loans within the established limits. The limits of authority of the Sub-Credit Committees in branches are determined on the basis of their credit performance in the previous year, the structure and quality of their loan portfolios and qualifications of the employees by subdivision. The specific limits are determined in the Bank's Credit Policy approved by the Bank's Management Board.

The loans to the borrowers related to the Group are granted with prior consent of the Bank's Supervisory Board.

Limits established by the Group for credit risk management purposes:

1.Limits for separate borrowers and for a group of related borrowers.

When establishing limits for groups of borrowers, the Group takes into account both the requirements of Russian regulatory authorities and those of global financial institutions, which are the Group's creditors.

The Group establishes individual limits in respect of borrowers and groups of related borrowers. When establishing a limit all the information the Group managed to obtain is taken into account. When establishing an individual limit, the Group performs a complex analysis of the financial statements, cash flows, available credit history of each borrower in a group of related borrowers, the need of the group of related borrowers for credit resources, as well as availability of funds for redemption of the loan. Also as a collateral for the loan is considered with the purpose of appraising the limit size. The Group has established the following priority of collateral based on liquidity of collateral:

1. deposits with the Bank and promissory notes issued by the Bank;
2. real estate;
3. guarantees and sureties of legal entities;
4. premises and equipment;
5. other assets.

17 Financial Risk Management (Continued)

2. Overall loan portfolio limits.

- Cumulative credit risk exposure to a separate borrower or a group of related borrowers (not exceeding 25% of the Bank’s equity estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision in April 1998 (Basel I));

- Amount of loans and advances to borrowers related to the Bank (not exceeding 25% of the Bank’s equity estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I));

- Cumulative amount of loans, bank guarantees and sureties provided by the Bank to its shareholders (having the right to 5 and more percent of the Bank’s voting stock) - not exceeding 50% of the Bank’s equity estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I);

- Amount of overdue loans in the loan portfolio – not exceeding 3%;

- Ratio of the maximum aggregate risk in the real estate and construction sector to the cumulative loan portfolio of 32.5%, and it is to be further reduced to 25.0% by the end of 2008;

- Ratio of the maximum risk in any economic sector to the cumulative loan portfolio of 20%.

Geographical risk. The Group’s exposure to the geographical risk is insignificant since substantially all assets and liabilities of the Group are concentrated in the Russian Federation.

Market risks. The Group takes on exposure to the market risks arising from open positions in interest rate, currency and equity products, that are exposed to general and specific market movements.

The Bank’s Department of Banking Risks is responsible for developing methods of appraisal of currency and equity risks, management procedures for these risks, and for identification and analysis of the current risk level. This Department controls the compliance by the Group’s subdivisions with the existing procedures and limits which mitigate market risks. The Department of Banking Risks reports to the Group’s management on a regular basis. The review of the main risks is communicated to the Bank’s Management Board and the Asset and Liability Management Committee of the Bank.

Market risk management is defined as a method of limitation of possible losses which can be incurred by the Group within a set period of time due to movements in exchange rates, securities quotations and interest rates by way of establishing a system of limits on transactions and performing other procedures as described below.

Currency risk. Currency risk is the risk of changes in income or carrying value of the Group's financial instrument portfolio due to exchange rate fluctuations.

The Department of operations on financial markets monitors the Bank’s open currency position on a daily basis.

For currency management purposes the Group uses the system of mandatory limits established by the CBRF, including limits on open position in a foreign currency (up to 10% of the equity estimated in compliance with the CBRF) and the limit on the open position in all foreign currencies (up to 20% of the equity estimated in compliance with the CBRF).

Under the Group’s currency risk management policy it opens currency positions mostly in the currencies most frequently used in the Russian Federation (US Dollars and Euros) below the currency exposure limits established by the CBRF.

17 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 30 June 2008. The Group does not apply the presented currency risk analysis for management purposes.

