

OJSC “Financial Corporation URALSIB”
Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2008

Together with Independent Auditors’ Report

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Independent Auditors' Report

To the Shareholders and Board of Directors of OJSC "Financial Corporation URALSIB"

Report on Review of the Interim Financial Information

Introduction

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

Scope of Review

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

Conclusion

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

Emphasis of Matter

Without qualifying our review report, we draw attention to the fact that the corresponding figures for the six-month period ended June 30, 2007 are not reviewed.

ZAO KPMG

ZAO KPMG
November 1, 2008

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2008*(Millions of Russian Rubles)*

	<i>Notes</i>	<i>June 30, 2008 (Unaudited)</i>	<i>December 31, 2007</i>
Cash and cash equivalents	5	57,489	57,314
Obligatory reserves with Central Bank		7,930	4,422
Amounts due from credit institutions	6, 11	3,148	2,191
Trading portfolio assets	7	49,759	49,246
Securities pledged under repurchase agreements	7	199	3,533
Available-for-sale securities	8	8,911	4,753
Trade accounts receivable		12,046	8,573
<i>Loans to corporate entities (gross)</i>		206,885	181,925
<i>less: Impairment allowance</i>	11	(9,270)	(8,091)
<i>Loans to corporate entities (net)</i>		197,615	173,834
<i>Loans to individuals (gross)</i>		82,968	70,363
<i>less: Impairment allowance</i>	11	(3,891)	(2,928)
<i>Loans to individuals (net)</i>		79,077	67,435
Total loans to customers (net)	10	276,692	241,269
Net investments in finance leases	11, 12	26,441	20,712
Investments in associates		1,712	1,326
Property and equipment	13	16,200	16,526
Intangible assets		6,078	5,837
Other assets		13,335	8,009
Total assets		479,940	423,711
LIABILITIES			
Amounts due to credit institutions	15	73,843	87,827
Settlement with brokerage houses and investment companies		14,336	10,962
Trading portfolio liabilities	7	3,075	1,545
<i>Current accounts of corporate clients</i>		88,663	73,456
<i>Time deposits of corporate clients and repurchase agreements</i>		112,755	70,082
<i>Total amounts due to corporate clients</i>		201,418	143,538
<i>Current accounts of individuals</i>		24,511	26,929
<i>Time deposits of individuals</i>		60,949	55,541
<i>Total amounts due to individual clients</i>		85,460	82,470
Amounts due to customers	16	286,878	226,008
Promissory notes and certificates of deposit issued	17	14,192	14,793
Other borrowed funds	18	6,315	5,191
Deferred tax liabilities		1,430	2,215
Other liabilities		6,956	5,589
Total liabilities		407,025	354,130
EQUITY			
Statutory fund		1,051	1,051
Additional paid-in capital		23,999	23,999
Unrealised gains on available-for-sale securities		124	751
Property revaluation reserve		5,058	5,070
Foreign currency revaluation reserve		(883)	(705)
Retained earnings		35,063	31,470
Total equity attributable to shareholders of the parent		64,412	61,636
Minority interest		8,503	7,945
Total equity		72,915	69,581
Total equity and liabilities		479,940	423,711

Signed on behalf of the Management Board

Lyudmila A. Shabalkina

Konstantin M. Vaysman

November 1, 2008

The accompanying notes on pages 6 to 31 are an integral part of these consolidated financial statements.

General Director

First Vice President in
Strategy and Finance

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**For the six-month period ended June 30, 2008***(Millions of Russian Rubles)*

	Notes	<i>For the six months ended June 30,</i>	
		<i>2008 (Unaudited)</i>	<i>2007 (Unaudited)</i>
Continuing operations			
Interest income			
Loans to customers		17,951	12,137
Net investments in finance leases		2,495	1,277
Securities		1,700	1,363
Amounts due from credit institutions		713	437
		22,859	15,214
Interest expense			
Amounts due to customers		5,628	4,762
Amounts due to credit institutions		2,543	2,094
Promissory notes and certificates of deposit issued		492	320
Other borrowed funds		243	150
		8,906	7,326
Net interest income			
		13,953	7,888
Impairment of interest earning assets	11	2,536	1,774
Net interest after impairment of interest earning assets			
		11,417	6,114
Net fee and commission income	20	2,796	3,181
Net trading loss		(1,393)	(3,216)
Net gains/(losses) on available-from-sale securities		1,154	(40)
Net gains from derivatives		261	110
Net gains on foreign currency		288	81
Net gains on operations with precious metals		166	47
Fees from trust activities		377	586
Dividend income		57	101
Share of profit of associates		69	59
Income from revaluation of previously devalued property		-	3
Other income		441	793
Total operating income			
		15,633	7,819
Operating expenses			
Salaries and employment benefits	21	5,024	5,811
General and administrative expenses	21	4,309	3,344
Depreciation and amortisation		490	535
Impairment (reversal of impairment) for non-interest earning assets	11	21	(82)
Total operating expenses			
		9,844	9,608
Operating profit from continuing operations before tax			
		5,789	(1,789)
Income tax expense/(benefit)	14	1,438	(386)
Profit for the year from continuing operations			
		4,351	(1,403)
Discontinued operations			
Gain from discontinued operations		-	333
Income tax expense		-	101
Net result for the year from discontinued operations			
		-	232
Profit for the year			
		4,351	(1,171)
Attributable to:			
- participants of the Group		3,955	(851)
- minority interest		396	(320)

The accompanying notes on pages 6 to 31 are an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the six-month period ended June 30, 2007***(Millions of Russian Rubles)*

