

## Credit Bank of Moscow

Consolidated financial statements  
for the six months ended June 30, 2008

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**ZAO KPMG**  
Naberezhnaya Tower Complex, Block C  
18 Krasnopresnenskaya Naberezhnaya  
Moscow 123317  
Russia

Telephone +7 (495) 937 4477  
Fax +7 (495) 937 4400/99  
Internet [www.kpmg.ru](http://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, 2008 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, 2008 and 2007. 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.

*ZAO KPMG*

ZAO KPMG

August 20, 2008

# Credit Bank of Moscow

## Consolidated balance sheets as at June 30, 2008 and December 31, 2007

(thousands of US Dollars)

	Notes	June 30, 2008 (unaudited)	December 31, 2007
<b>Assets</b>			
Cash and due from Central Bank	4	100,580	193,890
Due from credit institutions, net	5	141,556	214,243
Trading securities	6	183,841	149,692
Loans to customers, net	7	1,394,605	1,081,568
Property and equipment	8	69,676	63,472
Other assets	9	56,345	19,079
<b>Total assets</b>		<b>1,946,603</b>	<b>1,721,944</b>
<b>Liabilities</b>			
Deposits by credit institutions	10	433,978	499,755
Deposits by customers	11	826,096	689,528
Debt securities issued	12	396,011	283,054
Income tax liability	22	10,959	9,422
Other liabilities	13	28,046	17,360
<b>Total liabilities</b>		<b>1,695,090</b>	<b>1,499,119</b>
<b>Stockholders' equity</b>			
Common stock	14	128,571	128,571
Additional paid-in capital		6,612	6,612
Retained earnings		73,624	55,797
Other comprehensive income - cumulative translation adjustment		42,706	31,845
<b>Total stockholders' equity</b>		<b>251,513</b>	<b>222,825</b>
<b>Total liabilities and stockholders' equity</b>		<b>1,946,603</b>	<b>1,721,944</b>
Commitment and contingencies	23	121,499	100,245

Signed on behalf of the Executive Management Board

Roman I. Avdeev

 Chairman of the Board - President

Svetlana V. Sass

 Chief Accountant



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

“See the accompanying review report of ZAO KPMG”

**Credit Bank of Moscow**  
**Consolidated statements of income and other comprehensive income**  
**for the six months ended June 30, 2008 and 2007**  
(thousands of US Dollars)

	Notes	June 30, 2008 (unaudited)	June 30, 2007 (unaudited)
Interest income	16	90,416	56,907
Interest expense	16	(50,657)	(32,282)
<b>Net interest income</b>		<b>39,759</b>	<b>24,625</b>
Provision for credit impairment	17	(3,194)	(2,115)
<b>Net interest income after provision for credit impairment</b>		<b>36,565</b>	<b>22,510</b>
Fees and commissions income	18	19,085	12,415
Foreign exchange gains, net		5,970	1,902
Equity securities trading profits/(losses), net	19	(64)	(39)
Other operating income		1,982	938
<b>Non interest income</b>		<b>26,973</b>	<b>15,216</b>
Salaries and employment benefits	20	(22,530)	(16,751)
Administrative expenses	20	(11,933)	(7,852)
Fees and commissions expense		(1,172)	(792)
Depreciation		(1,309)	(837)
State deposit insurance scheme contributions		(970)	(445)
Other operating expenses		(2,113)	(529)
<b>Non interest expense</b>		<b>(40,027)</b>	<b>(27,206)</b>
<b>Income before income taxes</b>		<b>23,511</b>	<b>10,520</b>
Income taxes	22	(5,684)	(2,488)
<b>Net income</b>		<b>17,827</b>	<b>8,032</b>
Foreign currency translation adjustments		10,861	2,943
<b>Other comprehensive income</b>		<b>10,861</b>	<b>2,943</b>
<b>Comprehensive income</b>		<b>28,688</b>	<b>10,975</b>

*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, 2008 and 2007**  
(thousands of US Dollars)

	Common stock	Additional paid-in capital	Retained earnings	Other comprehensive income - cumulative translation adjustment	Total stockholders' equity
<b>December 31, 2006</b>	<b>93,657</b>	<b>6,612</b>	<b>35,821</b>	<b>18,245</b>	<b>154,335</b>
Shares issued	34,914	-	-	-	34,914
Net income (unaudited)	-	-	8,032	-	8,032
Translation adjustment (unaudited)	-	-	-	2,943	2,943
<b>June 30, 2007 (unaudited)</b>	<b>128,571</b>	<b>6,612</b>	<b>43,853</b>	<b>21,188</b>	<b>200,224</b>
<b>December 31, 2007</b>	<b>128,571</b>	<b>6,612</b>	<b>55,797</b>	<b>31,845</b>	<b>222,825</b>
Net income (unaudited)	-	-	17,827	-	17,827
Translation adjustment (unaudited)	-	-	-	10,861	10,861
<b>June 30, 2008 (unaudited)</b>	<b>128,571</b>	<b>6,612</b>	<b>73,624</b>	<b>42,706</b>	<b>251,513</b>

