# Credit Bank of Moscow

Consolidated financial statements
for the six months ended June 30, 2007

# Contents

**KPMG Limited**
11 Gogolevsky Boulevard
Moscow 119019
Russia

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

# Independent Accountants' Review Report

To the Council of JSC "Credit Bank of Moscow"

We have reviewed the accompanying consolidated balance sheet of JSC "Credit Bank of Moscow" ("the Bank") and its subsidiaries ("the Group") as of June 30, 2007 and the related consolidated statements of income and other comprehensive income, changes in stockholders' equity and other comprehensive income, and cash flows for the six month periods ended June 30, 2007 and 2006. These consolidated financial statements are the responsibility of the management of the Group.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

KPMG Limited

KPMG Limited
August 17, 2007

## Credit Bank of Moscow
## Consolidated balance sheets as at June 30, 2007 and December 31, 2006
**(thousands of US Dollars)**

| | Notes | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from Central Bank | 4 | 120 521 | 118 663 |
| Due from credit institutions, net | 5 | 81 567 | 75 352 |
| Trading securities | 6 | 113 858 | 110 117 |
| Loans to customers, net | 7 | 956 330 | 741 340 |
| Property and equipment | 8 | 39 224 | 37 820 |
| Other assets | 9 | 18 637 | 11 907 |
| **Total assets** | | **1 330 137** | **1 095 199** |
| **Liabilities** | | | |
| Deposits by credit institutions | 10 | 343 451 | 230 739 |
| Deposits by customers | 11 | 429 324 | 401 086 |
| Debt securities issued | 12 | 337 760 | 285 595 |
| Income tax liability | 22 | 6 092 | 12 755 |
| Other liabilities | 13 | 13 286 | 10 689 |
| **Total liabilities** | | **1 129 913** | **940 864** |
| **Stockholders' equity** | | | |
| Common stock | 14 | 128 571 | 93 657 |
| Additional paid-in capital | | 6 612 | 6 612 |
| Retained earnings | | 43 853 | 35 821 |
| Other comprehensive income - cumulative translation adjustment | | 21 188 | 18 245 |
| **Total stockholders' equity** | | **200 224** | **154 335** |
| **Total liabilities and stockholders' equity** | | **1 330 137** | **1 095 199** |
| Commitments and contingencies | 23 | | |

**Signed on behalf of the Executive Management Board**

Alexander L. Khrilev — Chairman of the Board - President

Olga I. Melnikova — Chief Accountant

*The accompanying notes are an integral part of these consolidated financial statements.*

"See the accompanying review report of KPMG Limited"

## Credit Bank of Moscow
## Consolidated statements of income and other comprehensive income for the six months ended June 30, 2007 and 2006
**(thousands of US Dollars)**

| | Notes | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|---|
| Interest income | 16 | 56 907 | 30 913 |
| Interest expense | 16 | (32 282) | (15 699) |
| **Net interest income** | | **24 625** | **15 214** |
| Provision for credit impairment | 17 | (2 115) | (1 844) |
| **Net interest income after provision for credit impairment** | | **22 510** | **13 370** |
| Fees and commissions income | 18 | 12 415 | 6 541 |
| Foreign exchange gains, net | | 1 902 | 2 611 |
| Equity securities trading profits, net | 19 | (39) | 299 |
| Other operating income | | 938 | 641 |
| **Non interest income** | | **15 216** | **10 092** |
| Salaries and employment benefits | 20 | (16 751) | (11 647) |
| Administrative expenses | 20 | (7 852) | (6 255) |
| Fees and commissions expense | | (792) | (469) |
| Depreciation | | (837) | (546) |
| State deposit insurance scheme contributions | | (445) | (255) |
| Other operating expenses | | (529) | (493) |
| **Non interest expense** | | **(27 206)** | **(19 665)** |
| **Income before income taxes** | | **10 520** | **3 797** |
| Income taxes | 22 | (2 488) | (716) |
| **Net income** | | **8 032** | **3 081** |
| Foreign currency translation adjustments | | 2 943 | 6 629 |
| **Other comprehensive income** | | **2 943** | **6 629** |
| **Comprehensive income** | | **10 975** | **9 710** |

*The accompanying notes are an integral part of these consolidated financial statements.*

## Credit Bank of Moscow
## Consolidated statements of changes in stockholders' equity and other comprehensive income for the six months ended June 30, 2007 and 2006
**(thousands of US Dollars)**

| | Common stock | Additional paid-in capital | Retained earnings | Other comprehensive income - cumulative translation adjustment | Total stockholders' equity |
|---|---|---|---|---|---|
| **December 31, 2005** | **63 940** | **6 612** | **24 584** | **7 584** | **102 720** |
| Shares issued | 29 717 | - | - | - | 29 717 |
| Net income | - | - | 3 081 | - | 3 081 |
| Translation adjustment | - | - | - | 6 629 | 6 629 |
| **June 30, 2006 (unaudited)** | **93 657** | **6 612** | **27 665** | **14 213** | **142 147** |
| | | | | | |
| **December 31, 2006** | **93 657** | **6 612** | **35 821** | **18 245** | **154 335** |
| Shares issued | 34 914 | - | - | - | 34 914 |
| Net income | - | - | 8 032 | - | 8 032 |
| Translation adjustment | - | - | - | 2 943 | 2 943 |
| **June 30, 2007 (unaudited)** | **128 571** | **6 612** | **43 853** | **21 188** | **200 224** |

*The accompanying notes are an integral part of these consolidated financial statements.*

