Credit Bank of Moscow

Consolidated financial statements
for the six months ended June 30, 2006

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, 2006 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, 2006 and 2005. 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 29, 2006

Credit Bank of Moscow
Consolidated balance sheets
As at June 30, 2006 and December 31, 2005
(thousands of US Dollars)

	Notes	June 30, 2006	December 31, 2005
Assets			
Cash and due from Central Bank	4	50,430	78,546
Due from credit institutions, net	5	32,696	52,078
Trading securities	6	136,228	87,211
Loans to customers, net	7	516,715	426,226
Property and equipment	8	4,104	3,556
Other assets	9	6,982	6,490
Total assets		**747,155**	**654,107**
Liabilities			
Deposits by credit institutions	10	110,713	144,854
Deposits by customers	11	288,143	229,160
Debt securities issued	12	191,604	164,195
Income tax liability	21	9,893	10,021
Provisions, accruals and other liabilities		4,654	3,157
Total liabilities		**605,007**	**551,387**
Stockholders' equity			
Common stock	13	93,658	63,940
Additional paid-in capital		6,612	6,612
Retained earnings		27,665	24,584
Other comprehensive income - cumulative translation adjustment		14,213	7,584
Total stockholders' equity		**142,148**	**102,720**
Total liabilities and stockholders' equity		**747,155**	**654,107**
Commitments and contingencies	22		

Signed on behalf of the Executive Management Board

Timur N. Kastrov — First Deputy Chairman of the Board - President

Olga I. Melnikova — Chief Accountant

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

Credit Bank of Moscow
Consolidated statements of income and other comprehensive income/(loss)
For the 6 months ended June 30, 2006 and 2005
(thousands of US Dollars)

	Notes	June 30, 2006	June 30, 2005
Interest income	15	28,564	18,299
Interest expense	15	(15,699)	(7,337)
Net interest income		**12,865**	**10,962**
Provision for credit impairment	16	(1,844)	(1,496)
Net interest income after provision for credit impairment		**11,021**	**9,466**
Fees and commissions income	17	8,890	5,495
Foreign exchange gains, net		2,611	405
Equity securities trading profits, net	18	299	-
Other operating income		641	373
Non interest income		**12,441**	**6,273**
Salaries and employment benefits	19	11,647	7,369
Administrative expenses	19	6,255	3,296
Fees and commissions expense		469	556
Depreciation and amortization		546	479
Contribution to the state deposit insurance system		255	98
Troubled debt restructuring		217	-
Other operating expenses		276	220
Non interest expense		**19,665**	**12,018**
Income before income taxes		**3,797**	**3,721**
Income taxes	21	(716)	(792)
Net income		**3,081**	**2,929**
Foreign currency translation adjustments		6,629	(3,258)
Other comprehensive income /(loss)		**6,629**	**(3,258)**
Comprehensive income		**9,710**	**(329)**

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 6 months ended June 30, 2006 and 2005
(thousands of US Dollars)

	Common stock	Additional paid-in capital	Retained earnings	Other comprehensive income - cumulative translation adjustment	Total stockholders' equity
December 31, 2004	**23,340**	**47,212**	**13,677**	**11,221**	**95,450**
Net income	-	-	2,929	-	2,929
Translation adjustment	-	-	-	(3,258)	(3,258)
June 30, 2005	**23,340**	**47,212**	**16,606**	**7,963**	**95,121**
December 31, 2005	**63,940**	**6,612**	**24,584**	**7,584**	**102,720**
Shares issued	29,718	-	-	-	29,718
Net income	-	-	3,081	-	3,081
Translation adjustment	-	-	-	6,629	6,629
June 30, 2006	**93,658**	**6,612**	**27,665**	**14,213**	**142,148**

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

Credit Bank of Moscow
Consolidated statements of cash flows
For the 6 months ended June 30, 2006 and 2005
(thousands of US Dollars)