	<i>Statutory fund</i>	<i>Additional paid-in capital</i>	<i>Unrealized gains on available-for-sale securities</i>	<i>Property revaluation reserve</i>	<i>Foreign currency revaluation reserve</i>	<i>Retained earnings</i>	<i>Total equity attributable to shareholders of the parent</i>	<i>Minority interest</i>	<i>Total equity</i>
December 31, 2006	51	23,999	(31)	2,556	(236)	29,166	55,505	8,798	64,303
Net unrealised gains / (losses) on available-for-sale securities (unaudited)	-	-	(240)	-	-	-	(240)	83	(157)
Realised (gains)/losses on available-for-sale securities reclassified to the statement of income (unaudited)	-	-	40	-	-	-	40	(110)	(70)
Tax effect of net gains on available-for-sale securities (unaudited)	-	-	45	-	-	-	45	6	51
Disposal of property previously revalued, net of tax (unaudited)	-	-	-	(1)	-	1	-	-	-
Other	-	-	-	-	-	(14)	(14)	-	(14)
Total income and expense recognised directly in equity (unaudited)	-	-	(155)	(1)	-	(13)	(169)	(21)	(190)
Profit for the six-month period ended June 30, 2007 (unaudited)	-	-	-	-	-	(851)	(851)	(320)	(1,171)
Total income and expense for the six-month period ended June 30, 2007 (unaudited)	-	-	(155)	(1)	-	(864)	(1,020)	(341)	(1,361)
Dividends declared (unaudited)	-	-	-	-	-	(19)	(19)	(51)	(70)
Translation gain/(loss) on equity of non-resident entities of the Group (unaudited)	-	-	-	-	(345)	-	(345)	-	(345)
Acquisition / (sale) of minority interests in existing subsidiaries (unaudited)	-	-	-	-	-	14	14	(86)	(72)
June 30, 2007 (unaudited)	51	23,999	(186)	2,555	(581)	28,297	54,135	8,320	62,455

The accompanying notes on pages 6 to 31 are an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**For the six-month period ended June 30, 2008***(Millions of Russian Rubles)*

	<i>Statutory fund</i>	<i>Additional paid-in capital</i>	<i>Unrealized gains on available-for-sale securities</i>	<i>Property revaluation reserve</i>	<i>Foreign currency revaluation reserve</i>	<i>Retained earnings</i>	<i>Total equity attributable to shareholders of the parent</i>	<i>Minority interest</i>	<i>Total equity</i>
December 31, 2007	1,051	23,999	751	5,070	(705)	31,470	61,636	7,945	69,581
Net unrealised gains on available-for-sale securities (unaudited)	-	-	325	-	-	-	325	36	361
Realised gains on available-for-sale securities reclassified to the statement of income (unaudited)	-	-	(1,154)	-	-	-	(1,154)	(6)	(1,160)
Tax effect of net gains on available-for-sale securities (unaudited)	-	-	202	-	-	-	202	(7)	195
Disposal of property previously revalued, net of tax (unaudited)	-	-	-	(12)	-	12	-	-	-
Total income and expense recognised directly in equity (unaudited)	-	-	(627)	(12)	-	12	(627)	23	(604)
Profit for the six-month period ended June 30, 2008 (unaudited)	-	-	-	-	-	3,955	3,955	396	4,351
Total income and expense for the six-month period ended June 30, 2008 (unaudited)	-	-	(627)	(12)	-	3,967	3,328	419	3,747
Disposal of subsidiaries (unaudited)	-	-	-	-	-	-	-	(35)	(35)
Dividends declared (unaudited)	-	-	-	-	-	(16)	(16)	(20)	(36)
Currency translation difference (unaudited)	-	-	-	-	(178)	(226)	(404)	-	(404)
Acquisition of minority shares (unaudited)	-	-	-	-	-	(132)	(132)	194	62
June 30, 2008 (unaudited)	1,051	23,999	124	5,058	(883)	35,063	64,412	8,503	72,915

The accompanying notes on pages 6 to 31 are an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**For the six-month period ended June 30, 2008***(Millions of Russian Rubles)*

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>June 30, 2007</i> <i>(Unaudited)</i>
Profit before tax from continuing operations	5,789	(1,789)
Profit before tax from discontinued operations	-	333
Non-cash items included in net profit and other adjustments:		
Dividend income	(57)	(101)
Depreciation and amortisation	490	535
Income from associates	(69)	(59)
Income (loss) from revaluation of previously devalued property	-	(3)
Impairment of interest earning assets	2,536	1,774
Translation (gain) loss	393	369
Net trading gains	(648)	1,064
Accrued interest	587	93
Accrued administrative expenses	(51)	-
Accrued compensation and bonuses to employees	384	(784)
Accrued commissions	(434)	-
Impairment (reversal of impairment) for non-interest earning assets	21	(82)
Change in insurance contracts liabilities	-	1,033
Income (loss) on disposal and write-off of property, plant and equipment	22	12
Loss on disposal of subsidiary	18	-
Cash flows from operating activities before changes in operating assets and liabilities	8,981	2,395
<i>(Increase) decrease in operating assets</i>		
Amounts due from credit institutions	(4,911)	(2,438)
Trading portfolio assets	(426)	27,936
Securities pledged under repurchase agreements	3,334	1,058
HTM investments	-	(959)
Trade accounts receivable	(3,863)	(2,246)
Loans to customers	(41,562)	(31,433)
Net investment in leases	(6,496)	(3,263)
Intangible assets	(274)	(90)
Insurance assets	-	(723)
Other assets	(5,014)	(569)
<i>Decrease (increase) in operating liabilities</i>		
Amounts due to credit institutions other than subordinated and syndicated loans	2,824	6,890
Settlements with brokerage houses and investment companies	3,062	10,950
Trading portfolio liabilities	1,446	(977)
Amounts due to customers	62,611	15,829
Debt securities issued	(417)	353
Other liabilities	988	(1,177)
Net cash flows from operating activities before income taxes	20,283	21,536
Income taxes paid	(2,212)	(4,290)
Net cash from operating activities	18,071	17,246
Cash flows used in investing activities		
Purchase of subsidiaries less cash acquired	-	(15,137)
Proceeds from disposal of subsidiaries less cash disposed	59	15,515
Net cash acquired in subsidiaries	-	(55)
Available-for-sale securities	(4,955)	(10,133)
Dividend income received	54	93
Purchase of property and equipment	(405)	(594)
Proceeds from sale of property and equipment	215	59
Net cash used in investing activities	(5,032)	(10,252)
Cash flows from financing activities		
Proceeds from syndicated loans	1,158	8,778
Proceeds from subordinated loan	-	6,545
Syndicated loans repaid	(15,710)	(5,582)
Redemption of Eurobonds	-	(3,574)
Proceeds from bonds and CLNs	1,935	-
Purchase (sale) of minority stakes in subsidiaries	62	(72)
Dividends paid by subsidiaries to minority shareholders	(36)	(70)
Proceeds from other borrowed funds issued	-	1,018
Other borrowed funds repaid	-	(2,090)
Effect of exchange rate changes on other borrowed funds	-	37
Net cash (used in) / from financing activities	(12,591)	4,990
Effect of exchange rate changes on cash and cash equivalents	(273)	(142)
Change in cash and cash equivalents	175	11,842
Cash and cash equivalents, beginning of the reporting period	57,314	41,467
Cash and cash equivalents, ending of the reporting period	57,489	53,309