## Credit Bank of Moscow
## Consolidated statements of cash flows for the six months ended June 30, 2007 and 2006 (thousands of US Dollars)

| | Notes | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Net income** | | 8 032 | 3 081 |
| *Adjustments to reconcile net income to net cash provided by operating activities:* | | | |
| Provision for credit impairment | | 2 115 | 1 844 |
| Depreciation | | 837 | 546 |
| Deferred taxes | | 792 | 271 |
| Revaluation of securities | | 1 377 | (992) |
| Accrued interest income | | (542) | (522) |
| Accrued interest expense | | 907 | 1 253 |
| **Operating cash flow before changes in operating assets and liabilities** | | **13 518** | **5 481** |
| **(Increase)/decrease in operating assets** | | | |
| Reserve deposits and escrow account with the Central Bank of the Russian Federation | | (33 332) | (3 567) |
| Trading securities | | (2 923) | (48 024) |
| Loans to customers | | (202 260) | (92 303) |
| Other assets | | (5 393) | 30 |
| **Increase/(decrease) in operating liabilities** | | | |
| Deposits by credit institutions | | 108 110 | (34 141) |
| Deposits by customers | | 20 238 | 58 982 |
| Debt securities issued | | 46 694 | 27 410 |
| Other liabilities | | (6 531) | (185) |
| Unrealized translation adjustment | | 3 409 | 6 629 |
| **Net cash from operations** | | **(58 470)** | **(79 688)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net purchase of property and equipment and intangible assets | | (1 425) | (1 094) |
| **Net cash from investing activities** | | **(1 425)** | **(1 094)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Issuances of common stock | | 34 914 | 29 717 |
| **Net cash from financing activities** | | **34 914** | **29 717** |
| **Change in cash and cash equivalents** | | **(24 981)** | **(51 065)** |
| Cash and cash equivalents, beginning of the period | | 177 289 | 120 604 |
| **Cash and cash equivalents, end of the period** | 21 | **152 308** | **69 539** |
| *Supplemental information:* | | | |
| Interest paid during the period | | (31 376) | (14 446) |
| Income taxes paid during the period | | (9 404) | (843) |

*The accompanying notes are an integral part of these consolidated financial statements.*

"See the accompanying review report of KPMG Limited"

(All amounts in thousands of US Dollars)

## NOTE 1 – BACKGROUND

### (a) Organization and operations

These consolidated financial statements include the financial statements of Credit Bank of Moscow (the "Bank") and its subsidiaries (together referred to as the "Group").

Credit Bank of Moscow was formed on August 5, 1992 as an open joint stock company, then re-registered as a closed joint stock company under the laws of the Russian Federation. On August 18, 1999 the Bank was reorganized as an open joint stock company. The Bank's registered legal address is 4, Marshala Rybalko Str., Moscow, Russia. The Bank operates under a general banking license from the Central Bank of Russia (the "CBR"), granted on January 20, 2000. The Bank is among the 60 largest banks in Russia by assets. The Bank's main office is in Moscow and it has 14 full scope service branches in Moscow. The Bank was admitted to the Central Bank of Russia program for individual deposit insurance in December 2004.

The principal consolidated subsidiaries of the Banking Group are as follows:

| Name | Country of incorporation | Principal Activities | Ownership % | |
|---|---|---|---|---|
| | | | June 30, 2007 | December 31, 2006 |
| Relex Enterprise | United Kingdom | Business Introduction | **100%** | **100%** |
| CBOM Finance p.l.c. | Ireland | Raising finance | **100%** | **100%** |

The Group does not have any direct or indirect shareholdings in the subsidiaries noted above. However, these enterprises are established under the terms that impose strict limits on the decision-making powers of their management. In addition, the benefits related to their operations and net assets are presently attributable to the Group via a number of agreements.

The financial statements of the subsidiary company MKB-leasing have not been consolidated in these financial statements, as the effect on the Group's consolidated financial statements would be immaterial.

### (b) Shareholders

The Group is wholly-owned by Concern Rossium (the "Shareholder Group"). Related party transactions are detailed in Note 24.

### (c) Operating environment

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

## NOTE 2 – BASIS OF PREPARATION

### (a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

### (b) Reporting currency and translation into US dollars

Prior to December 31, 2003 Russian economy was considered to be hyperinflationary and the Group used US Dollar as its functional and reporting currency. Starting January 1, 2003 the Russian economy is no longer considered to be hyperinflationary under Statement of Financial Accounting Standard 52 *Foreign Currency Translation.* Accordingly the Group has conducted an assessment of its operations and determined the Russian Rouble to be its functional currency. Management of the Group has elected to use US Dollar as the reporting currency in these consolidated financial statements.

The carrying values of all non-monetary assets, liabilities and equity items were translated and fixed in Russian Rubles at the rates effective at the date of transition to the Russian Ruble as the functional currency, January 1, 2003. Translation from functional to reporting currency was conducted as follows:

- all assets and liabilities are translated from the functional to the reporting currency at the exchange rate, effective at the reporting date;
- equity items are translated from functional to reporting currency at the historical exchange rates. Translation adjustments arising from translation of equity are included in Other Comprehensive Income in accordance with SFAS 52;
- income statement transactions are translated from the functional to the reporting currency at the approximate rates ruling at the dates of the transactions. Translation adjustments arising from translation of income and expenses are included in Other Comprehensive Income in accordance with SFAS 52.