	Notes	June 30, 2006	June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		3,081	2,929
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit impairment		1,844	1,496
Depreciation and amortization		546	479
Deferred taxes		271	329
Revaluation of securities		(992)	(409)
Accrued interest income		(522)	-
Accrued interest expense		1,253	1,035
Operating cash flow before changes in operating assets and liabilities		**5,481**	**5,859**
(Increase)/decrease in operating assets			
Reserve deposits with the Central Bank of the Russian Federation		(3,567)	(1,040)
Trading securities		(48,024)	9,498
Loans to customers		(92,303)	(108,026)
Other assets		30	157
Increase/(decrease) in operating liabilities			
Deposits by credit institutions		(34,141)	59,101
Deposits by customers		58,982	13,975
Debt securities issued		27,410	25,690
Other liabilities		(186)	4
Unrealised translation adjustment		6,629	(3,258)
Net cash from operations		**(79,689)**	**1,960**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of property and equipment and intangible assets		(1,094)	(206)
Net cash from investing activities		**(1,094)**	**(206)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of common stock		29,718	-
Net cash from financing activities		**29,718**	**-**
Change in cash and cash equivalents		**(51,065)**	**1,754**
Cash and cash equivalents, beginning of the year		120,604	78,900
Cash and cash equivalents, end of the year	20	**69,539**	**80,655**
Supplemental information:			
Interest paid during the period		(14,446)	(6,302)
Income taxes paid during the period		843	382

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

(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 subsidiaries of the Banking Group are as follows:

Name	Country of incorporation	Principal Activities	Ownership %	
			June 30, 2006	December 31, 2005
Relex Enterprise	United Kingdom	Business Introduction	**100%**	**100%**
MKB-leasing	Russian Federation	Leasing	**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 listed above have not been consolidated in these financial statements, as the effect on the Group's financial statements would be immaterial.

Shareholders

The Group is wholly-owned by members of the Rossium Group (the "Shareholder Group"). The majority of the Group's funding is from unrelated sources, and majority of credit exposures are to unrelated borrowers. Related party transactions are detailed in Note 23.

(b) 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 Bank. 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 Bank used the 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 Bank has conducted an assessment of its operations and determined the Russian Rouble to be its functional currency. Management of the Bank 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, 2006 and December 31, 2005 was 1 USD to 27.08 Rubles and 1 USD to 28.78 Rubles, respectively. The average exchange rate for the period ended June 30, 2006 and 2005 was 27.93 and 28,21, 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 Bank 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

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.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Use of estimates

Management of the Bank 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 Bank'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. When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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 Bank 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 separately for each kind of the loan portfolio. The Bank makes reassessessments of loan loss provisions at each balance sheet date.

Due from credit institutions
In the normal course of business, the Bank 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 Bank 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 Bank’s accounts and the related payable is included as an amount due to credit institutions or customers, respectively. 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, respectively. 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 equipment	6
Computers	4
Vehicles	5
Other	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.

Impairment of property and equipment
The Bank 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
Income and expenses are recognized on an accrual basis. A loan is placed on non-accrual status when a contractual payment on the loan becomes past due.

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

(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.

Russia also has various other operating taxes, which are assessed on the Bank's activities. These taxes are included as a component of non-interest expense.

Statement of cash flows

The Bank 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, 2006	**December 31, 2005**
Correspondent account with the CBR	22,075	34,522
Obligatory reserve deposits with the CBR	13,587	10,020
Cash on hand	14,768	34,004
Cash and due from Central Bank	**50,430**	**78,546**

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, based on either a reduction in the Bank's deposit base or a reduction in the required level of reserves. The correspondent account with the CBR represents balances held with the CBR related to settlement activity, and was available for withdrawal at period end.

Information about the currency breakdown and maturity profile of cash and due from Central Bank is presented in note 26 to these consolidated financial statements.

(All amounts in thousands of US Dollars)

NOTE 5 – DUE FROM CREDIT INSTITUTIONS

Due from credit institutions comprise:

	June 30, 2006	December 31, 2005
Current accounts	10,677	5,840
Time deposits	22,019	46,238
Due from credit institutions	**32,696**	**52,078**

Information about the currency breakdown, maturity profile and effective interest rates on amounts due from credit institutions is presented in note 26 to these consolidated financial statements.

Concentration of balances due from credit institutions

As at 30 June 2006 there were no banks (31 December 2005: 2 banks) whose balances exceeded 10% of Bank's equity. The gross value of these balances as of December 31, 2005 was USD 31,200 thousand.