The accompanying notes on pages 6 to 31 are an integral part of these interim consolidated financial statements

(Millions of Russian Rubles)

1. Principal activities

The accompanying consolidated financial statements comprise the accounts of OJSC "Financial Corporation URALSIB" and its subsidiaries (together the "Group" or FC URALSIB). The Group is engaged in providing financial services in Russia, Cyprus, UK and other jurisdictions. The Group initiated its activities in 1993; during 2004 it changed its name from NIKoil Financial Corporation to URALSIB Financial Corporation. The Group is ultimately controlled by Mr. Nickolai A. Tsvetkov. Registered legal address of OJSC "Financial Corporation URALSIB" is Moscow, 107031, Kuznetsky Most, 21/5.

The Group provides a full range of capital markets, banking and other financial services mainly focused on the Russian market including corporate and private banking, factoring, leasing, brokerage, custodian and asset management services. The Group is one of the leading financial corporations in the Russian market.

As of June 30, 2008 the following shareholders held the issued shares of OJSC "Financial Corporation URALSIB":

Shareholder	June 30, 2008	December 31, 2007
	(Unaudited) %	%
Limited partnership "NIKoil Financial Corporation Ltd. & Co"	99.62	99.62
LLC "Financial Corporation NIKoil"	0.38	0.38
Total	100.0	100.0

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements for the six-month period ended June 30, 2008 have been prepared in accordance with IAS 34 "Interim financial reporting" and should be read in conjunction with the annual financial statements for the year ended December 31, 2007 which had been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in millions of Russian Rubles (RUB) (except where indicated), which is the Group presentation currency and the functional currency for the majority of the Group's member companies.

Subsidiaries

The interim condensed consolidated financial statements include the following incorporated subsidiaries:

Company	Country	Ownership 30.06.2008	Ownership 31.12.2007	Main activity
BANK URALSIB				
OJSC "URALSIB"	Russia	85.12%	85.12%	Banking
Joint stock commercial bank "Stroyvestbank"	Russia	86.77%	91.50%	Banking
LLC "CHOP USB-Ohrana P"	Russia	100.00%	100.00%	Security services
LLC "CHOP USB-Ohrana E"	Russia	100.00%	100.00%	Security services
LLC "CHOP USB-Ohrana"	Russia	100.00%	100.00%	Security services
OFC "URALSIB-Factoring" (LLC)	Russia	100.00%	100.00%	Factoring
"UralSib Electronic Technologies" LLC	Russia	100.00%	100.00%	Consulting
"Ufa-City" LLC	Russia	100.00%	100.00%	Construction
"Stock Agency" CJSC	Russia	-	100.00%	Asset management

(Millions of Russian Rubles)