(In thousands of Russian Roubles)	RR	US Dollars	Euro	Other	Total
Assets					
Cash and cash equivalents	8 501 438	565 022	817 834	14 512	9 898 806
Mandatory cash balances with CBRF	2 649 158	-	-	-	2 649 158
Trading securities	11 096 184	1 039 284	-	-	12 135 468
Securities pledged under repurchase agreements	1 733 812	-	-	-	1 733 812
Reverse sale and repurchase agreements on securities	13 656 027	-	-	-	13 656 027
Loans to banks	783 425	188 258	117 415	-	1 089 098
Loans and advances to customers	97 798 141	19 205 721	2 672 769	-	119 676 631
Other financial assets	147 062	22 838	670	-	170 570
Premises and equipment	4 289 182	-	-	-	4 289 182
Intangible assets	942	-	-	-	942
Other assets	486 486	5 033	600	220	492 339
Total assets	**141 141 857**	**21 026 156**	**3 609 288**	**14 732**	**165 792 033**
Liabilities					
Due to banks	4 237 885	2 185 058	198 674	589	6 622 206
Customer accounts	104 484 838	9 288 347	6 360 330	6 612	120 140 127
Bonds issued	999 931	7 123 420	-	-	8 123 351
Other debt securities in issue	5 427 073	240 764	327 261	-	5 995 098
Other borrowed funds	-	7 373 518	-	-	7 373 518
Other financial liabilities	42 021	30 983	33 597	-	106 601
Income tax liability	117 189	-	-	-	117 189
Deferred income tax liability	177 498	-	-	-	177 498
Other liabilities	416 904	1 058	61	-	418 023
Total liabilities	**115 903 339**	**26 243 148**	**6 919 923**	**7 201**	**149 073 611**
Less fair value of currency derivatives	(11 206)	-	-	-	(11 206)
Net balance sheet position, excluding currency derivatives	**25 227 312**	**(5 216 992)**	**(3 310 635)**	**7 531**	**16 707 216**
Currency derivatives	(7 505 914)	4 482 337	3 030 123	4 660	11 206
Net balance sheet position, including currency derivatives	**17 721 398**	**(734 655)**	**(280 512)**	**12 191**	**16 718 422**

17 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2007. The Group does not apply the presented currency risk analysis for management purposes.

(In thousands of Russian Roubles)	RR	US Dollars	Euro	Other	Total
Assets					
Cash and cash equivalents	5 665 183	2 865 412	1 047 342	34 511	9 612 448
Mandatory cash balances with CBRF	1 551 913	-	-	-	1 551 913
Trading securities	7 576 519	4 074 171	-	-	11 650 690
Securities pledged under repurchase agreements	517 834	-	-	-	517 834
Reverse sale and repurchase agreements on securities	916 651	-	-	-	916 651
Loans to banks	1 615 624	3 760 262	1 360 995	-	6 736 881
Loans and advances to customers	73 725 930	15 912 001	2 092 203	-	91 730 134
Other financial assets	154 676	86	245	-	155 007
Prepaid income tax	93 946	-	-	-	93 946
Premises and equipment	3 433 461	-	-	-	3 433 461
Intangible assets	1 016	-	-	-	1 016
Other assets	254 394	629	27	1 181	256 231
Total assets	**95 507 147**	**26 612 561**	**4 500 812**	**35 692**	**126 656 212**
Liabilities					
Due to banks	613 700	55 443	7 550	573	677 266
Customer accounts	78 146 564	6 447 650	4 128 205	6 353	88 728 772
Bonds issued	999 055	5 588 167	-	-	6 587 222
Other debt securities in issue	7 100 073	179 115	146 115	-	7 425 303
Other borrowed funds	-	7 641 887	-	-	7 641 887
Other financial liabilities	36 486	2 337	18 189	-	57 012
Deferred income tax liability	248 131	-	-	-	248 131
Other liabilities	283 202	2 354	-	-	285 556
Total liabilities	**87 427 211**	**19 916 953**	**4 300 059**	**6 926**	**111 651 149**
Less fair value of currency derivatives	(10 169)	-	-	-	(10 169)
Net balance sheet position, excluding currency derivatives	**8 069 767**	**6 695 608**	**200 753**	**28 766**	**14 994 894**
Currency derivatives	**7 730 036**	**(7 325 320)**	**(394 547)**	**-**	**10 169**
Net balance sheet position, including currency derivatives	**15 799 803**	**(629 712)**	**(193 794)**	**28 766**	**15 005 063**

17 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities of the Group by categories and maturities which will enable the Group to ensure timely payments of its obligations and meeting demands of the Group's customers.