NOTE 6 – TRADING SECURITIES

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

	June 30, 2006	December 31, 2005
Debt instruments		
Russian corporate promissory notes and bonds	97,037	71,507
Russian Government debt securities	12,644	9,669
Municipal bonds	24,388	6,035
Equity securities	2,159	-
Trading securities	**136,228**	**87,211**

Information about the currency breakdown, maturity profile and effective interest rates on Bank's trading securities is presented in note 26 to these consolidated financial statements.

(All amounts in thousands of US Dollars)

NOTE 7 – LOANS TO CUSTOMERS, NET

The Bank'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, 2006		December 31, 2005	
	Loans	**Loss provisions**	**Loans**	**Loss provisions**
Consumer loans				
Domestic car loans	50,825	(736)	42,739	(1,068)
Foreign car loans	45,312	(1,250)	33,956	(849)
Other consumer loans	4,851	(33)	4,070	(1,027)
Mortgage loans	5,711	(14)	1,431	(4)
	106,699	**(2,033)**	**82,196**	**(2,948)**
Corporate loans				
Standard loans	373,941	(1,256)	316,503	(9,749)
Letters of credit	17,392	(50)	27,932	(70)
Factoring	9,094	(26)	2,382	(6)
	400,427	**(1,332)**	**346,817**	**(9,845)**
Small business loans	**13,223**	**(269)**	**10,315**	**(309)**
Total	**520,349**	**(3,634)**	**439,328**	**(13,102)**

Corporate and Small business loans by economic sector are as follows:

	Corporate loans		Small business loans	
	June 30, 2006	**December 31, 2005**	**June 30, 2006**	**December31, 2005**
Consumer electronics and computers	87,684	82,671	537	457
Light industry	59,000	39,266	1,987	1,865
Foods	32,555	34,757	775	536
Machinery	45,126	29,046	2,680	1,411
Construction materials	40,639	47,854	1,334	808
Services	27,991	19,860	1,142	970
Hygiene products and consumer chemicals	20,276	15,326	727	978
Sports goods	16,762	23,157	386	238
Furniture	12,800	12,715	492	690
Other consumer goods	23,863	18,787	1,885	1,344
Paper and stationery	16,558	13,763	253	122
Medical	3,143	4,469	60	58
Metallurgic	1,348	587	449	444
Oil	866	893	-	-
Other corporate	11,816	3,666	516	394
	400,427	**346,817**	**13,223**	**10,315**

(All amounts in thousands of US Dollars)

The numbers of contracts and clients within the consumer loan portfolio are as follows:

	Number of contracts		Number of clients	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
Domestic car loans	8,109	7,187	8,096	7,179
Foreign car loans	4,388	3,700	4,057	3,179
Other consumer loans	1,077	774	752	598
Mortgage loans	72	28	72	28

Overdue loans

Overdue loans are as follows:

	June 30, 2006		December 31, 2005	
	Overdue loans	Loss provisions	Overdue loans	Loss provisions
Corporate loans	171	171	7,677	7,677
Retail loans	4,449	1,279	2,044	840
SME loans	1,026	151	203	158

Information about the currency breakdown, maturity profile and effective interest rates on Bank's loan portfolio is presented in note 26 to these consolidated financial statements.

In 2006 the management of the Bank performed a review of overdue loans and assessed that loans in the amount of USD 11,282 thousand should be written off. Such loans were written-off against previously created provisions for loan impairment.

Significant credit exposures

As at June 30, 2006 the Bank had one group of borrowers (December 31, 2005: two) whose loans balances exceeded 10% of equity. The gross value of these loans as of June 30, 2006 was USD 22,157 thousand (December 31, 2005: USD 27,970 thousand).