The closing rate of exchange effective at June 30, 2007 and December 31, 2006 was 1 USD to 25.82 Rubles and 1 USD to 26.33 Rubles, respectively.

### (c) Convertibility of the Ruble

The Russian Ruble is not a convertible currency outside the Russian Federation and, accordingly, any conversion of Russian Ruble amounts to US dollars should not be construed as a representation that Russian Ruble amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rate shown, or at any other exchange rate.

### (d) Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying consolidated financial statements do not include any adjustments should the Group be unable to continue as a going concern.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of these consolidated financial statements. These accounting policies have been consistently applied.

***Basis of consolidation***

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All significant intercompany transactions have been eliminated in consolidation. In addition, the Group evaluates its relationships with other entities to identify whether they are variable interest entities as defined by FASB Interpretation No. 46 (R) *Consolidation of Variable Interest Entities (*“FIN 46R”) and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Group is the primary beneficiary, then that entity is included in the consolidated financial statements in accordance with FIN 46(R).

***Use of estimates***

Management of the Group has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, in particular in respect of loan loss provisions. Actual results could differ from those estimates.

***Loans to customers***

The carrying amounts of the Group's loans are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the loans' recoverable amounts are estimated.

An impairment loss is recognized whenever the carrying amount of a loan exceeds its recoverable amount.

The recoverable amount of loans is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the loan.

The Group has established collective assessment of impairment loss for its loan portfolios with similar credit risk characteristics. This assessment is based on determination of historical pattern of overdue loans and expected losses for each type of the loan portfolio. The Group makes reassessments of loan loss provisions at each balance sheet date.

***Due from credit institutions***

In the normal course of business, the Group lends or deposits funds for various periods with other credit institutions. Impairment losses for placements with banks and other credit institutions are calculated in accordance with the policy similar to the one applied to loans to customers.

***Trading securities***

Trading securities are carried at market value with the gains and losses recognized in the statement of income.

Included in securities trading profits are realized gains and losses from recording the results of sales and unrealized gains and losses resulting from market value adjustments of trading equity securities.

Included in interest income is coupon income, amortization of premiums and discounts and realized and unrealized gains and losses related to trading debt securities.

***Repurchase and reverse repurchase agreements***

Repurchase and reverse repurchase agreements are utilized by the Group as an element of its treasury management and trading business. Repurchase agreements are accounted for as financing transactions. As financing transactions, the related securities are recorded in the Group's accounts and the related payable is included as an amount due to credit institutions or customers, as appropriate. Any related expense arising from the pricing spreads for the underlying securities is recognized as interest expense.

Reverse repurchase agreements are accounted for as loans and advances to banks or customers, as appropriate. Any related income arising from the pricing spreads for the underlying securities is recognized as interest income.

***Property and equipment***

Property and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset. The economic lives are as follows:

| | **Years** |
|---|---|
| Buildings | 50 |
| Furniture and other property | 6 |
| Computers and office equipment | 4 |
| Vehicles | 5 |

***Intangible assets***

Intangible assets are recorded at historical cost less accumulated amortization and impairment losses. Amortization is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset. The majority of intangible assets is represented by accounting software. The economic life of intangible assets is 3 years.

***Impairment of property and equipment***

The Group accounts for long lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Under this standard the carrying value of the asset is considered to be impaired when the anticipated undiscounted future cash flow from such asset is separately identifiable, and is less than the carrying value.

In that event, an impairment loss is recognized based on the amount by which the carrying value exceeds the fair market value of the asset. Impairment losses are recognized in the income statement. Fair market value is determined primarily using anticipated cash flows discounted at a rate commensurate with the risk involved.

***Interest bearing liabilities***

Interest-bearing liabilities are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings.

***Income and expense recognition***

Interest income and expense are recognized on an accrual basis calculated using the effective interest method.

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

(All amounts in thousands of US Dollars)

***Dividends***
Dividends are recognized as a liability in the period in which they are declared.

***Taxes***
Income taxes are accounted for under the asset and liability method in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109 *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

***Statement of cash flows***
The Group considers cash on hand, the correspondent account with the CBR and due from credit institutions with original maturities of three months or less to be cash equivalents.

## NOTE 4 – CASH AND DUE FROM CENTRAL BANK

Cash and due from Central Bank comprise:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Cash on hand | 40 864 | 76 475 |
| Correspondent account with the CBR | 29 877 | 26 062 |
| Obligatory reserve deposits with the CBR | 14 958 | 16 126 |
| Escrow account for new share issue | 34 822 | - |
| **Cash and due from Central Bank** | **120 521** | **118 663** |

The obligatory reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by the CBR, the withdrawal of which is restricted. The correspondent account with CBR represents balances held with the CBR related to settlement activity, and was available for withdrawal at period end.

Information about the currency and maturity profiles of cash and due from Central Bank is presented in note 27 to these consolidated financial statements.

(All amounts in thousands of US Dollars)

## NOTE 5 – DUE FROM CREDIT INSTITUTIONS, NET

Due from credit institutions comprise:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Current accounts | 18 795 | 22 601 |
| Time deposits | 62 772 | 52 751 |
| **Due from credit institutions** | **81 567** | **75 352** |

Information about the currency and maturity profiles and effective interest rates on amounts due from credit institutions is presented in note 27 to these consolidated financial statements.

### Concentration of balances due from credit institutions

As at 30 June 2007 there were no banks (31 December 2006: one bank with the gross value of deposits of USD 30 000 thousand) whose balances exceeded 10% of Group's equity.