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

“See the accompanying review report of ZAO KPMG”



**Credit Bank of Moscow**  
**Consolidated statements of cash flows for the six months ended June 30,**  
**2008 and 2007 (thousands of US Dollars)**

	Notes	June 30, 2008 (unaudited)	June 30, 2007 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income		17,827	8,032
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit impairment		3,194	2,115
Depreciation		1,309	837
Deferred taxes		2,721	792
Revaluation of securities		687	1,377
Accrued interest income		(1,514)	(542)
Accrued interest expense		5,732	907
Other		(2,652)	(642)
<b>Operating cash flow before changes in operating assets and liabilities</b>		<b>27,304</b>	<b>12,876</b>
<b>(Increase)/decrease in operating assets</b>			
Obligatory reserve deposits with the Central Bank of the Russian Federation		(9,163)	(33,332)
Trading securities		(34,836)	(2,923)
Loans to customers		(315,768)	(202,260)
Other assets		(36,174)	(5,393)
<b>Increase/(decrease) in operating liabilities</b>			
Deposits by credit institutions		(65,778)	108,110
Deposits by customers		136,568	20,238
Debt securities issued		112,957	46,694
Other liabilities		3,700	(6,531)
Unrealized translation adjustment		10,861	3,530
<b>Net cash from operations</b>		<b>(170,329)</b>	<b>(71,867)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net purchase of property and equipment and intangible assets		(4,830)	(904)
<b>Net cash from investing activities</b>		<b>(4,830)</b>	<b>(904)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of common stock		-	34,914
<b>Net cash from financing activities</b>		<b>-</b>	<b>34,914</b>
<b>Change in cash and cash equivalents</b>		<b>(175,159)</b>	<b>(24,981)</b>
Cash and cash equivalents, beginning of the period		387,506	177,289
<b>Cash and cash equivalents, end of the period</b>	21	<b>212,347</b>	<b>152,308</b>
<i>Supplemental information:</i>			
Interest paid during the period		(44,925)	(31,376)
Income taxes paid during the period		(4,146)	(9,404)

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

“See the accompanying review report of ZAO KPMG”

**Credit Bank of Moscow**  
**Notes to the consolidated financial statements (unaudited)**  
**for the six months ended June 30, 2008**  
(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 2 (bldg. 1), Lukov pereulok, 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 as at 30 June 2008 it had 38 branches in Moscow and Moscow region and 3 regional branches, one in Tula, one in Ryazan and one in Vladimir. 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	Date of incorporation	Country of incorporation	Principal Activities	Degree of control %	
				June 30, 2008	December 31, 2007
CBOM Finance p.l.c.	17 Aug 2006	Ireland	Raising finance	100%	100%
MKB-Invest	4 June 2007	Russia	Operations with securities	100%	100%
MKB-Leasing	20 Sep 2005	Russia	Financial lease	100%	100%
M-leasing	28 May 2007	Russia	Financial lease	100%	100%

The Bank does not have any direct or indirect shareholdings in the subsidiaries noted above. However, CBOM Finance p.l.c. was established under the terms that impose strict limits on the decision-making powers of their management and MKB-Invest, MKB-Leasing and M-leasing are controlled by the Group through option agreements.

**(b) Shareholders and management**

The Group is wholly-owned by Concern Rossium (the “Shareholder Group”). The sole shareholder of Concern Rossium is Roman I. Avdeev, who is also the Chairman of the Management Board-President and member of the Supervisory Board. The members of the Supervisory Board are as follows:

**Supervisory Board**

Irina N. Nartova	Chairman
Roman I. Avdeev	Member
Evgeniy N. Cherbakov	Member
Genadiy B. Belyaev	Member
Anton R. Avdeev	Member

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**Credit Bank of Moscow**  
**Notes to the consolidated financial statements (unaudited)**  
**for the six months ended June 30, 2008**

(All amounts in thousands of US Dollars)

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, 2008 and December 31, 2007 was 1 USD to 23.46 Rubles and 1 USD to 24.55 Rubles, respectively.

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**(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.