(All amounts in thousands of US Dollars)

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment comprise:

	June 30, 2006	December 31, 2005
Land and buildings	943	887
Fixtures and fittings	7,892	6,731
	8,835	**7,618**
Less - accumulated depreciation	(4,731)	(4,062)
Property and equipment	**4,104**	**3,556**

NOTE 9 – OTHER ASSETS

Other assets comprise:

	June 30, 2006	December 31, 2005
Accrued interest receivable	2,496	2,087
Commissions receivable	1,897	1,784
Trade debtors	1,022	807
Prepaid expenses	619	1,003
Intangibles	190	190
Other	758	619
Other assets	**6,982**	**6,490**

NOTE 10 – DEPOSITS BY CREDIT INSTITUTIONS

Deposits by credit institutions comprise:

	June 30, 2006	December 31, 2005
Demand deposits	853	1,461
Time deposits	109,860	143,393
Deposits by credit institutions	**110,713**	**144,854**

Information about the currency breakdown, maturity profile and effective interest rates on deposits by credit institutions is presented in note 26 to these consolidated financial statements.

(All amounts in thousands of US Dollars)

Concentration of deposits from credit institutions

As at June 30, 2006 there were no banks (December 31, 2005: 2 banks) whose deposits' balances exceeded 10% of equity. The gross value of these balances as of December 31, 2005 was USD 30,403 thousand – all in respect of time deposits.

NOTE 11 – DEPOSITS BY CUSTOMERS

Deposits by customers comprise:

		June 30, 2006	December 31, 2005
Corporate customers	Demand	152,002	126,127
	Time	15,994	17,431
Total corporate customers		**167,996**	**143,558**
Individuals	Demand	15,142	13,936
	Time	105,005	71,666
Total individuals		**120,147**	**85,602**
Total deposits by customers		**288,143**	**229,160**

Information about the currency breakdown, maturity profile and effective interest rates on deposits by customers is presented in note 26 to these consolidated financial statements.

Concentrations of current accounts and customer deposits

As at June 30, 2006 and December 31, 2005, there were no demand or time deposits from customers, which individually exceeded 10% of equity.

NOTE 12 – DEBT SECURITIES ISSUED

Debt securities issued comprise:

	June 30, 2006	December 31, 2005
Promissory notes issued – nominal value	142,589	150,543
Unamortized discount on promissory notes	(5,755)	(3,734)
	136,834	**146,809**
Bonds issued	54,770	17,372
Certificates of deposit	-	14
	191,604	**164,195**

Information about the currency breakdown, maturity profile and effective interest rates on promissory notes and certificates of deposit is presented in note 26 to these consolidated financial statements.

(All amounts in thousands of US Dollars)

NOTE 13 – COMMON STOCK

Issued, outstanding and paid stock comprised 2,376,158,008 shares (December 31, 2005: 1,573,158,008 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 14 – 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, 2006 and June 30, 2005:

Basic and fully diluted earnings per share (thousands of US Dollars except for weighted-average shares and net income per share data)	**June 30, 2006**	**June 30, 2005**
Net income applicable to common shares	3,081	2,929
Weighted-average basic shares outstanding	1,768,362,428	393,289,502
Net income per share	$0.002	$0.007

NOTE 15 – NET INTEREST INCOME

Net interest income comprises:

	June 30, 2006	**June 30, 2005**
Interest income		
Loans to customers	23,083	16,339
Debt securities	4,796	1,787
Due from credit institutions	685	173
	28,564	**18,299**
Interest expense		
Debt securities issued	6,818	3,147
Deposits by customers	4,997	2,245
Deposits by credit institutions	3,884	1,945
	15,699	**7,337**
Net interest income	**12,865**	**10,962**

(All amounts in thousands of US Dollars)

NOTE 16 – PROVISION FOR CREDIT IMPAIRMENT

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

The breakdown of the credit loss provisions by type is presented in the following table:

	Loans to customers	Off balance sheet items	Total provision for impairment
December 31, 2004	**16,241**	**700**	**16,941**
Provisions charged / (recovered)	1,804	(308)	1,496
June 30, 2005	**18,045**	**392**	**18,437**
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**

NOTE 17 – FEES AND COMMISSIONS INCOME

	June 30, 2006	June 30, 2005
Cash collection/delivery	3,268	1,667
Guarantees and LCs issued	1,972	1,207
Settlements and wire transfers	1,840	1,483
Loans	630	606
Factoring	480	30
Plastic cards	356	276
Other cash operations	316	212
Other settlements	28	14
Fees and commissions income	**8,890**	**5,495**