2. Basis of preparation (continued)

<i>Company</i>	<i>Country</i>	<i>Ownership 30.06.2008</i>	<i>Ownership 31.12.2007</i>	<i>Main activity</i>
Interval Unit Investment Fund of stock “URALSIB Connection and Information technologies”	Russia	86.56%	-	Asset management
Interval Unit Investment Fund of stock “URALSIB Russian finances”	Russia	88.58%	-	Asset management
Closed Unit Investment Fund of real estate “URALSIB real estate”	Russia	100%	-	Asset management
Closed Unit Investment Fund of stock “Strategic management”	Russia	100%	100%	Asset management
Closed Unit Investment Fund of property “URALSIB - REGION”	Russia	100%	100%	Asset management
Closed Unit Investment Fund of property “URALSIB - ARENDA”	Russia	100%	100%	Asset management
OJSC “URALSIB-YUG BANK”	Russia	88.38%	92.08%	Banking
Leasing Group URALSIB				
URALSIB Leasing company LLC	Russia	100.00%	100.00%	Leasing
LLC “Region Leasing Ufa”	Russia	99.00%	99.00%	Leasing
LLC “Region Leasing Consult”	Russia	99.00%	99.00%	Leasing
NIKOIL Leasing company LC	Azerbaijan	100.00%	100.00%	Leasing
Other Group members				
JSC “Depository Company UralSib”	Russia	100.00%	100.00%	Depository
JSC “Specialized depository centre”	Russia	52.63%	52.63%	Depository
JSC “Management Company UralSib”	Russia	100.00%	100.00%	Asset management
“URALSIB Capital” LLC	Russia	100.00%	100.00%	Brokerage
"Active-Holding" LLC	Russia	100.00%	100.00%	Intermediate holding
LLC “URALSIB - stock investments”	Russia	100.00%	100.00%	Investment and finance
Uralsib Consult Ltd	Russia	100.00%	100.00%	Consulting
LLC "URALSIB Capital - Financial Services"	Russia	100.00%	100.00%	Internet securities trading
“Spectrum” LLC	Russia	99.00%	99.00%	Securities trading
SODEISTVIE Private Guard Enterprise LLC	Russia	100.00%	100.00%	Security services
"UralSib Business Centre" JSC	Russia	100.00%	100.00%	Property management
LLC “Centerryboproduct”	Russia	100.00%	100.00%	Investment and finance
Accord-Invest Ltd.	Russia	99.00%	99.00%	Securities trading
JSC “Cardcenter”	Russia	84.85%	84.85%	Plastic card services
Collecting company “Sodeystvie” LC	Russia	100.00%	100.00%	Debt collection
URALSIB Surveyor Network JSC	Russia	100.00%	100.00%	Surveyor
LLC "URALSIB-Realty"	Russia	100.00%	100.00%	Property management
URALSIB IB Holding A.G.	Switzerland	100.00%	100.00%	Intermediate holding
URALSIB Management (Cyprus) Limited	Cyprus	100.00%	100.00%	Asset management
USB Investment Solutions (Cayman) Ltd.	Cayman	100.00%	100.00%	Asset management
LIM Invest Corp.	BVI	100.00%	100.00%	Asset management
Redder Investments Inc.	BVI	100.00%	100.00%	Investment and finance
Tonollo Trading Limited	BVI	100.00%	100.00%	Investment and finance
Serfour Invest. Ltd.	BVI	100.00%	100.00%	Asset management
Pometta Investments Ltd.	Cyprus	100.00%	100.00%	Investment and finance
UralSib Diversity Fund SPC. Ltd	Cayman	100.00%	100.00%	Asset management
Dencross Limited	Cyprus	100.00%	100.00%	Asset management
Astrolink Trading Ltd.	Cyprus	100.00%	100.00%	Asset management
Icebeam Trading Limited	Cyprus	100.00%	100.00%	Asset management
Jenera Limited	Cyprus	100.00%	100.00%	Asset management
URALSIB Group Holding A.G.	Switzerland	100.00%	100.00%	Intermediate holding
CJSIC “NIKOil”	Azerbaijan	100.00%	100.00%	Investment and finance
LLC “UralSib-Invest”	Azerbaijan	100.00%	100.00%	Investment and finance

*(Millions of Russian Rubles)***2. Basis of preparation (continued)**

<i>Company</i>	<i>Country</i>	<i>Ownership 30.06.2008</i>	<i>Ownership 31.12.2007</i>	<i>Main activity</i>
“NIKOil” Investment Commercial Bank				
OJSC	Azerbaijan	42.61%	90.44 %	Banking
Eckbau AG	Liechtenstein	100.00%	100.00%	Investment and finance
URALSIB Management B.V.	Netherlands	100.00%	100.00%	Investment and finance
NKB Investments Ltd.	Cyprus	100.00%	100.00%	Brokerage
URALSIB Securities Ltd.	UK	100.00%	100.00%	Investment and finance
Damita Enterprises Limited	Cyprus	100.00%	100.00%	Investment and finance
Hambidge Investments Limited	Cyprus	100.00%	100.00%	Leasing
Inglenook Trading Limited	Cyprus	100.00%	100.00%	Investment and finance
Gerihall Ventures Limited	Cyprus	100.00%	100.00%	Investment and finance
Malbourne Invest and Finance S.A.	BVI	100.00%	100.00%	Brokerage
URALSIB Real Estate Holding A.G.	Switzerland	100.00%	100.00%	Intermediate holding
Foligno Holding Ltd.	Cyprus	100.00%	100.00%	Property management
URALSIB Industrial Holding A.G.	Switzerland	100.00%	100.00%	Intermediate holding
Montgomery Nominees Ltd.	Cyprus	100.00%	100.00%	Investment and finance
URALSIB AM HOLDING AG	Switzerland	100.00%	100.00%	Intermediate holding
Savalan, OJSC	Azerbaijan	91.62%	91.62%	Production
Bondorian Global Corp.	BVI	100.00%	100.00%	Investment and finance
Westernmost Investment Ltd	Cyprus	100.00%	100.00%	Investment and finance
"Business Cafe Uralsib Moscow" Ltd.	Russia	100.00%	25.00%	Catering
“Uralsib Private Equity Fund” Ltd	Cayman	100.00%	-	Asset management

During the six-month period ended June 30, 2008 OJSC “URALSIB” acquired 100%, 86.56% and 88.58% of units in newly established Closed Unit Investment Fund of real estate “URALSIB real estate” and Interval Unit Investment Funds of stock “URALSIB Connection and Information technologies” and “URALSIB Russian finances” respectively, at their nominal amount.

During the six-month period ended June 30, 2008 OJSC “URALSIB” liquidated its 100% subsidiary CJSC “Stock Agency”. In April 2008 “NIKOIL” Investment Commercial Bank OJSC issued additional shares resulting in the Group’s ownership reducing from 90,4% to 40,3%. As at June 30, 2008 “NIKOIL” Investment Commercial Bank OJSC became an associate of the Group.

At May 26, 2008 a new 100% owned subsidiary “Uralsib Private Equity Fund” Ltd. was created.

*(Millions of Russian Rubles)***3. Summary of accounting policies**

Except as described below the accounting policies applied by the Group in these interim condensed consolidated financial statements are consistent with those applied the consolidated financial statements for the year ended December 31, 2007 as described in those consolidated financial statements.