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 (All amounts in thousands of US Dollars)

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 the 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 a 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

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(All amounts in thousands of US Dollars)

***Sales of real estate***

Profit or loss on sales of real estate are recognized in accordance with Financial Accounting Standard ("FAS") No. 66 *Accounting for sales of real estate*.

Under this standard the amount of profit recognized on sales of real estate is dependent on whether a sale has been consummated, the extent of the buyer's investment in the property being sold, whether the seller's receivable is subject to future subordination, and the degree of the seller's continuing involvement with the property after the sale.

***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 life of the financial instrument using the effective interest rate method.

***Dividends***

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

"See the accompanying review report of ZAO KPMG"



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(All amounts in thousands of US Dollars)

***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, 2008	December 31, 2007
Cash on hand	41,002	101,902
Correspondent account with the CBR	30,389	71,961
Obligatory reserve deposits with the CBR	29,189	20,027
<b>Cash and due from Central Bank</b>	<b>100,580</b>	<b>193,890</b>

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.

**NOTE 5 – DUE FROM CREDIT INSTITUTIONS, NET**

Due from credit institutions comprise:

	June 30, 2008	December 31, 2007
Current accounts	12,602	29,728
Time deposits	128,954	184,515
<b>Due from credit institutions</b>	<b>141,556</b>	<b>214,243</b>

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.

"See the accompanying review report of ZAO KPMG"



**Credit Bank of Moscow**  
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(All amounts in thousands of US Dollars)

**Concentration of balances due from credit institutions**

As at 30 June 2008 there were no banks (31 December 2007: one bank with deposits of USD 34,286 thousand) whose balances exceeded 10% of Group's equity.

**NOTE 6 – TRADING SECURITIES**

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

	June 30, 2008	December 31, 2007
Publicly traded debt securities		
Corporate notes and bonds	161,523	95,539
Municipal bonds	15,280	16,349
Russian Government debt securities	4,303	32,382
Publicly traded equity securities	2,735	5,422
<b>Trading securities</b>	<b>183,841</b>	<b>149,692</b>

As at 30 June 2008 debt instruments with a carrying value of USD 21,998 thousand (31 December 2007: USD 32,753 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.

**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, 2008		December 31, 2007	
	Loans	Loss provisions	Loans	Loss provisions
<b>Consumer loans</b>				
Car loans	98,120	(1,771)	94,817	(4,364)
Mortgage loans	119,410	(752)	85,255	(269)
Other consumer loans	37,620	(954)	20,302	(433)
	<b>255,150</b>	<b>(3,477)</b>	<b>200,374</b>	<b>(5,066)</b>
<b>Corporate loans</b>	<b>1,132,654</b>	<b>(3,183)</b>	<b>873,838</b>	<b>(2,683)</b>
<b>SME loans</b>	<b>14,089</b>	<b>(628)</b>	<b>16,322</b>	<b>(1,217)</b>
<b>Total</b>	<b>1,401,893</b>	<b>(7,288)</b>	<b>1,090,534</b>	<b>(8,966)</b>

"See the accompanying review report of ZAO KPMG"

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**Notes to the consolidated financial statements (unaudited)**  
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(All amounts in thousands of US Dollars)

Corporate and SME loans by economic sector are as follows:

	Corporate loans		SME loans	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
Consumer electronics and computers	335,428	260,507	1,593	841
Light industry	130,760	119,597	1,627	2,635
Machinery	128,412	77,076	1,053	1,658
Construction materials	95,498	76,610	2,115	1,978
Other consumer goods	92,006	48,051	1,889	3,108
Paper and stationery	85,516	56,851	203	317
Foods	65,046	52,607	1,700	1,598
Services	56,920	72,605	1,143	1,441
Hygiene products and consumer chemicals	50,796	44,513	769	1,002
Furniture	27,680	25,815	574	656
Sports goods	21,753	17,840	109	22
Medical	7,406	9,285	346	257
Finance	4,253	-	44	-
Metallurgic	2,462	1,214	260	234
Oil	418	-	10	-
Other	28,300	11,267	654	575
	<b>1,132,654</b>	<b>873,838</b>	<b>14,089</b>	<b>16,322</b>

**Overdue loans**

As at 30 June 2008 the aggregate amount of loans with contractually overdue principal or interest was as follows:

	June 30, 2008		December 31, 2007	
	Overdue loans	Loss provisions	Overdue loans	Loss provisions
Corporate loans	158	(158)	449	(449)
Consumer loans	4,031	(2,054)	5,861	(3,979)
SME loans	713	(501)	1,103	(853)

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, 2008 the Group had four groups of borrowers (December 31, 2007: three) whose loans balances exceeded 10% of equity. The gross value of these loans as of June 30, 2008 was USD 155,195 thousand (December 31, 2007: USD 90,634 thousand).