NOTE 18 – EQUITY SECURITIES TRADING PROFITS, NET

	June 30, 2006	June 30, 2005
Net gains from operations with equity securities	299	-
Equity securities trading profits, net	**299**	**-**

(All amounts in thousands of US Dollars)

NOTE 19 – SALARIES, EMPLOYMENT BENEFITS AND ADMINISTRATIVE EXPENSES

	June 30, 2006	June 30, 2005
Salaries	9,845	6,697
Social security costs	1,791	672
Other	11	-
Salaries and employment benefits	**11,647**	**7,369**
Occupancy	1,915	1,372
Operating taxes	1,029	588
Advertising and business development	855	347
Communications	409	317
Transport	519	245
Security	606	102
Other	922	325
Administrative expenses	**6,255**	**3,296**

The Bank 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 Bank does not have any stock option plans.

NOTE 20 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	June 30, 2006	December 31, 2005
Correspondent account with the CBR	22,075	34,522
Due from credit institutions with an original maturity of less then 3 months	32,696	52,078
Cash on hand	14,768	34,004
Cash and cash equivalents	**69,539**	**120,604**

(All amounts in thousands of US Dollars)

NOTE 21 – INCOME TAXES

The provision for income taxes comprises:

	June 30, 2006	June 30, 2005
Current tax charge	445	463
Deferred taxation	271	329
Taxation	**716**	**792**

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%.

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, 2006	June 30, 2005
Income before tax	3,797	3,721
Applicable statutory tax rate	24%	24%
Income tax using the applicable tax rate	911	893
Income taxed at lower rate	(127)	(50)
Net non-deductible costs/(non-taxable income), net	(68)	(51)
Taxation	**716**	**792**

Income tax liabilities comprise:

	June 30, 2006	December 31, 2005
Current tax liability	20	419
Deferred tax liability	9,873	9,602
Income tax liability	**9,893**	**10,021**

A current tax liability is recognized for the estimated taxes payable or refundable on tax returns for the reporting year. A deferred tax liability is recognized for the estimated future tax effects attributable to temporary differences.

(All amounts in thousands of US Dollars)

Accumulated temporary differences between the carrying amounts of assets and liabilities reflected in these consolidated financial statements and their bases for local taxation purposes give rise to a net deferred tax liability of USD 9,873 thousand as of June 30, 2006 (December 31, 2005: USD 9,602 thousand). This deferred tax liability is attributable to the following items, listed below at their tax effected values:

	June 30, 2006	**December 31, 2005**
Property and equipment	(232)	(201)
Other	(124)	-
Deferred tax assets	**(356)**	**(201)**
Provisions	10,178	9,168
Accrued income	51	635
Deferred tax liabilities	**10,229**	**9,803**
Net deferred tax liability	**9,873**	**9,602**

The applicable deferred tax rate for the Bank is 24% (2005: 24%).

NOTE 22 – COMMITMENTS AND CONTINGENCIES

a) Financial commitments

Undrawn loan commitments, letters of credit and guarantees at June 30, 2006 and December 31, 2005 comprise:

	June 30, 2006	**December 31, 2005**
Commitments given		
Undrawn loan commitments	9,480	11,933
Letters of credit	20,207	7,358
Guarantees	6,547	7,319
	36,234	**26,610**

At June 30, 2006 the Bank provided for potential losses on guarantees and letters of credit in the amount of USD 67 thousand (December 31, 2005: USD 37 thousand).

b) Legal
Bank management is unaware of any significant actual, pending or threatened claims against the Bank.

c) Insurance
The Bank 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 23 – RELATED PARTIES

The outstanding balances and related average interest rates as of June 30, 2006 and December 31, 2005 with related parties are as follows:

	June 30, 2006		**December 31, 2005**	
	Amount	**Average effective interest rate**	**Amount**	**Average effective interest rate**
Assets				
Loans to customers, gross	2,711	13.1%	7,196	10.1%
Other assets	1,897	-	1,784	-
Liabilities				
Deposits by customers	41,028	0.3%	735	1.5%

Amounts included in the income statements as of June 30, 2006 and 2005 in relation to transactions with related parties are as follows:

	June 30, 2006	**June 30, 2005**
Interest income on loans to customers	423	1,378

(All amounts in thousands of US Dollars)

NOTE 24 – CAPITAL ADEQUACY

The Bank's risk based capital adequacy ratio was 21% for June 30, 2006 and 19% for December 31, 2005, which exceeds the minimum ratio of 8% recommended by the Basle Accord.