## NOTE 6 – TRADING SECURITIES

Trading securities, at fair value, consist of the following:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Publicly traded debt securities | | |
| Corporate notes | 86 205 | 82 412 |
| Municipal bonds | 18 764 | 19 567 |
| Russian Government debt securities | 3 447 | 3 594 |
| Publicly traded equity securities | 5 442 | 4 544 |
| **Trading securities** | **113 858** | **110 117** |

As at 30 June 2007 debt instruments with the carrying value of USD 15 429 thousand were pledged under repurchase agreements (refer to Note 10).

Information about the currency and maturity profiles and effective interest rates on Group's trading securities is presented in note 27 to these consolidated financial statements.

(All amounts in thousands of US Dollars)

## NOTE 7 – LOANS TO CUSTOMERS, NET

The Group's loan portfolio has been extended to private enterprises and individuals which are principally located within the Russian Federation. Loans to customers and respective provisions for loan losses are presented below:

| | June 30, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | **Loans** | **Loss provisions** | **Loans** | **Loss provisions** |
| **Consumer loans** | | | | |
| Car loans | 110 168 | (4 008) | 125 161 | (3 608) |
| Mortgage loans | 55 608 | (162) | 35 320 | (88) |
| Other consumer loans | 14 249 | (192) | 7 318 | (216) |
| | **180 025** | **(4 362)** | **167 799** | **(3 912)** |
| **Corporate loans** | **765 307** | **(1 837)** | **559 761** | **(1 624)** |
| **SME loans** | **17 909** | **(712)** | **19 913** | **(597)** |
| **Total** | **963 241** | **(6 911)** | **747 473** | **(6 133)** |

Corporate and SME loans by economic sector are as follows:

| | Corporate loans | | SME loans | |
|---|---|---|---|---|
| | **June 30, 2007** | **December 31, 2006** | **June 30, 2007** | **December 31, 2006** |
| Consumer electronics and computers | 209 498 | 141 771 | 484 | 630 |
| Light industry | 105 068 | 68 948 | 3 318 | 4 041 |
| Construction materials | 80 847 | 62 503 | 1 821 | 1 377 |
| Machinery | 70 246 | 61 866 | 1 856 | 2 655 |
| Hygiene products and consumer chemicals | 36 638 | 37 037 | 1 273 | 1 208 |
| Other consumer goods | 62 369 | 33 605 | 2 756 | 1 802 |
| Foods | 49 850 | 33 549 | 1 682 | 2 641 |
| Finance | 32 955 | - | 153 | - |
| Services | 24 817 | 30 890 | 1 676 | 2 056 |
| Furniture | 27 247 | 24 163 | 691 | 1 006 |
| Sports goods | 11 184 | 21 014 | 50 | 287 |
| Paper and stationery | 37 259 | 20 931 | 681 | 715 |
| Medical | 8 286 | 4 349 | 379 | 221 |
| Metallurgic | 1 566 | 1 881 | 270 | 249 |
| Oil | 266 | 358 | - | - |
| Other | 7 211 | 16 896 | 819 | 1 025 |
| | **765 307** | **559 761** | **17 909** | **19 913** |

(All amounts in thousands of US Dollars)

### Overdue loans

As at 30 June 2007 the aggregate amount of loans with contractually overdue principal or interest was as follows:

| | June 30, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Overdue loans | Loss provisions | Overdue loans | Loss provisions |
| Corporate loans | 356 | 1 | 134 | - |
| Consumer loans | 6 455 | 3 181 | 5 856 | 3 339 |
| SME loans | 627 | 420 | 377 | 354 |

Information about the currency and maturity profiles and effective interest rates on Group's loan portfolio is presented in note 27 to these consolidated financial statements.

## Significant credit exposures

As at June 30, 2007 the Group had three groups of borrowers (December 31, 2006: six) whose loans balances exceeded 10% of equity. The gross value of these loans as of June 30, 2007 was USD 81 285 thousand (December 31, 2006: USD 108 686 thousand).

(All amounts in thousands of US Dollars)

## NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment comprise:

| | Buildings | Vehicles | Computers & office equipment | Furniture & other property | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Net book value at December 31, 2006** | **800** | **1 364** | **307** | **3 770** | **31 579** | **37 820** |
| **Gross book value at December 31, 2006** | 970 | 2 135 | 1 367 | 7 194 | 31 579 | **43 245** |
| Additions | - | 375 | 38 | 978 | 143 | **1 534** |
| Disposals | - | (85) | - | (78) | | **(163)** |
| Effect of foreign currency translation | 20 | 40 | 27 | 139 | 633 | **859** |
| **Gross book value at June 30, 2007** | **990** | **2 465** | **1 432** | **8 233** | **32 355** | **45 475** |
| **Accumulated depreciation at December 31, 2006** | 170 | 771 | 1 060 | 3 424 | - | **5 425** |
| Depreciation expense | 10 | 207 | 78 | 542 | - | **837** |
| Disposals | - | (65) | - | (77) | - | **(142)** |
| Effect of foreign currency translation | 4 | 21 | 23 | 83 | - | **131** |
| **Accumulated depreciation at June 30, 2007** | **184** | **934** | **1 161** | **3 972** | **-** | **6 251** |
| **Net book value at June 30, 2007** | **806** | **1 531** | **271** | **4 261** | **32 355** | **39 224** |

## NOTE 9 – OTHER ASSETS

Other assets comprise:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Accrued interest receivable | 5 512 | 4 873 |
| Trade recievable and prepayments | 7 116 | 792 |
| Prepaid expenses | 4 510 | 5 077 |
| Intangibles | 190 | 255 |
| Other | 1 309 | 910 |
| **Other assets** | **18 637** | **11 907** |

(All amounts in thousands of US Dollars)

## NOTE 10 – DEPOSITS BY CREDIT INSTITUTIONS

Deposits by credit institutions comprise:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Demand deposits | 1 177 | 798 |
| Time deposits | 327 702 | 229 971 |
| Payables under repurchase agreements | 14 572 | - |
| **Deposits by credit institutions** | **343 451** | **230 739** |

Information about the currency and maturity profiles and effective interest rates on deposits by credit institutions is presented in note 27 to these consolidated financial statements.