Comparative information

The presentation of certain balance sheet and income statement captions relating to precious metals, obligatory reserves, overdue net investments in finance leases and the corresponding impairment allowance was changed for the six-month period ended June 30, 2008 to better present the nature of the underlying transactions. Comparative information has been reclassified to conform to changes in presentation in the current period. The effect of this change in presentation is as follows:

	<i>December 31, 2007 or six-month period ended June 30, 2007 (unaudited)</i>
Reclassification of precious metals from a separate caption to other assets	
Precious metals	(357)
Other assets	357
Reclassification of obligatory reserves with the Central bank to a separate caption from amounts due from credit institutions	
Obligatory reserves with the Central bank	4,112
Due from credit institutions	(4,112)
Reclassification of overdue net investments in finance leases less impairment allowance from other assets to net investments in finance leases	
Net investments in finance leases	330
Other assets	(330)
Reclassification of charge for impairment for overdue net investments in finance leases from impairment of other assets to impairment of interest earning assets	
Impairment of other assets	88
Impairment of interest earning assets	(88)

Changes in accounting policies

As at January 1, 2008 the Group early adopted IFRS 8 “Operating segments”. IFRS 8 “Operating Segments”, which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should report information about its operating segments and sets out requirements for related disclosures about products and services, geographical areas and major customers. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

As at 1 January, 2008 the Group early adopted the amendments to IAS 32 “Financial instruments: Presentation” and IAS 1 “Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation”. These amendments are effective for annual periods beginning on or after 1 January 2009. They require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

(Millions of Russian Rubles)

3. Summary of accounting policies (continued)

Net assets attributable to participants in Groups’ subsidiaries established in form of limited liability companies and unit investment funds which represent such puttable instruments met the criteria, thus the Group changed classification of the minority interest in these subsidiaries from a liability to equity. Comparative information has been adjusted accordingly. Application of these amendments did not have any impact on the income and retained earnings of the Group.

New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2008, and have not been applied in preparing these interim condensed consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group’s operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial statements.

- Revised IAS 1 “Presentation of Financial Statements (2007)” which becomes mandatory for the Group’s 2009 consolidated financial statements is expected to have a significant impact on the presentation of the consolidated financial statements. The Standard introduces the concept of total comprehensive income and requires presentation of all owner changes in equity in the statement of changes in equity, separately from non-owner changes in equity.
- Revised IAS 23 “Borrowing Costs” removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group’s 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.
- Amended IAS 27 “Consolidated and Separate Financial Statements (2008)” which become mandatory for the Group’s 2010 consolidated financial statements requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss.
- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement Eligible Hedged Items” clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment becomes mandatory for the Group’s 2010 financial statements, with retrospective application required.
- Amendments to IFRS 1 “First-time adoption of International Financial Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements – Cost of an Investment in a subsidiary, jointly controlled entity or Associate” which will come into effect on 1 January 2009.
- Amendment to IFRS 2 “Share-based Payment – Vesting conditions and cancellations” clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group’s 2009 financial statements, with retrospective application.
- Revised IFRS 3 “Business Combinations (2008)” and amended IAS 27 “Consolidated and Separate Financial Statements (2008)”, which come into effect on 1 July 2009 (i.e. becomes mandatory for the Group’s 2010 financial statements). The revisions address, among others, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require to account for effects of transactions with non-controlling interest directly in equity.

(Millions of Russian Rubles)

3. Summary of accounting policies (continued)

- IFRIC 13 “Customer Loyalty Programmes” addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Group’s 2009 financial statements.
- IFRIC 15 “Agreements for the Construction of Real Estate” addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. IFRIC 15 becomes mandatory for the Group’s 2009 financial statements.

4. Segment information

The Group is organized into nine main reportable segments:

1. Corporate banking: commercial lending and deposit taking, settlements and cash operations, as well as trade finance and operations with precious metals.
2. Retail banking: full range of banking services to individuals, such as deposit taking and lending to individuals, bills and depositary certificates, money transfer and foreign exchange services and a range of banking card products.
3. Private banking: full range of banking services to high net worth individuals, including their savings management and financial consulting.
4. Leasing: a separate division of the Group solely responsible for its all leasing activities.
5. Investment banking: primary and secondary equity and debt capital markets activities, brokerage services and securities trading, including repo transactions and derivative operations.
6. Asset management and structured financing: trust management, services to corporate and private clients through fiduciary and collective investment schemes including closed-end investment funds and open-end mutual funds which are distributed through the Group’s regional network.
7. Treasury and asset-liability management unit: treasury, which lends and borrows funds on money market, undertakes the Group’s funding through issue of debt securities and attraction of syndicated facilities and conducts foreign exchange operations. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.
8. Corporate investments and other operations: corporate operations that are not conducted by and attributed to any business segment. This segment is responsible for operations with related parties of the Group and certain securities operations. In the Group’s transfer pricing system, this segment is responsible for the Group’s capital. It also carries out service operations that are not related to the main business activity of the Group, such as management of the real estate.
9. Head office and shared services: expenses incurred by the central administrative divisions of the Group. This category also includes other Head Office expenditures and indirect overhead expenses such as the advertisement of the Group’s brand, which is common to all reportable segments.
10. Insurance - a separate division of the Group. The Insurance divisions has been sold in 2007.

Information about reported segments includes intersegment balances, income and expenses. Elimination effects are presented in a separate column.

*(Millions of Russian Rubles)***4. Segment information (continued)**

A reconciliation of total segmental profit/(loss) before income tax expense as measured in the management accounting to the total IFRS profit/(loss) before income tax expense as presented in these interim condensed consolidated financial statements is provided below.