NOTE 25 – 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 financial assets and financial liabilities that the Bank does believe it is able to estimate fair values for are as follows:

	June 30, 2006		December 31, 2005	
	Carrying value	Fair value	Carrying value	Fair value
Financial Assets				
Cash and correspondent account with CBR	36,843	36,843	68,526	68,526
Due from credit institutions, net	32,696	32,696	52,078	52,078
Trading securities	136,228	136,228	87,211	87,211
Loans to customers, net	516,715	516,715	426,226	426,226
Financial Liabilities				
Deposits by credit institutions	110,713	110,713	144,854	144,854
Deposits by customers	288,143	288,143	229,160	229,160
Debt securities issued	191,604	191,604	164,195	164,195

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

Cash and correspondent account with CBR, due from credit institutions: the carrying amounts approximate fair value because of the short maturity of these instruments.

Loans to customers, net, deposits by credit institutions, deposits by customers, debt securities issued: the estimated fair values of these financial assets and liabilities is calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for a similar instruments at the balance sheet date.

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

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 26 – RISK MANAGEMENT POLICIES

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

Credit risk

The Bank is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank 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 revolving 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 Bank 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 Bank on behalf of a customer authorizing a third party to draw drafts on the Bank 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 Bank 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 monetary assets and liabilities follows:

	June 30, 2006				December 31, 2005			
	Russia	OECD	Other non-OECD	Total	Russia	OECD	Other non-OECD	Total
Assets								
Cash and due from CBR	48,251	2,179	-	**50,430**	75,496	3,050	-	**78,546**
Due from credit institutions	23,840	8,833	23	**32,696**	38,560	13,503	15	**52,078**
Trading securities	136,228	-	-	**136,228**	87,211	-	-	**87,211**
Loans to customers, gross	507,546	9,854	2,949	**520,349**	415,342	18,237	5,749	**439,328**
	715,865	**20,866**	**2,972**	**739,703**	**616,609**	**34,790**	**5,764**	**657,163**
Liabilities								
Deposits by credit institutions	23,828	77,042	9,843	**110,713**	43,708	92,696	8,450	**144,854**
Deposits by customers	250,016	1,127	37,000	**288,143**	217,550	910	10,700	**229,160**
Debt securities issued	177,687	10,617	3,300	**191,604**	150,833	10,152	3,210	**164,195**
	451,531	**88,786**	**50,143**	**590,460**	**412,091**	**103,758**	**22,360**	**538,209**
Net position	264,334	(67,920)	(47,171)	**149,243**	204,518	(68,968)	(16,596)	**118,954**

Currency risk

The Bank 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 Bank's exposure to foreign currency exchange rate risk is as follows:

	June 30, 2006				December 31, 2005			
	USD	Rubles	Other currencies	Total	USD	Rubles	Other currencies	Total
Assets								
Cash and due from CBR	1,456	48,251	723	**50,430**	2,441	75,496	609	**78,546**
Due from credit institutions	7,870	22,869	1,957	**32,696**	11,231	37,631	3,216	**52,078**
Trading securities	54	136,174	-	**136,228**	57	87,154	-	**87,211**
Loans to customers, gross	123,607	372,340	24,402	**520,349**	87,100	316,621	35,607	**439,328**
	132,987	**579,634**	**27,082**	**739,703**	**100,829**	**516,902**	**39,432**	**657,163**
Liabilities								
Deposits by credit institutions	70,744	17,147	22,822	**110,713**	72,631	36,940	35,283	**144,854**
Deposits by customers	32,624	246,659	8,860	**288,143**	32,059	187,950	9,151	**229,160**
Debt securities issued	12,805	174,313	4,486	**191,604**	21,211	138,398	4,586	**164,195**
	116,173	**438,119**	**36,168**	**590,460**	**125,901**	**363,288**	**49,020**	**538,209**
Net position	16,814	141,515	(9,086)	**149,243**	(25,072)	153,614	(9,588)	**118,954**
Off-balance (spot) position	(12,510)	3,583	8,927	**-**	26,100	(34,976)	8,876	**-**
Total position	4,304	145,098	(159)	**149,243**	1,028	118,638	(712)	**118,954**

(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.