"See the accompanying review report of ZAO KPMG"

**Credit Bank of Moscow**  
**Notes to the consolidated financial statements (unaudited)**  
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(All amounts in thousands of US Dollars)

**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment comprise:

	<b>Buildings</b>	<b>Vehicles</b>	<b>Computers &amp; office equipment</b>	<b>Furniture &amp; other property</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Net book value at December 31, 2007</b>	<b>837</b>	<b>1,993</b>	<b>1,288</b>	<b>4,982</b>	<b>54,372</b>	<b>63,472</b>
<b>Gross book value at December 31, 2007</b>	1,040	3,150	2,541	9,653	54,372	70,756
Additions	2,169	263	101	1,404	893	4,830
Reclass	25,578	-	-	-	(25,578)	-
Disposals	-	(344)	(16)	(294)	-	(654)
Effect of foreign currency translation	61	136	118	460	2,525	3,300
<b>Gross book value at June 30, 2008</b>	<b>28,848</b>	<b>3,205</b>	<b>2,744</b>	<b>11,223</b>	<b>32,212</b>	<b>78,232</b>
<b>Accumulated depreciation at December 31, 2007</b>	203	1,157	1,253	4,671	-	7,284
Depreciation expense	255	267	165	622	-	1,309
Disposals	-	(156)	(16)	(276)	-	(448)
Effect of foreign currency translation	10	71	72	258	-	411
<b>Accumulated depreciation at June 30, 2008</b>	<b>468</b>	<b>1,339</b>	<b>1,474</b>	<b>5,275</b>	<b>-</b>	<b>8,556</b>
<b>Net book value at June 30, 2008</b>	<b>28,381</b>	<b>1,866</b>	<b>1,270</b>	<b>5,948</b>	<b>32,211</b>	<b>69,676</b>

Construction in progress consists of an office building purchased in 2006 and being renovated for future use as the head office of the Bank. In January 2008 approximately fifty percent of the building was put into use. The remaining part of the building remains in the construction in progress category and is due to be put into use in the second half of 2008.

During the six months ended 30 June 2008 no interest expense (June 30, 2007: USD 1,402 thousand) was capitalized in the carrying value of the construction in progress.

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**NOTE 9 – OTHER ASSETS**

Other assets comprise:

	June 30, 2008	December 31, 2007
Receivables	44,235	6,205
Accrued interest receivable	8,307	6,793
Prepaid expenses	2,737	5,092
Intangibles	136	167
Other	930	822
<b>Other assets</b>	<b>56,345</b>	<b>19,079</b>

During the 6 months ended 30 June 2008 a borrower of the Bank repaid its USD 33,906 thousand loan by transferring the real estate collateral on the loan to the Bank. The Bank subsequently sold this real estate for USD 43,553 thousand and provided the financing for this sale. Due to the fact that the purchaser's investment in the purchased property did not meet the minimum initial investment criteria in *FAS 66 "Accounting for Sales of Real Estate"*, the sale of the property is being recognized using the installment method. During the six months ended 30 June 2008 USD 3,216 thousand was recognized as revenue from the sale and USD 2,504 thousand recognized as cost of the sale, in other income, with USD 40,337 thousand of revenue from the sale and USD 31,402 thousand in cost from the sale remaining unrecognized at 30 June 2008. The amount receivable from the purchaser in relation to this sale less the unrealized gain on the sale of USD 33,850 thousand is included in Receivables.

**NOTE 10 – DEPOSITS BY CREDIT INSTITUTIONS**

Deposits by credit institutions comprise:

	June 30, 2008	December 31, 2007
Demand deposits	820	280
Time deposits	401,321	456,050
Payables under repurchase agreements	31,837	43,425
<b>Deposits by credit institutions</b>	<b>433,978</b>	<b>499,755</b>

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, 2008 the Group had two syndicated facilities (December 31, 2007: three syndicated facilities) each exceeding 10% of the Group's equity. The gross value of these facilities as of June 30, 2008 was USD 80,000 thousand (December 31, 2007: USD 160,000 thousand).

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As at June 30, 2008 the Group had deposits from three other counterparties (December 31, 2007: two counterparties) whose balances exceeded 10% of the Group's equity. The gross value of these balances as at June 30, 2008 was USD 110,007 thousand (December 31, 2007: USD 55,569 thousand).