	<i>For the six-month period ended June 30,</i>	
	<i>2008 (Unaudited)</i>	<i>2007 (Unaudited)</i>
Profit/(loss) before income tax expense per management accounting	6,263	(2,365)
Consolidation adjustment	180	(515)
Accrued interest and commission	395	(230)
Conversion to finance lease accounting	425	7
Fair value and other adjustments to securities	(1,233)	1,396
Fair value adjustment to derivative financial instruments	(413)	(82)
Accrued personnel, administrative and operating expenses	292	(505)
Rent expenses not recognized in management accounting	51	9
Adjustment of impairment allowance	(196)	940
Other adjustments	25	(111)
Gain from discontinued operations	–	(333)
Profit/(loss) before income tax expense per IFRS financials	5,789	(1,789)

A reconciliation of total segmental assets/liabilities as measured in the management accounting to the total IFRS assets/liabilities as presented in these interim condensed consolidated financial statements is provided below.

	<i>June 30, 2008 (Unaudited)</i>		<i>December 31, 2007 (Unaudited)</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Total assets/liabilities per management accounting	476,136	414,953	417,595	359,011
Recognition of goodwill	210	–	210	–
Consolidation of subsidiaries	5,395	216	4,625	234
Investments in associates	588	–	486	–
Recognition of net investment in Leases	920	(1,226)	1,240	(577)
Revaluation and other adjustments to property and equipment	6,656	10	7,661	24
Adjustment of current and deferred tax assets and liabilities	2,141	2,631	(398)	1,896
Revaluation and other adjustments to accumulated depreciation on property and equipment	(1,045)	(256)	(2,284)	–
Accrual of administrative and operating expenses	1,395	113	2,061	708
Accrual of interests and commissions	(964)	(251)	(2,694)	(337)
Adjustment of impairment allowance	(434)	(133)	(645)	(113)
Elimination of intragroup balances	(17,302)	(17,302)	(15,154)	(15,154)
Fair value adjustment to securities	(1,943)	(1,168)	3,773	(1,442)
Fair value adjustment to derivative financial instruments	714	158	296	2,439
Accrual of employee compensation payable	–	510	–	1,249
Netting of accounts receivable and payable on securities operations in management accounting	7,867	7,875	6,808	5,425
Other adjustments	(394)	895	131	767
Total assets/liabilities per IFRS financials	479,940	407,025	423,711	354,130

*(Millions of Russian Rubles)***4. Segment information (continued)**

Segment breakdown of assets and liabilities of the Group as of June 30, 2008 is set out below:

<i>(Unaudited)</i>	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Private Banking</i>	<i>Leasing</i>	<i>Investment Banking</i>	<i>Asset management & structured financing</i>	<i>Treasury & asset-liability management unit</i>	<i>Corporate investments & other operations</i>	<i>Inter segmental operations</i>	<i>Total</i>
Assets										
Cash and cash equivalents	–	–	–	–	8,747	1,588	23,643	3,416	–	37,394
Obligatory reserves with Central Bank	–	–	–	–	–	–	7,930	–	–	7,930
Amounts due from credit institutions	–	112	–	1,218	–	–	24,129	193	–	25,652
Trading portfolio assets	–	–	–	–	11,530	4,149	141	44,765	(1,075)	59,510
Trade accounts receivable	–	–	–	–	9,844	310	–	2,448	(390)	12,212
Loans to corporate entities (gross)	165,791	–	–	786	14,669	2,318	5,341	26,451	(8,153)	207,203
less: Impairment allowance	(8,923)	–	–	–	–	(9)	–	(100)	–	(9,032)
Loans to corporate entities (net)	156,868	–	–	786	14,669	2,309	5,341	26,351	(8,153)	198,171
Loans to individuals (gross)	–	81,678	1,121	–	–	–	–	–	–	82,799
less: Impairment allowance	–	(3,866)	(9)	–	–	–	–	–	–	(3,875)
Loans to individuals (net)	–	77,812	1,112	–	–	–	–	–	–	78,924
Total loans to customers (net)	156,868	77,812	1,112	786	14,669	2,309	5,341	26,351	(8,153)	277,095
Net investments in finance leases	–	–	–	22,012	–	–	–	–	–	22,012
Investments in associates	–	313	–	–	–	1,317	–	1,247	–	2,877
Property and equipment	–	–	–	5	26	35	–	11,707	–	11,773
Intangible assets	–	–	–	–	1	1	–	–	–	2
Other assets	7,170	689	–	8,164	108	226	4,320	919	(1,917)	19,679
Total assets	164,038	78,926	1,112	32,185	44,925	9,935	65,504	91,046	(11,535)	476,136

(Millions of Russian Rubles)

4. Segment information (continued)

<i>(Unaudited)</i>	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Private Banking</i>	<i>Leasing</i>	<i>Investment Banking</i>	<i>Asset management & structured financing</i>	<i>Treasury & asset-liability management unit</i>	<i>Corporate investments & other operations</i>	<i>Inter segmental operations</i>	<i>Total</i>
Liabilities										
Amounts due to credit institutions	3,650	3,069	616	–	–	–	56,523	5,864	–	69,722
Settlement with brokerage houses and investment companies	–	–	–	–	14,857	45	–	489	(417)	14,974
Trading portfolio liabilities	–	–	–	–	1,967	–	–	–	–	1,967
Current accounts of corporate clients	71,548	–	24	–	–	611	1,141	14,696	(1,075)	86,945
Time deposits of corporate clients and repurchase agreements	95,440	–	–	–	–	6,515	–	3,531	–	105,486
Total amounts due to corporate clients	166,988	–	24	–	–	7,126	1,141	18,227	(1,075)	192,431
Current accounts of individuals	–	24,769	635	–	–	–	–	–	–	25,404
Time deposits of individuals	–	52,006	13,964	–	–	–	–	–	–	65,970
Total amounts due to individual clients	–	76,775	14,599	–	–	–	–	–	–	91,374
Amounts due to customers	166,988	76,775	14,623	–	–	7,126	1,141	18,227	(1,075)	283,805
Promissory notes and certificates of deposit issued	2,040	231	–	–	–	–	9,354	86	–	11,711
Other borrowed funds	–	–	–	25,833	2,515	159	–	644	(9,976)	19,175
Deferred tax liabilities	–	–	–	–	–	1	–	5	–	6
Other liabilities	3,019	216	–	4,146	594	288	4,431	963	(64)	13,593
Total liabilities	175,697	80,291	15,239	29,979	19,933	7,619	71,449	26,278	(11,532)	414,953
Total equity	–	–	–	–	–	–	–	61,186	(3)	61,183
Total equity and liabilities	175,697	80,291	15,239	29,979	19,933	7,619	71,449	87,464	(11,535)	476,136
Assets held in trust	–	–	–	–	–	28,355	–	–	–	28,355
Credit related commitments	64,914	6,078	4	–	–	–	430	18,213	–	89,639