### Concentration of deposits from credit institutions

As at June 30, 2007 the Group had three syndicated facilities (December 31, 2006: two syndicated facilities and one loan) each exceeding 10% of the Group's equity. The gross value of these facilities as of June 30, 2007 was USD 153 000 thousand (December 31, 2006: USD 103 000 thousand).

## NOTE 11 – DEPOSITS BY CUSTOMERS

Deposits by customers comprise:

| | | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Corporate customers | Demand | 178 885 | 192 769 |
| | Time | 55 178 | 55 435 |
| **Total corporate customers** | | **234 063** | **248 204** |
| Individuals | Demand | 24 283 | 21 455 |
| | Time | 170 978 | 131 427 |
| **Total individuals** | | **195 261** | **152 882** |
| **Total deposits by customers** | | **429 324** | **401 086** |

Information about the currency and maturity profiles and effective interest rates on deposits by customers is presented in note 27 to these consolidated financial statements.

### Concentrations of current accounts and customer deposits

As at June 30, 2007 and December 31, 2006, there were no demand or time deposits from customers, which individually exceeded 10% of the Group's equity.

(All amounts in thousands of US Dollars)

## NOTE 12 – DEBT SECURITIES ISSUED

Debt securities issued comprise:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Promissory notes issued - nominal value | 125 177 | 136 768 |
| Unamortized discount on promissory notes | (3 623) | (3 140) |
| | **121 554** | **133 628** |
| Bonds issued | 216 206 | 151 967 |
| | **337 760** | **285 595** |

Information about the currency and maturity profiles and effective interest rates on promissory notes and certificates of deposit is presented in note 27 to these consolidated financial statements.

## NOTE 13 –OTHER LIABILITIES

Other liabilities comprise:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Accruals and deferred income | 9 846 | 8 544 |
| Operating taxes payable | 209 | 168 |
| Other | 3 231 | 1 977 |
| **Other liabilities** | **13 286** | **10 689** |

## NOTE 14 – COMMON STOCK

The stockholders' equity of the Bank has been contributed by stockholders in Rubles. Stockholders are entitled to dividends and capital distributions.

Issued, outstanding and paid stock comprised 3 276 158 008 shares (December 31, 2006: 2 376 158 008 shares) with par value of 1 RUR per share. For the purposes of these consolidated financial statements stockholders' equity was translated into US dollars using the exchange rates ruling at the dates of its contribution.

(All amounts in thousands of US Dollars)

## NOTE 15 – EARNINGS PER SHARE

The following table presents the computation of earnings per share based on the provisions of SFAS No. 128 as at June 30, 2007 and June 30, 2006:

| **Basic and fully diluted earnings per share (thousands of US Dollars except for weighted-average shares and net income per share data)** | **June 30, 2007** | **June 30, 2006** |
|---|---|---|
| Net income applicable to common shares | 8 032 | 3 081 |
| Weighted-average basic shares outstanding | 2 391 158 008 | 1 768 362 428 |
| Net income per share | $0.003 | $0.002 |

## NOTE 16 – NET INTEREST INCOME

Net interest income comprises:

| | **June 30, 2007** | **June 30, 2006** |
|---|---|---|
| **Interest income** | | |
| Loans to customers | 50 976 | 25 432 |
| Debt securities | 4 598 | 4 796 |
| Due from credit institutions | 1 333 | 685 |
| | **56 907** | **30 913** |
| **Interest expense** | | |
| Deposits by customers | 8 373 | 6 818 |
| Deposits by credit institutions | 10 681 | 3 884 |
| Debt securities issued | 13 228 | 4 997 |
| | **32 282** | **15 699** |
| **Net interest income** | **24 625** | **15 214** |

(All amounts in thousands of US Dollars)

## NOTE 17 – PROVISION FOR CREDIT IMPAIRMENT

A provision for impairment in the income statement represents the charge required in the current year to establish the total provision for impairment.

The roll forward of the credit loss provisions is as follows:

| | Loans to customers | Off balance sheet items | Total provision for impairment |
|---|---|---|---|
| **December 31, 2005** | **13 102** | **37** | **13 139** |
| Provisions charged | 1 814 | 30 | 1 844 |
| Loans written off | (11 282) | - | (11 282) |
| **June 30, 2006** | **3 634** | **67** | **3 701** |
| | | | |
| **December 31, 2006** | **6 133** | **95** | **6 228** |
| Provisions charged | 2 039 | 76 | 2 115 |
| Loans written off | (1 261) | - | (1 261) |
| **June 30, 2007** | **6 911** | **171** | **7 082** |