**NOTE 11 – DEPOSITS BY CUSTOMERS**

Deposits by customers comprise:

		June 30, 2008	December 31, 2007
Corporate customers	Demand	269,895	280,499
	Time	72,978	109,257
<b>Total corporate customers</b>		<b>342,873</b>	<b>389,756</b>
Individuals	Demand	45,163	38,001
	Time	438,060	261,771
<b>Total individuals</b>		<b>483,223</b>	<b>299,772</b>
<b>Total deposits by customers</b>		<b>826,096</b>	<b>689,528</b>

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, 2008 and December 31, 2007, there were no demand or time deposits from customers, which individually exceeded 10% of the Group's equity.

**NOTE 12 – DEBT SECURITIES ISSUED**

Debt securities issued comprise:

	June 30, 2008	December 31, 2007
Promissory notes issued - nominal value	153,458	140,285
Unamortized discount on promissory notes	(9,197)	(6,465)
	<u>144,261</u>	<u>133,820</u>
Bonds issued	<u>251,750</u>	<u>149,234</u>
	<u><b>396,011</b></u>	<u><b>283,054</b></u>

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.

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**NOTE 13 – OTHER LIABILITIES**

Other liabilities comprise:

	June 30, 2008	December 31, 2007
Accrued interest payable	17,248	12,475
Payables to suppliers	4,465	1,854
Operating taxes payable	2,812	260
Deferred income	1,837	878
Other	1,684	1,893
<b>Other liabilities</b>	<b>28,046</b>	<b>17,360</b>

**NOTE 14 – COMMON STOCK**

The issued, outstanding and paid stock comprised 3,276,158,008 shares (December 31, 2007: 3,276,158,008 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.

**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, 2008 and June 30, 2007:

<b>Basic and fully diluted earnings per share (thousands of US Dollars except for weighted- average shares and net income per share data)</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Net income applicable to common shares	17,827	8,032
Weighted-average basic shares outstanding	3,276,158,008	2,391,158,008
Net income per share	\$0.005	\$0.003

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**NOTE 16 – NET INTEREST INCOME**

Net interest income comprises:

	June 30, 2008	June 30, 2007
<b>Interest income</b>		
Loans to customers	81,912	50,976
Debt securities	5,358	4,598
Due from credit institutions	3,146	1,333
	<u>90,416</u>	<u>56,907</u>
<b>Interest expense</b>		
Deposits by customers	(19,913)	(8,373)
Debt securities issued	(16,422)	(13,228)
Deposits by credit institutions	(14,322)	(10,681)
	<u>(50,657)</u>	<u>(32,282)</u>
<b>Net interest income</b>	<u>39,759</u>	<u>24,625</u>

**NOTE 17 – PROVISION FOR CREDIT IMPAIRMENT**

The 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
<b>December 31, 2006</b>	<b>6,133</b>	<b>95</b>	<b>6,228</b>
Provisions charged	2,039	76	2,115
Loans written off	(1,261)	-	(1,261)
<b>June 30, 2007</b>	<b>6,911</b>	<b>171</b>	<b>7,082</b>
<b>December 31, 2007</b>	<b>8,966</b>	<b>203</b>	<b>9,169</b>
Provisions charged	3,122	72	3,194
Loans written off	(4,800)	-	(4,800)
<b>June 30, 2008</b>	<b>7,288</b>	<b>275</b>	<b>7,563</b>

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**NOTE 18 – FEES AND COMMISSIONS INCOME**

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Cash collection/delivery	7,260	5,337
Settlements and wire transfers	5,150	2,944
Loans	2,617	1,927
Guarantees and LCs issued	1,248	763
Plastic cards	1,125	715
Other cash operations	1,295	646
Other settlements	390	83
<b>Fees and commissions income</b>	<b>19,085</b>	<b>12,415</b>

**NOTE 19 – EQUITY SECURITIES TRADING PROFITS/(LOSSES), NET**

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Net losses from operations with equity securities	(64)	(39)
<b>Equity securities trading profits/(losses), net</b>	<b>(64)</b>	<b>(39)</b>

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

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Salaries	18,092	13,708
Social security costs	3,767	2,821
Other	671	222
<b>Salaries and employment benefits</b>	<b>22,530</b>	<b>16,751</b>
Occupancy	3,795	2,974
Advertising and business development	1,944	1,130
Operating taxes	1,816	1,138
Security	1,741	912
Communications	805	662
Transport	514	624
Other	1,318	412
<b>Administrative expenses</b>	<b>11,933</b>	<b>7,852</b>

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.