The Group seeks to maintain a diversified and stable structure of liabilities, which comprise primarily issued debt securities, long-term and short-term deposits of other banks, corporate and retail customer deposits and current accounts. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customers accounts provide a long-term and stable source of funding for the Group.

The Group has established a multi-level liquidity management system. On a daily basis the Treasury Department controls the Group's liquidity position. The long-term liquidity is forecasted by the Asset and Liability Management Committee. In some cases decisions on liquidity may be made by the Management and Supervisory Boards who also control the general liquidity of the Group.

Liquidity management requires maintaining sufficient amounts of liquid assets to be used in case of unforeseen circumstances. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in the Group's activity the management may demand higher amounts of liquid assets, if required.

The Group's Management applies the following main instruments of liquidity management:

- The most effective way to manage liquidity is to manage the volume and structure of the liquid assets. The management maintains the portfolio of liquid assets (including trading securities) which can be used for prompt repayment of the Bank's debt;
- As a fundamental economic way of liquidity management the Bank applies interest rate management;
- In certain cases the management may impose restrictions on some transactions to regulate the Group's balance sheet structure. The limits are set when other instruments of liquidity management are insufficient to maintain liquidity;
- Raising long-term funds. In spite of unfavourable circumstances on financial markets during 2007 and 2008 the Group raised significant amounts on the global long-term debt and equity markets, including issue of Subordinated Eurobonds in 2007 in amount of USD 100 000 thousand, issue of Eurobonds for 2 years in April 2008 year with nominal value of USD 75 000 thousand, attracting of a syndicated loan in June 2008 in the amount of USD 100 000 thousand organised by EBRD.

The Group's liquidity management policy includes the following:

- daily forecasts of cash flows by currencies and calculation of the cash-flow related amount of current liquidity reserves;
- management of concentration and structure of borrowed funds;
- development of liquidity maintenance plans;
- diversification of the funding sources;
- control over compliance of the Group with the statutory liquidity requirements;
- setting interest rates for raising/granting funds by instruments and periods.

17 Financial Risk Management (Continued)

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis and includes daily estimates of the level of liquid assets necessary to settle obligations of the Bank to customers and counterparties in full as they fall due. It is implemented based on statistical and chronological analysis of the balances on customers' current accounts, forecasted customer deposits in correspondent accounts, movement of funds on accounts, analysis and processing of the information on the Bank's obligations and requirements under term contracts in short-term periods. The received analytical data serves as a basis for management of the Bank's liquidity position – replenishment of the payment cycle of the Bank and its customers with funds from the liquid assets.

Medium-term liquidity (for the period of up to 3 months) monitoring ensures creation of the asset portfolio which may fully cover (with a certain emergency reserve) all needs of the current liquidity management within the planning time horizon.

Long-term liquidity (over 3 months) monitoring is based on analysis of the Group's liquidity gaps. The Group evaluates the liquidity gap through comparison of assets and liabilities by their terms. When attributing assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity. For example, for current accounts of customers the Group uses the statistical data on sustainability, and for securities – possible periods of selling portfolios without significant losses. The Groups regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. The management analyses net liquidity gap and cumulative liquidity gap.

The following tables are based on the above principles and show distribution of assets and liabilities as at 30 June 2008 and 31 December 2007 by expected maturity periods. This table is prepared by the Group for management purposes on the basis of accounting data prepared under the Russian Accounting Standards.

As at 30 June 2008:

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
Assets	43 023 622	44 682 401	45 007 811	37 031 808	169 745 642
Liabilities and equity	50 491 040	33 116 850	27 647 806	58 489 946	169 745 642
Net liquidity gap	(7 467 418)	11 565 551	17 360 005	(21 458 138)	
Cumulative liquidity gap	(7 467 418)	4 098 133	21 458 138		

As at 31 December 2007:

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
Assets	36 032 398	24 674 595	36 403 345	30 146 250	127 256 588
Liabilities and equity	37 750 195	23 012 513	20 279 524	46 214 356	127 256 588
Net liquidity gap	(1 717 797)	1 662 082	16 123 821	(16 068 106)	
Cumulative liquidity gap	(1 717 797)	(55 715)	16 068 106		

When performing its operating activity the Bank also focuses on compliance with the requirements of the CB RF on maintaining the minimum sufficient (maximum allowable) ratios of instant (up to 1 day), current (up to 30 days) and long-term (over 1 year) liquidity.