## NOTE 18 – FEES AND COMMISSIONS INCOME

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Cash collection/delivery | 5 337 | 3 269 |
| Settlements and wire transfers | 2 944 | 1 840 |
| Loans | 1 927 | 630 |
| Guarantees and LCs issued | 763 | 102 |
| Plastic cards | 715 | 356 |
| Other cash operations | 646 | 316 |
| Other settlements | 83 | 28 |
| **Fees and commissions income** | **12 415** | **6 541** |

## NOTE 19 – EQUITY SECURITIES TRADING PROFITS, NET

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Net gains from operations with equity securities | (39) | 299 |
| **Equity securities trading profits, net** | **(39)** | **299** |

(All amounts in thousands of US Dollars)

## NOTE 20 – SALARIES, EMPLOYMENT BENEFITS AND ADMINISTRATIVE EXPENSES

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Salaries | 13 708 | 9 845 |
| Social security costs | 2 821 | 1 791 |
| Other | 222 | 11 |
| **Salaries and employment benefits** | **16 751** | **11 647** |
| | | |
| Occupancy | 2 974 | 1 915 |
| Operating taxes | 1 138 | 1 029 |
| Advertising and business development | 1 130 | 855 |
| Communications | 662 | 409 |
| Transport | 624 | 519 |
| Security | 912 | 606 |
| Other | 412 | 922 |
| **Administrative expenses** | **7 852** | **6 255** |

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to the income statement in the period the related compensation is earned by the employee. The Group does not have any stock option plans.

## NOTE 21 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Correspondent account with the CBR | 29 877 | 22 075 |
| Due from credit institutions with maturity of less then 3 months | 81 567 | 32 696 |
| Cash on hand | 40 864 | 14 768 |
| **Cash and cash equivalents** | **152 308** | **69 539** |

(All amounts in thousands of US Dollars)

## NOTE 22 – INCOME TAXES

The income tax expense comprises:

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Current tax charge | 1 660 | 445 |
| Deferred taxation | 828 | 271 |
| **Income tax expense** | **2 488** | **716** |

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The current year income tax rate for the Bank is 24% (2006: 24%).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the provision for income taxes based on statutory rates with the actual provision for income taxes follows:

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Income before tax | 10 520 | 3 797 |
| Applicable statutory tax rate | 24% | 24% |
| Income tax using the applicable tax rate | 2 525 | 911 |
| Income taxed at lower rate | (102) | (127) |
| Net non-deductible costs/(non taxable income) | 65 | (68) |
| **Income tax expense** | **2 488** | **716** |

Income tax liabilities comprise:

| | June 30, 2006 | December 31, 2006 |
|---|---|---|
| Current tax liability | 652 | 8 198 |
| Deferred tax liability | 5 440 | 4 557 |
| **Income tax liability** | **6 092** | **12 755** |

(All amounts in thousands of US Dollars)

As at June 30, 2007 the net deferred tax liability was USD 5 440 thousand (December 31, 2006: USD 4 557 thousand). This deferred tax liability is attributable to the following items, listed below at their tax effected values, which have no expiry dates, except for losses carried forward, which expire within 10 years from the year of origination:

| | **June 30, 2007** | **December 31, 2006** |
|---|---|---|
| Tax losses carried forward | (1 223) | - |
| Other | (511) | (349) |
| **Deferred tax assets** | **(1 734)** | **(349)** |
| | | |
| Provisions | 4 872 | 3 397 |
| Accrued interest | 932 | 1 509 |
| Other | 1 370 | - |
| **Deferred tax liabilities** | **7 174** | **4 906** |
| | | |
| **Net deferred tax liability** | **5 440** | **4 557** |

The applicable deferred tax rate for the Bank is 24% (2006: 24%).

## NOTE 23 – COMMITMENTS AND CONTINGENCIES

*a) Financial commitments*

Undrawn loan commitments, letters of credit and guarantees at June 30, 2007 and December 31, 2006 comprise:

| | **June 30, 2007** | **December 31, 2006** |
|---|---|---|
| **Commitments given** | | |
| Undrawn loan commitments | 26 996 | 18 371 |
| Letters of credit | 60 615 | 20 140 |
| Guarantees | 10 305 | 11 121 |
| | **97 916** | **49 632** |

At June 30, 2007 the Group provided for potential losses on guarantees and letters of credit in the amount of USD 171 thousand (December 31, 2006: USD 95 thousand).

*b) Legal*

Group's management is unaware of any significant actual, pending or threatened claims against the Group.

*c) Insurance*

The Group has arranged comprehensive crime, computer crime, property and liability insurance.

(All amounts in thousands of US Dollars)

*d) Tax*

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. In addition certain transactions could be treated as inappropriately reducing taxes by the tax authorities. Management believes that it has provided adequately for tax liabilities. However, the relevant tax authorities could take a different position and the effect on these consolidated financial statements, if the authorities were successful in enforcing their position, could be significant.

## NOTE 24 – RELATED PARTIES

The outstanding balances and related average interest rates as of June 30, 2007 and December 31, 2006 with related parties are as follows:

| | **June 30, 2007** | | **December 31, 2006** | |
|---|---|---|---|---|
| | **Amount** | **Average effective interest rate** | **Amount** | **Average effective interest rate** |
| *Assets* | | | | |
| Loans to customers, gross | 19 444 | 12.5% | 6 970 | 12.2% |
| *Liabilities* | | | | |
| Deposits by customers | 11 134 | 5.3% | 12 827 | 4.9% |

Amounts included in the income statements as of June 30, 2007 and 2006 in relation to transactions with related parties are as follows:

| | **June 30, 2007** | **June 30, 2006** |
|---|---|---|
| Interest income on loans to customers | 1 920 | 402 |
| Interest expense on deposits by customers and promissory notes | 530 | 7 |

(All amounts in thousands of US Dollars)

## NOTE 25 – CAPITAL ADEQUACY

The Group's risk based capital adequacy ratio was 17.3% for June 30, 2007 and 17.7% for December 31, 2006, which exceeds the minimum ratio of 8% recommended by the Report on International Convergence of Capital Measurement and Capital Standards dated July 1988 of the Basle Committee on banking regulations and supervisory practices, as amended from time to time.