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**NOTE 21 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise:

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Correspondent account with the CBR	30,389	29,877
Due from credit institutions with maturity of less than 3 months	140,956	81,567
Cash on hand	41,002	40,864
<b>Cash and cash equivalents</b>	<b>212,347</b>	<b>152,308</b>

**NOTE 22 – INCOME TAXES**

The income tax expense comprises:

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Current tax charge	2,963	1,660
Deferred taxation	2,721	828
<b>Income tax expense</b>	<b>5,684</b>	<b>2,488</b>

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% (2007: 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:

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Income before tax	23,511	10,520
Applicable statutory tax rate	24%	24%
Income tax using the applicable tax rate	5,643	2,525
Income taxed at lower rate	(111)	(102)
Net non-deductible costs/(non taxable income)	152	65
<b>Income tax expense</b>	<b>5,684</b>	<b>2,488</b>

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Current tax liability	1,373	2,556
Deferred tax liability	9,586	6,866
<b>Income tax liability</b>	<b>10,959</b>	<b>9,422</b>

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As at June 30, 2008 the net deferred tax liability was USD 9,586 thousand (December 31, 2007: USD 6,866 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, 2008	December 31, 2007
Provisions for credit impairment	10,867	5,026
Premises and equipment	951	1,224
Accrued interest	496	504
Other	378	372
<b>Deferred tax liabilities</b>	<b>12,692</b>	<b>7,126</b>
Deferred income from sale of real estate	(2,335)	-
Loss carried forward	(260)	-
Other	(511)	(260)
<b>Deferred tax assets</b>	<b>(3,106)</b>	<b>(260)</b>
<b>Net deferred tax liability</b>	<b>9,586</b>	<b>6,866</b>

The applicable deferred tax rate for the Bank is 24% (2007:24%).

**NOTE 23 – COMMITMENTS AND CONTINGENCIES**

*a) Financial commitments*

Undrawn loan commitments, letters of credit and guarantees at June 30, 2008 and December 31, 2007 comprise:

	June 30, 2008	December 31, 2007
<b>Commitments given</b>		
Undrawn loan commitments	6,892	15,491
Letters of credit	89,701	64,688
Guarantees	24,906	20,066
	<b>121,499</b>	<b>100,245</b>

At June 30, 2008 the Group provided for potential losses on guarantees and letters of credit in the amount of USD 275 thousand (December 31, 2007: USD 203 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.

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*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 the financial position of the Group, 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, 2008 and December 31, 2007 with related parties are as follows:

	<b>June 30, 2008</b>		<b>December 31, 2007</b>	
	<b>Amount</b>	<b>Average effective interest rate</b>	<b>Amount</b>	<b>Average effective interest rate</b>
<i>Assets</i>				
Loans to customers, gross	57,994	13.7%	36,679	12.3%
<i>Liabilities</i>				
Deposits by customers	6,357	9.1%	5,202	10.3%

Amounts included in the income statements as of June 30, 2008 and 2007 in relation to transactions with related parties are as follows:

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Interest income on loans to customers	3,180	1,920
Interest expense on deposits by customers and promissory notes	52	530

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**NOTE 25 – CAPITAL ADEQUACY**

The Group's risk based capital adequacy ratio was 14.5% for June 30, 2008 and 16.7% for December 31, 2007, 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, 2008		December 31, 2007	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial Assets</b>				
Cash and due from Central Bank	100,580	100,580	193,890	193,890
Due from credit institutions, net	141,556	141,556	214,243	214,243
Trading securities	183,841	183,841	149,692	149,692
Loans to customers, net	1,394,605	1,392,047	1,081,568	1,079,352
<b>Financial Liabilities</b>				
Deposits by credit institutions	433,978	433,978	499,755	499,755
Deposits by customers	826,096	826,096	689,528	689,014
Debt securities issued	396,011	396,701	283,054	281,304

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

Trading securities: the fair values are primarily based on quoted market prices for these or similar instruments. For USD 23,124 thousand of promissory notes in the trading portfolio market price quotations are unavailable. The fair value of such securities was measured based on observable yield curves, as shown in the table below.

Description	June 30, 2008	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading securities	183,841	160,717	23,124	-
Total	183,841	160,717	23,124	-

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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.

The 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.