The contractual maturities of monetary assets and liabilities as of June 30, 2006 and December 31, 2005 are as follows:

June 30, 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 CBR	36,843	-	-	-	13,587	-	**50,430**
Due from credit institutions	32,696	-	-	-	-	-	**32,696**
Trading securities	10,634	23,211	15,757	84,467	2,159	-	**136,228**
Loans to customers, gross	132,947	198,297	94,496	92,881	-	1,728	**520,349**
	213,120	**221,508**	**110,253**	**177,348**	**15,746**	**1,728**	**739,703**
Liabilities							
Deposits by credit institutions	18,312	72,454	3,560	16,387	-	-	**110,713**
Deposits by customers	183,005	63,562	36,916	4,660	-	-	**288,143**
Debt securities issued	30,349	79,439	44,887	36,929	-	-	**191,604**
	231,666	**215,455**	**85,363**	**57,976**	**-**	**-**	**590,460**
Net position	**(18,546)**	**6,053**	**24,890**	**119,372**	**15,746**	**1,728**	**149,243**
Accumulated gap	**(18,546)**	**(12,493)**	**12,397**	**131,769**	**147,515**	**149,243**	**-**

December 31, 2005

	Less than 1 month	1 – 6 months	6 months to 1 year	Over 1 year	No maturity	Overdue	Total
Assets							
Cash and due from CBR	68,526	-	-	-	10,020	-	**78,546**
Due from credit institutions	52,078	-	-	-	-	-	**52,078**
Trading securities	2,250	28,195	21,203	35,563	-	-	**87,211**
Loans to customers, gross	143,867	174,824	44,426	66,651	-	9,560	**439,328**
	266,721	**203,019**	**65,629**	**102,214**	**10,020**	**9,560**	**657,163**
Liabilities							
Deposits by credit institutions	46,593	34,280	47,309	16,672	-	-	**144,854**
Deposits by customers	147,409	53,169	27,339	1,243	-	-	**229,160**
Debt securities issued	35,755	97,673	27,614	3,153	-	-	**164,195**
	229,757	**185,122**	**102,262**	**21,068**	**-**	**-**	**538,209**
Net position	**36,964**	**17,897**	**(36,633)**	**81,146**	**10,020**	**9,560**	**118,954**
Accumulated gap	**36,964**	**54,861**	**18,228**	**99,374**	**109,394**	**118,954**	-

(All amounts in thousands of US Dollars)

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.

Interest rate risk

The Bank 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 Bank's expected repricing and maturity dates do not differ significantly from the contract dates, which are disclosed in the liquidity risk table above.

Interest rate risk is managed by increasing or decreasing positions within limits specified by the Bank'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 Bank's interest rate policy is reviewed and approved by the Bank's Assets and Liabilities Management Committee. The Bank's average effective interest rates as at June 30, 2006 and December 31, 2005 for interest bearing financial instruments are as follows:

	June 30, 2006			**December 31, 2005**		
	US Dollars	**Rubles**	**Other foreign currencies**	**US Dollars**	**Rubles**	**Other foreign currencies**
Interest earning assets						
Due from credit institutions	0.4%	5.6%	-	3.3%	7.1%	-
Trading securities – government bonds	6.4%	6.3%	-	5.6%	6.1%	-
Trading securities – corporate notes and municipal bonds	-	7.2%	-	-	7.7%	-
Loans to customers	10.8%	11%	5.9%	10.5%	10.0%	4.1%
Interest bearing liabilities						
Deposits by credit institutions	8.2%	5.1%	1.7%	7.1%	7.0%	3.8%
Deposits by customers	6.0%	3.7%	5.7%	6.1%	3.2%	5.2%
Debt securities issued	7.6%	9.8%	3.4%	6.7%	6.2%	3.5%