## NOTE 26 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No.107. The Group has performed an assessment of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The fair values of the financial assets and financial liabilities are as follows:

| | June 30, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | **Carrying value** | **Fair value** | **Carrying value** | **Fair value** |
| **Financial Assets** | | | | |
| Cash and due from Central Bank | 120 521 | 120 521 | 118 663 | 118 663 |
| Due from credit institutions, net | 81 567 | 81 567 | 75 352 | 75 352 |
| Trading securities | 113 858 | 113 858 | 110 117 | 110 117 |
| Loans to customers, net | 956 330 | 956 330 | 741 340 | 741 340 |
| **Financial Liabilities** | | | | |
| Deposits by credit institutions | 343 451 | 343 451 | 230 739 | 230 739 |
| Deposits by customers | 429 324 | 429 324 | 401 086 | 401 086 |
| Debt securities issued | 337 760 | 337 760 | 285 595 | 285 432 |

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Trading securities: the fair values are based on quoted market prices for these or similar instruments.

Other financial instruments: the fair values are calculated using discounting cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the balance sheet date.

This estimate of fair value is intended to approximate the amount at which the above listed assets could be exchanged in a current transaction between willing parties. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate settlement of the instruments.

## NOTE 27 – RISK MANAGEMENT POLICIES

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

### Credit risk

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

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

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are frequently fully or partially covered by the funds deposited by customers and therefore usually bear limited credit risk.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

(All amounts in thousands of US Dollars)

The geographical concentration of banking assets and liabilities follows:

| | June 30, 2007 | | | | December 31, 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Russia** | **OECD** | **Other non-OECD** | **Total** | **Russia** | **OECD** | **Other non-OECD** | **Total** |
| **Assets** | | | | | | | | |
| Cash and due from Central Bank | 115 580 | 4 941 | - | **120 521** | 112 652 | 6 011 | - | **118 663** |
| Due from credit institutions | 72 110 | 9 334 | 123 | **81 567** | 58 007 | 17 329 | 16 | **75 352** |
| Trading securities | 113 858 | - | - | **113 858** | 110 117 | - | - | **110 117** |
| Loans to customers, gross | 922 357 | 23 164 | 17 720 | **963 241** | 717 517 | 16 765 | 13 191 | **747 473** |
| | **1 223 905** | **37 439** | **17 843** | **1 279 187** | **998 293** | **40 105** | **13 207** | **1 051 605** |
| **Liabilities** | | | | | | | | |
| Deposits by credit institutions | 52 430 | 284 972 | 6 049 | **343 451** | 58 382 | 169 452 | 2 905 | **230 739** |
| Deposits by customers | 408 769 | 14 189 | 6 366 | **429 324** | 372 319 | 20 370 | 8 397 | **401 086** |
| Debt securities issued | 230 249 | 3 529 | 103 982 | **337 760** | 266 126 | 3 392 | 16 077 | **285 595** |
| | **691 448** | **302 690** | **116 397** | **1 110 535** | **696 827** | **193 214** | **27 379** | **917 420** |
| **Net position** | 532 457 | ( 265 251) | ( 98 554) | 168 652 | 301 466 | ( 153 109) | ( 14 172) | 134 185 |

## Currency risk

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the Central Bank of Russia.

The exposure of the Group's banking assets to foreign currency exchange rate risk is as follows:

| | June 30, 2007 | | | | December 31, 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | **USD** | **Rubles** | **Other currencies** | **Total** | **USD** | **Rubles** | **Other currencies** | **Total** |
| **Assets** | | | | | | | | |
| Cash and due from Central Bank | 3 294 | 115 580 | 1 647 | **120 521** | 4 967 | 112 652 | 1 044 | **118 663** |
| Due from credit institutions | 11 917 | 62 981 | 6 669 | **81 567** | 45 693 | 26 871 | 2 788 | **75 352** |
| Trading securities | 56 | 113 802 | - | **113 858** | 57 | 110 060 | - | **110 117** |
| Loans to customers, gross | 257 897 | 629 968 | 75 376 | **963 241** | 232 574 | 477 658 | 37 241 | **747 473** |
| | **273 164** | **922 331** | **83 692** | **1 279 187** | **283 291** | **727 241** | **41 073** | **1 051 605** |
| **Liabilities** | | | | | | | | |
| Deposits by credit institutions | 233 945 | 32 008 | 77 498 | **343 451** | 143 951 | 48 371 | 38 417 | **230 739** |
| Deposits by customers | 39 974 | 367 012 | 22 338 | **429 324** | 50 668 | 338 732 | 11 686 | **401 086** |
| Debt securities issued | 107 146 | 227 688 | 2 926 | **337 760** | 97 055 | 186 221 | 2 319 | **285 595** |
| | **381 065** | **626 708** | **102 762** | **1 110 535** | **291 674** | **573 324** | **52 422** | **917 420** |
| **Net balance sheet position** | (107 901) | 295 623 | (19 070) | **168 652** | (8 383) | 153 917 | (11 349) | **134 185** |
| **Spot and forward contracts** | 113 847 | (132 550) | 18 703 | - | 12 633 | (25 151) | 12 518 | - |
| **Total** | **5 946** | **163 073** | **(367)** | **168 652** | **4 250** | **128 766** | **1 169** | **134 185** |