17 Financial Risk Management (Continued)

According to the Group's management view based on daily calculations of the Treasury Department, within 2007 and 6 months 2008 the Bank complied with the liquidity ratios established by the CBRF.

Except for trading securities and securities pledged under sale and repurchase agreements, the table below shows assets and liabilities as at 30 June 2008 and 31 December 2007 by their remaining contractual maturity unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates in which case the expected date of settlement is used.

The portfolio of trading securities is classified within "demand and less than one month" in the table below as the Management of the Group believes, that such financial assets can be realised within this period. The portfolio of securities pledged under sale and repurchase agreements is classified within "demand and less than one month" in the table below in accordance with the maturity of the corresponding repurchase agreements.

The liquidity position of the Group as at 30 June 2008 prepared under IFRS is set out below. The Group does not use the presented analysis for liquidity management purposes.

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Assets						
Cash and cash equivalents	9 898 806	-	-	-	-	9 898 806
Mandatory cash balances with CBRF	2 649 158	-	-	-	-	2 649 158
Trading securities	12 135 468	-	-	-	-	12 135 468
Securities pledged under repurchase agreements	1 733 812	-	-	-	-	1 733 812
Reverse sale and repurchase agreements on securities	13 340 891	315 136	-	-	-	13 656 027
Loans to banks	738 562	267 913	5 767	76 856	-	1 089 098
Loans and advances to customers	12 298 466	41 825 399	37 186 087	22 412 837	5 953 842	119 676 631
Other financial assets	44 805	114 425	-	-	11 340	170 570
Premises and equipment	-	-	-	-	4 289 182	4 289 182
Intangible assets	-	-	-	-	942	942
Other assets	268 070	91 325	28 158	60 365	44 421	492 339
Total assets	**53 108 038**	**42 614 198**	**37 220 012**	**22 550 058**	**10 299 727**	**165 792 033**
Liabilities						
Due to banks	3 391 910	3 206 244	24 052	-	-	6 622 206
Customer accounts	63 180 331	28 574 239	21 098 205	7 287 352	-	120 140 127
Bonds issued	-	-	999 931	4 713 161	2 410 259	8 123 351
Other debt securities in issue	1 174 183	1 885 556	2 804 214	131 145	-	5 995 098
Other borrowed funds	648 094	1 254 536	889 110	4 383 585	198 193	7 373 518
Other financial liabilities	75 988	3 537	6 476	5 624	14 976	106 601
Income tax liability	-	117 189	-	-	-	117 189
Deferred income tax liability	-	-	-	177 498	-	177 498
Other liabilities	175 097	242 926	-	-	-	418 023
Total liabilities	**68 645 603**	**35 284 227**	**25 821 988**	**16 698 365**	**2 623 428**	**149 073 611**
Net liquidity gap	**(15 537 565)**	**7 329 971**	**11 398 024**	**5 851 693**	**7 676 299**	**16 718 422**
Cumulative liquidity gap as at 30 June 2008	**(15 537 565)**	**(8 207 594)**	**3 190 430**	**9 042 123**	**16 718 422**	