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The geographical concentration of banking assets and liabilities follows:

	June 30, 2008				December 31, 2007			
	Russia	OECD	Other non-OECD	Total	Russia	OECD	Other non-OECD	Total
<b>Assets</b>								
Cash and due from Central Bank	95,631	4,949	-	100,580	190,049	3,841	-	193,890
Due from credit institutions, net	117,262	24,275	19	141,556	177,388	36,796	59	214,243
Trading securities	183,841	-	-	183,841	149,692	-	-	149,692
Loans to customers, gross	1,401,848	-	45	1,401,893	1,090,477	-	57	1,090,534
	<b>1,798,582</b>	<b>29,224</b>	<b>64</b>	<b>1,827,870</b>	<b>1,607,606</b>	<b>40,637</b>	<b>116</b>	<b>1,648,359</b>
<b>Liabilities</b>								
Deposits by credit institutions	103,923	320,405	9,650	433,978	111,206	378,879	9,670	499,755
Deposits by customers	814,271	596	11,229	826,096	679,625	1,213	8,690	689,528
Debt securities issued	351,632	43,388	991	396,011	231,800	47,177	4,077	283,054
	<b>1,269,826</b>	<b>364,389</b>	<b>21,870</b>	<b>1,656,085</b>	<b>1,022,631</b>	<b>427,269</b>	<b>22,437</b>	<b>1,472,337</b>
<b>Net position</b>	<b>528,756</b>	<b>(335,165)</b>	<b>(21,806)</b>	<b>171,785</b>	<b>584,975</b>	<b>(386,632)</b>	<b>(22,321)</b>	<b>176,022</b>

### 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, 2008				December 31, 2007			
	USD	Rubles	Other currencies	Total	USD	Rubles	Other currencies	Total
<b>Assets</b>								
Cash and due from Central Bank	1,977	95,631	2,972	100,580	3,018	190,049	823	193,890
Due from credit institutions, net	19,639	113,785	8,132	141,556	47,428	148,159	18,656	214,243
Trading securities	56	183,785	-	183,841	62	149,630	-	149,692
Loans to customers, gross	297,036	1,034,465	70,392	1,401,893	281,395	717,882	91,257	1,090,534
	<b>318,708</b>	<b>1,427,666</b>	<b>81,496</b>	<b>1,827,870</b>	<b>331,903</b>	<b>1,205,720</b>	<b>110,736</b>	<b>1,648,359</b>
<b>Liabilities</b>								
Deposits by credit institutions	266,782	101,107	66,089	433,978	293,285	101,931	104,539	499,755
Deposits by customers	48,456	730,291	47,349	826,096	33,340	628,170	28,018	689,528
Debt securities issued	44,650	350,370	991	396,011	49,720	229,431	3,903	283,054
	<b>359,888</b>	<b>1,181,768</b>	<b>114,429</b>	<b>1,656,085</b>	<b>376,345</b>	<b>959,532</b>	<b>136,460</b>	<b>1,472,337</b>
<b>Net balance sheet position</b>	<b>(41,180)</b>	<b>245,898</b>	<b>(32,933)</b>	<b>171,785</b>	<b>(44,442)</b>	<b>246,188</b>	<b>(25,724)</b>	<b>176,022</b>
<b>Spot and forward contracts</b>	<b>47,230</b>	<b>(82,002)</b>	<b>34,772</b>	<b>-</b>	<b>43,496</b>	<b>(70,540)</b>	<b>27,044</b>	<b>-</b>
<b>Total</b>	<b>6,050</b>	<b>163,896</b>	<b>1,839</b>	<b>171,785</b>	<b>(946)</b>	<b>175,648</b>	<b>1,320</b>	<b>176,022</b>

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**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.

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 realized within this period. Information about the contractual maturity of these securities is provided later in this Note.

Except for trading securities, the contractual maturities of banking assets and liabilities as of June 30, 2008 and December 31, 2007 are as follows:

<b>June 30, 2008</b>	<b>Less than 1 month</b>	<b>1 – 6 months</b>	<b>6 months to 1 year</b>	<b>Over 1 year</b>	<b>No maturity</b>	<b>Overdue</b>	<b>Total</b>
<b>Assets</b>							
Cash and due from Central Bank	71,391	-	-	-	29,189	-	<b>100,580</b>
Due from credit institutions, net	140,956	-	-	600	-	-	<b>141,556</b>
Trading securities	183,841	-	-	-	-	-	<b>183,841</b>
Loans to customers, net	158,643	627,398	262,005	344,370	-	2,189	<b>1,394,605</b>
Property and equipment	-	-	-	-	69,676	-	<b>69,676</b>
Other assets	18,692	33,850	-	-	3,803	-	<b>56,345</b>
	<b>573,523</b>	<b>661,248</b>	<b>262,005</b>	<b>344,970</b>	<b>102,668</b>	<b>2,189</b>	<b>1,946,603</b>
<b>Liabilities</b>							
Deposits by credit institutions	133,642	167,751	66,379	66,206	-	-	<b>433,978</b>
Deposits by customers	365,899	225,645	229,485	5,067	-	-	<b>826,096</b>
Debt securities issued	14,711	142,825	177,860	60,615	-	-	<b>396,011</b>
Income tax liability	1,373	-	-	-	9,586	-	<b>10,959</b>
Other liabilities	24,958	-	-	-	3,088	-	<b>28,046</b>
	<b>540,583</b>	<b>536,221</b>	<b>473,724</b>	<b>131,888</b>	<b>12,674</b>	<b>-</b>	<b>1,695,090</b>
<b>Net position</b>	<b>32,940</b>	<b>125,027</b>	<b>(211,719)</b>	<b>213,082</b>	<b>89,994</b>	<b>2,189</b>	<b>251,513</b>
<b>Accumulated gap</b>	<b>32,940</b>	<b>157,967</b>	<b>(53,752)</b>	<b>159,330</b>	<b>249,324</b>	<b>251,513</b>	

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**December 31, 2007**

	Less than 1 month	1 – 6 months	6 months to 1 year	Over 1 year	No maturity	Overdue	Total
<b>Assets</b>							
Cash and due from Central Bank	173,863	-	-	-	20,027	-	193,890
Due from credit institutions, net	213,643	-	-	600	-	-	214,243
Trading securities	149,692	-	-	-	-	-	149,692
Loans to customers, net	114,331	498,913	162,025	304,167	-	2,132	1,081,568
Property and equipment	-	-	-	-	63,472	-	63,472
Other assets	11,736	-	-	-	7,343	-	19,079
	<b>663,265</b>	<b>498,913</b>	<b>162,025</b>	<b>304,767</b>	<b>90,842</b>	<b>2,132</b>	<b>1,721,944</b>
<b>Liabilities</b>							
Deposits by credit institutions	116,326	162,082	117,117	104,230	-	-	499,755
Deposits by customers	406,789	143,531	133,478	5,730	-	-	689,528
Debt securities issued	14,990	72,905	119,364	75,795	-	-	283,054
Income tax liability	2,556	-	-	-	6,866	-	9,422
Other liabilities	17,157	-	-	-	203	-	17,360
	<b>557,818</b>	<b>378,518</b>	<b>369,959</b>	<b>185,755</b>	<b>7,069</b>	<b>-</b>	<b>1,499,119</b>
<b>Net position</b>	<b>105,447</b>	<b>120,395</b>	<b>(207,934)</b>	<b>119,012</b>	<b>83,773</b>	<b>2,132</b>	<b>222,825</b>
<b>Accumulated gap</b>	<b>105,447</b>	<b>225,842</b>	<b>17,908</b>	<b>136,920</b>	<b>220,693</b>	<b>222,825</b>	

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.

Included in due to customers are term deposits of individuals based on the maturity date specified in the agreement. However in accordance with the Russian legislation, the Bank is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

The following table shows trading securities by their contractual maturities (maturity of the instrument stipulated by the issuer) as at June 30, 2008 and December 31, 2007.

	June 30, 2008	December 31, 2007
Less than 1 month	21,802	4,260
1 – 6 months	49,410	42,714
6 months to 1 year	64,397	19,230
Over 1 year	45,498	78,066
No maturity	2,734	5,422
	<b>183,841</b>	<b>149,692</b>

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**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. The Group's expected repricing dates do not differ from the maturity contract dates, which are disclosed in the tables above.

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, 2008 and December 31, 2007 for interest bearing financial instruments are as follows:

	June 30, 2008			December 31, 2007		
	US Dollars	Rubles	Other foreign currencies	US Dollars	Rubles	Other foreign currencies
<b>Interest earning assets</b>						
Due from credit institutions, net	3.1%	4.6%	1.6%	3.1%	5.2%	0.5%
Trading securities – government bonds	5.8%	6.2%	-	5.8%	6.4%	-
Trading securities – corporate notes and municipal bonds	-	11.3%	-	-	10.0%	-
Loans to customers	11.3%	13.7%	9.4%	12.4%	15.1%	9.7%
<b>Interest bearing liabilities</b>						
Deposits by credit institutions	5.5%	3.9%	5.5%	7.5%	5.0%	5.4%
Deposits by customers	5.4%	6.7%	6.0%	5.9%	4.9%	5.6%
Debt securities issued	9.1%	10.7%	7.8%	9.7%	10.1%	7.8%

"See the accompanying review report of ZAO KPMG"