(All amounts in thousands of US Dollars)

### Liquidity risk

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

Except for trading securities, the contractual maturities of banking assets and liabilities as of June 30, 2007 and December 31, 2006 are as follows:

**June 30, 2007**

| | Less than 1 month | 1 – 6 months | 6 months to 1 year | Over 1 year | No maturity | Overdue | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and due from Central Bank | 105 563 | - | - | - | 14 958 | - | **120 521** |
| Due from credit institutions | 80 967 | 600 | - | - | - | - | **81 567** |
| Trading securities | 113 858 | - | - | - | - | - | **113 858** |
| Loans to customers, gross | 50 464 | 499 450 | 166 907 | 242 232 | - | 4 188 | **963 241** |
| | **350 852** | **500 050** | **166 907** | **242 232** | **14 958** | **4 188** | **1 279 187** |
| **Liabilities** | | | | | | | |
| Deposits by credit institutions | 40 031 | 119 936 | 115 263 | 68 221 | - | - | **343 451** |
| Deposits by customers | 243 503 | 116 541 | 65 136 | 4 100 | 44 | - | **429 324** |
| Debt securities issued | 32 999 | 198 654 | 28 636 | 77 471 | - | - | **337 760** |
| | **316 533** | **435 131** | **209 035** | **149 792** | **44** | **-** | **1 110 535** |
| **Net position** | **34 319** | **64 919** | **( 42 128)** | **92 440** | **14 914** | **4 188** | **168 652** |
| **Accumulated gap** | **34 319** | **99 238** | **57 110** | **149 550** | **164 464** | **168 652** | |

The portfolio of trading securities is classified within 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. Information about the contractual maturity of these securities is provided later in this Note.

(All amounts in thousands of US Dollars)

**December 31, 2006**

| | Less than 1 month | 1 – 6 months | 6 months to 1 year | Over 1 year | No maturity | Overdue | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and due from Central Bank | 102 537 | - | - | - | 16 126 | - | **118 663** |
| Due from credit institutions | 44 752 | 30 000 | 600 | - | - | - | **75 352** |
| Trading securities | 110 117 | - | - | - | - | - | **110 117** |
| Loans to customers, gross | 43 865 | 381 814 | 132 394 | 187 218 | - | 2 182 | **747 473** |
| | **301 271** | **411 814** | **132 994** | **187 218** | **16 126** | **2 182** | **1 051 605** |
| **Liabilities** | | | | | | | |
| Deposits by credit institutions | 50 386 | 23 436 | 79 495 | 77 422 | - | - | **230 739** |
| Deposits by customers | 247 204 | 86 428 | 63 180 | 4 274 | - | - | **401 086** |
| Debt securities issued | 27 948 | 84 335 | 40 334 | 132 978 | - | - | **285 595** |
| | **325 538** | **194 199** | **183 009** | **214 674** | **-** | **-** | **917 420** |
| **Net position** | **(24 267)** | **217 615** | **(50 015)** | **(27 456)** | **16 126** | **2 182** | **134 185** |
| ***Accumulated gap*** | **(24 267)** | **193 348** | **143 333** | **115 877** | **132 003** | **134 185** | |

The maturity gap analysis does not reflect the historical stability of current accounts, whose liquidation has historically taken place over a longer period than that indicated in the table above. The table is based upon these accounts' entitlement to withdraw on demand.

The following table shows trading securities by their contractual maturities (maturity of the instrument stipulated by the issuer) as at June 30, 2007 and December 31, 2006.

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Less than 1 month | 8 840 | 1 888 |
| 1 – 6 months | 28 783 | 19 048 |
| 6 months to 1 year | 20 678 | 10 388 |
| Over 1 year | 50 115 | 74 249 |
| No maturity | 5 442 | 4 544 |
| | **113 858** | **110 117** |

## Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. Except for debt securities with the carrying value of USD 43 636 thousand (December 31, 2006: USD 39 845 thousand) coupon rates on which are repriced semi-annually, the Group's expected repricing dates do not differ from the maturity contract dates, which are disclosed in the tables above.

(All amounts in thousands of US Dollars)

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

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

| | June 30, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | **US Dollars** | **Rubles** | **Other foreign currencies** | **US Dollars** | **Rubles** | **Other foreign currencies** |
| **Interest earning assets** | | | | | | |
| Due from credit institutions | 2.0% | 5.0% | 1.5% | 6.5% | 3.3% | - |
| Trading securities – government bonds | 5.5% | 6.0% | - | 5.9% | 6.1% | - |
| Trading securities – corporate notes and municipal bonds | - | 9.0% | - | - | 9.3% | - |
| Loans to customers | 11.4% | 12,8% | 9.6% | 11.4% | 12.7% | 9.1% |
| **Interest bearing liabilities** | | | | | | |
| Deposits by credit institutions | 8.5% | 3.7% | 4.8% | 8.8% | 5.6% | 4.7% |
| Deposits by customers | 4.1% | 4.7% | 3.6% | 3.0% | 4.0% | 4.9% |
| Debt securities issued | 9.3% | 9.9% | 7.7% | 9.9% | 8.5% | 4.0% |