17 Financial Risk Management (Continued)

The liquidity position of the Group at 31 December 2007 prepared under IFRS is set out below. The Group does not use the presented analysis for liquidity management purposes.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Assets						
Cash and cash equivalents	9 612 448	-	-	-	-	9 612 448
Mandatory cash balances with CBRF	1 551 913	-	-	-	-	1 551 913
Trading securities	11 650 690	-	-	-	-	11 650 690
Securities pledged under repurchase agreements	517 834	-	-	-	-	517 834
Reverse sale and repurchase agreements on securities	916 651	-	-	-	-	916 651
Loans to banks	6 666 881	70 000	-	-	-	6 736 881
Loans and advances to customers	10 411 635	28 031 756	31 991 062	17 936 254	3 359 427	91 730 134
Other financial assets	143 667	-	-	-	11 340	155 007
Prepaid income tax	-	93 946	-	-	-	93 946
Premises and equipment	-	-	-	-	3 433 461	3 433 461
Intangible assets	-	-	-	-	1 016	1 016
Other assets	87 645	56 323	31 267	36 066	44 930	256 231
Total assets	**41 559 364**	**28 252 025**	**32 022 329**	**17 972 320**	**6 850 174**	**126 656 212**
Liabilities						
Due to banks	486 439	190 827	-	-	-	677 266
Customer accounts	44 196 665	30 801 753	12 386 553	1 343 801	-	88 728 772
Bonds issued	-	999 055	-	3 065 263	2 522 904	6 587 222
Other debt securities in issue	2 048 036	4 056 727	1 164 695	155 845	-	7 425 303
Other borrowed funds	-	2 510 013	1 971 165	2 911 074	249 635	7 641 887
Other financial liabilities	32 957	4 322	10 458	3 259	6 016	57 012
Deferred income tax liability	-	-	-	248 131	-	248 131
Other liabilities	45 138	239 353	544	521	-	285 556
Total liabilities	**46 809 235**	**38 802 050**	**15 533 415**	**7 727 894**	**2 778 555**	**111 651 149**
Net liquidity gap	**(5 249 871)**	**(10 550 025)**	**16 488 914**	**10 244 426**	**4 071 619**	**15 005 063**
Cumulative liquidity gap as at 31 December 2007	**(5 249 871)**	**(15 799 896)**	**689 018**	**10 933 444**	**15 005 063**	

17 Financial Risk Management (Continued)

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

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

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

18 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 8% based on the Basel Prudential Requirements for Banks amended in April 1998 (Basel I).

(i) Under the current capital requirements set by the Central Bank of Russia banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above 10%. The table below shows regulatory capital and statutory capital ratio based on the Bank's reports prepared under Russian statutory accounting standards and comprises:

(In thousands of Russian Roubles)	**30 June 2008**	**31 December 2007**
Total capital	19 542 626	17 786 779
Statutory capital ratio	11.8%	15.7%

Compliance with the capital adequacy ratio set by the CB RF is monitored monthly with reports containing its calculation reviewed and signed by the Bank's Deputy Chairman of the Management Board and Chief Accountant, as well as with daily calculations of the Treasury Department.

The Group's management believes that during 2007 and six months 2008 the capital adequacy ratio was not below the set minimum level.

(ii) Arrangements to safeguard the Group's ability to continue as a going concern are performed under the Bank's Strategic Development Plan and divided into long-term and short-term capital management.

In the long-term the Bank is planning its business scope under strategic and financial plans. When the required amount of capital is defined the Bank determines the sources of its increase. The target scope of business and the amount of capital, as well as the sources of the capital increase are approved by the following collegial management bodies in the established priority: the Asset and Liability Management Committee, Management Board, Supervisory Board of the Bank.

In the short-term, with due account of the necessity to comply with the CBRF requirements, the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan of increasing of assets. In some cases the management uses administrative measures to influence the balance sheet structure through setting limits for certain active transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

(iii) According to the loan agreements with its creditors the Bank has a commitment to maintain the minimum capital adequacy ratio of at least 11%, which is calculated under the requirements of Basel I (refer to Note 11, 12 and 21).

18 Management of Capital (Continued)

This ratio is calculated on a quarterly basis; the forecasted amount of capital and capital adequacy are defined by the Bank's Strategic Development Plan with due account of the arrangements ensuring compliance with the capital adequacy requirements.

The composition of the Group's capital calculated in accordance with Basel I is as follows:

In thousands of Russian Roubles	**30 June 2008**	**31 December 2007**
Capital	**19 829 581**	**18 505 482**
Tier 1	**15 576 430**	**13 863 071**
Paid-in share capital	3 564 330	3 564 330
Reserves and profit	12 012 100	10 298 741
including		
- Share premium	9 725 450	9 725 450
- Retained earnings	2 286 650	573 291
Tier 2	**4 253 151**	**4 642 411**
Revaluation reserve for premises	1 141 992	1 141 992
Subordinated loans	3 111 159	3 500 419
Risk weighted assets	**155 479 085**	**112 735 292**
Risk weighted balance sheet assets	134 427 067	97 941 613
Risk weighted trade assets	14 678 337	9 719 335
Risk weighted off-balance-sheet assets	6 373 681	5 074 344
Total capital adequacy ratio	**12.75%**	**16.41%**
Total tier 1 capital	**10.02%**	**12.30%**

The Group's management believes that during 2007 and six months 2008 the capital adequacy ratio set under Basel I requirements was not below the minimum level agreed on with the creditors of the Bank.

19 Related Party Transactions

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

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

As at 30 June 2008, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Entities under common control**
Loans and advances to customers (contractual interest rates: 9.0%-15.0%)	50 816	68 646	605 996
Impairment provision for loans and advances to customers	(1 129)	(1 646)	(5 867)
Customer accounts (contractual interest rates: 2.0%-11.0%)	910 779	249 183	1 551 627

The income and expense items with related parties for the six-month period ended 30 June 2008 were as follows:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Entities under common control**
Interest income	2 581	4 195	5 795
Interest expense	(40 593)	(12 852)	(40 753)
Creation of provision for loan impairment	(1 070)	(116)	(5 867)
Fee and commission income	3 735	439	7 066

Aggregate amounts lent to and repaid by related parties during six-months period ended 30 June 2008 were:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Entities under common control**
Amounts lent to related parties during the period	666 678	21 365	756 041
Amounts repaid by related parties during the period	619 438	21 545	150 045

19 Related Party Transactions (Continued)

At 31 December 2007, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Entities under common control**
Loans and advances to customers (contractual interest rates: 9.0%-15.0%)	3 576	68 826	-
Impairment provision for loans and advances to customers	(59)	(1 530)	-
Customer accounts (contractual interest rates: 2.0%-11.0%)	146 179	155 026	1 028 283

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

In thousands of Russian Roubles	**Shareholders**	**Management of the Group**	**Entities under common control**
Interest income	1 725	3 537	15 165
Interest expense	(13 549)	(1 089)	(52 859)
Fee and commission income	135	15	4 650

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

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

During the 6 months ended 30 June 2008, remuneration to members of the Supervisory Board and Management Board of the Bank including pension contributions and discretionary bonuses amounted to RR 190 121 thousand (6 months ended 30 June 2007: RR 95 131 thousand).

20 Capital expenditure commitments

At 30 June 2008 the Group had contractual capital expenditure commitments in respect of reconstruction and purchase of premises totalling RR 1 472 416 thousand. During the 6 months ended 30 June 2008, the Group allocated the necessary resources in respect of these commitments. Group’s Management believes that future net income and funding will be sufficient to cover this and any similar commitments.

As at 30 June 2008, the construction of new premises for the Head Office is continuing and is scheduled to be completed by the end of 2010. According to the current estimation of the Bank management, the total capital expenditure on construction of the new Head Office building will amount to approximately RR 3 200 000 thousand.

As at 31 December 2007 the Group had capital expenditure commitments in respect of reconstruction of premises totalling RR 214 216 thousand.

21 Compliance with covenants

The Group should observe certain covenants, primarily, relating to loan agreements with foreign and international financial institutions. Covenants include:

General conditions in relation to activity, such as business conduct and reasonable prudence, conformity with legal requirements of the resident country, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;

Restrictive covenants, including constraints (without lender's consent) in respect of dividend payments and other distributions, changes in the shareholders structure, limits on use of assets and some agreements;

Financial covenants, such as meeting certain capital adequacy requirements, credit portfolio diversification, limitation of risks associated with the Group's related and unrelated parties, the share of overdue balances in the Group's credit portfolio, meeting certain requirements to the level of risk provisions, monitoring the Group's expenditure pattern;

Reporting requirements, obliging the Group to provide to the lender its audited financial statements, including the condensed interim financial information to the lender, as well as certain additional information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default.

22 Subsequent Events

On 16 July 2008 the Group attracted a loan in the amount of USD 35 000 thousand from KfW IPEX-Bank with maturity of 5 years and interest rate of 9.987%.