*(Millions of Russian Rubles)***4. Segment information (continued)**

Segment breakdown of assets and liabilities of the Group as of December 31, 2007 is set out below:

<i>(Unaudited)</i>	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Private Banking</i>	<i>Leasing</i>	<i>Investment Banking</i>	<i>Asset management & structured financing</i>	<i>Treasury & asset-liability management unit</i>	<i>Corporate investments & other operations</i>	<i>Inter segmental operations</i>	<i>Total</i>
Assets										
Cash and cash equivalents	–	–	–	1	10,077	1,657	27,246	432	(6,648)	32,765
Obligatory reserves with Central Bank	–	–	–	–	–	–	4,579	–	–	4,579
Amounts due from credit institutions	–	14	–	571	–	–	21,698	67	–	22,350
Trading portfolio assets	–	–	–	–	13,328	1,754	148	41,553	(291)	56,492
Trade accounts receivable	–	–	–	–	6,133	(78)	–	4,664	(465)	10,254
Loans to corporate entities (gross)	150,012	–	–	441	11,585	3,653	2,300	24,316	(8,366)	183,941
less: Impairment allowance	(7,616)	–	–	–	–	(65)	–	(93)	–	(7,774)
Loans to corporate entities (net)	142,396	–	–	441	11,585	3,588	2,300	24,223	(8,366)	176,167
Loans to individuals (gross)	–	68,329	1,073	–	–	–	–	–	–	69,402
less: Impairment allowance	–	(2,912)	(7)	–	–	–	–	–	–	(2,919)
Loans to individuals (net)	–	65,417	1,066	–	–	–	–	–	–	66,483
Total loans to customers (net)	142,396	65,417	1,066	441	11,585	3,588	2,300	24,223	(8,366)	242,650
Net investments in finance leases	–	–	–	16,389	–	–	–	–	–	16,389
Investments in associates	–	–	–	–	–	1,285	–	1,276	–	2,561
Property and equipment	–	–	–	276	29	36	–	11,894	–	12,235
Intangible assets	–	–	–	–	1	–	–	–	–	1
Other assets	5,805	775	–	6,242	882	323	3,962	1,193	(1,863)	17,319
Total assets	148,201	66,206	1,066	23,920	42,035	8,565	59,933	85,302	(17,633)	417,595

*(Millions of Russian Rubles)***4. Segment information (continued)**

<i>(Unaudited)</i>	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Private Banking</i>	<i>Leasing</i>	<i>Investment Banking</i>	<i>Asset management & structured financing</i>	<i>Treasury & asset-liability management unit</i>	<i>Corporate investments & other operations</i>	<i>Inter segmental operations</i>	<i>Total</i>
Liabilities										
Amounts due to credit institutions	4,682	2,940	–	–	136	–	76,778	6,146	(6,874)	83,808
Settlement with brokerage houses and investment companies	–	–	–	–	12,465	(261)	–	4,087	(430)	15,861
Trading portfolio liabilities	–	–	–	–	446	–	–	–	–	446
Current accounts of corporate clients	66,604	–	14	–	–	2,394	306	8,481	(291)	77,508
Time deposits of corporate clients and repurchase agreements	55,631	–	–	–	–	382	–	7,041	–	63,054
Total amounts due to corporate clients	122,235	–	14	–	–	2,776	306	15,522	(291)	140,562
Current accounts of individuals	–	27,644	617	–	–	–	–	–	–	28,261
Time deposits of individuals	–	48,543	4,941	–	–	–	–	–	–	53,484
Total amounts due to individual clients		76,187	5,558	–	–	–	–	–	–	81,745
Amounts due to customers	122,235	76,187	5,572	–	–	2,776	306	15,522	(291)	222,307
Promissory notes and certificates of deposit issued	2,628	233	–	–	–	–	8,499	86		11,446
Other borrowed funds	–	–	–	17,850	5,616	243	–	690	(10,026)	14,373
Deferred tax liabilities	–	–	–	–	–	1	–	6	–	7
Other liabilities	1,415	217	–	3,449	1,431	195	3,930	136	(10)	10,763
Total liabilities	130,960	79,577	5,572	21,299	20,094	2,954	89,513	26,673	(17,631)	359,011
Total equity	–	–	–	–	–	–	–	58,586	(2)	58,584
Total equity and liabilities	130,960	79,577	5,572	21,299	20,094	2,954	89,513	85,259	(17,633)	417,595
Assets held in trust	–	–	1,929	–	–	28,145	–	–	–	30,074
Credit related commitments	76,803	3,243	1	–	–	–	422	12,599	–	93,068

*(Millions of Russian Rubles)***4. Segment information (continued)**

Segment information for the main reportable segments of the Group for the six-month period ended June 30, 2008 is set out below:

<i>(Unaudited)</i>	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Private Banking</i>	<i>Leasing</i>	<i>Investment Banking</i>	<i>Asset management & structured financing</i>	<i>Treasury & asset-liability management unit</i>	<i>Corporate investments & other operations</i>	<i>Head office & shared services</i>	<i>Inter segmental operations</i>	<i>Total</i>
Interest income											
Loans to customers	9,263	4,840	70	97	1,030	97	–	1,861	–	(312)	16,946
Net investments in finance leases	–	–	–	1,914	–	–	–	–	–	(2)	1,912
Securities	–	–	–	–	10	–	–	–	–	–	10
Amounts due from credit institutions	–	–	–	1	56	2	540	131	–	(153)	577
Intersegment income	5,511	3,224	251	11	–	56	18,486	2,817	–	(30,356)	–
	14,774	8,064	321	2,023	1,096	155	19,026	4,809	–	(30,823)	19,445
Interest expense											
Amounts due to customers	(2,654)	(1,942)	(194)	(11)	(895)	(38)	(29)	(391)	–	467	(5,687)
Amounts due to credit institutions	(42)	(11)	–	–	–	–	(2,008)	(307)	–	–	(2,368)
Promissory notes and certificates of deposit issued	(64)	(3)	–	–	–	–	(336)	–	–	–	(403)
Other borrowed funds	(3)	(3)	–	(641)	–	–	–	(2)	–	–	(649)
Intersegment expense	(7,387)	(3,966)	(69)	(301)	(393)	(168)	(15,664)	(2,408)	–	30,356	–
	(10,150)	(5,925)	(263)	(953)	(1,288)	(206)	(18,037)	(3,108)	–	30,823	(9,107)
Net interest income	4,624	2,139	58	1,070	(192)	(51)	989	1,701	–	–	10,338
Impairment of interest earning assets	(1,316)	(953)	(2)	(132)	–	56	50	(7)	–	–	(2,304)
Net interest after impairment of interest earning assets	3,308	1,186	56	938	(192)	5	1,039	1,694	–	–	8,034
Net fee and commission income	2,348	1,653	14	(142)	451	480	(31)	(200)	–	79	4,652
Net trading income	–	–	–	–	2,070	(47)	(25)	488	–	10	2,496
Net gains on foreign currency	219	156	–	71	(267)	13	263	(28)	–	1	428
Net gains on operations with precious metals	67	1	–	–	–	–	–	–	–	–	68
Fees from trust activities	–	–	–	–	–	6	–	–	–	–	6
Dividend income	–	–	–	–	71	15	–	847	–	(905)	28
Other income	(99)	456	1	(313)	–	40	(9)	551	–	(441)	186
Total operating income	5,843	3,452	71	554	2,133	512	1,237	3,352	–	(1,256)	15,898
Operating expenses											
Salaries and employment benefits	(747)	(750)	(47)	(198)	(660)	(264)	(102)	(165)	(3,291)	–	(6,224)
General and administrative expenses	(232)	(537)	(35)	(57)	(174)	(104)	(19)	525	(2,628)	350	(2,911)
Depreciation and amortisation	(36)	(58)	(1)	(2)	(6)	(6)	(3)	(83)	(251)	–	(446)
Impairment (reversal) for accounts receivable and other assets	(54)	–	–	–	–	–	–	–	–	–	(54)
Total operating expenses	(1,069)	(1,345)	(83)	(257)	(840)	(374)	(124)	277	(6,170)	350	(9,635)
Operating profit before tax	4,774	2,107	(12)	297	1,293	138	1,113	3,629	(6,170)	(906)	6,263
Income tax expense	–	–	–	(146)	(107)	(34)	–	(93)	(2,350)	–	(2 730)
Profit for the year	4 774	2 107	(12)	151	1,186	104	1,113	3,536	(8,520)	(906)	3 533

*(Millions of Russian Rubles)***4. Segment information (continued)**

Segment information for the main reportable segments of the Group for the six-month period ended June 30, 2007 is set out below:

<i>(Unaudited)</i>	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Private Banking</i>	<i>Leasing</i>	<i>Investment Banking</i>	<i>Asset management & structured financing</i>	<i>Treasury & asset-liability management unit</i>	<i>Corporate investments & other operations</i>	<i>Head office & shared services</i>	<i>Insurance</i>	<i>Inter segmental operations</i>	<i>Total</i>
Interest income												
Loans to customers	6,621	2,872	38	73	921	281	3	891	–	–	(131)	11,569
Net investments in finance leases	–	–	–	1,057	–	–	–	–	–	–	–	1,057
Securities	–	–	–	–	19	–	–	–	–	–	–	19
Amounts due from credit institutions	–	–	–	27	30	1	292	10	–	105	(43)	422
Intersegment income	4,494	2,658	187	8	–	12	13,804	527	–	–	(21,690)	–
	11,115	5,530	225	1,165	970	294	14,099	1,428	–	105	(21,864)	13,067
Interest expense												
Amounts due to customers	(2,007)	(1,949)	(141)	–	(271)	(16)	–	(235)	–	–	175	(4,444)
Amounts due to credit institutions	(44)	(1)	–	–	(22)	–	(1,879)	(9)	–	–	–	(1,955)
Promissory notes and certificates of deposit issued	(106)	(3)	–	–	(2)	–	(247)	(2)	–	–	–	(360)
Other borrowed funds	–	–	–	(224)	–	–	–	(305)	–	–	–	(529)
Intersegment expense	(5,163)	(2,088)	(30)	(270)	(209)	(188)	(11,303)	(2,439)	–	–	21,690	–
	(7,320)	(4,041)	(171)	(494)	(504)	(204)	(13,429)	(2,990)	–	–	21,865	(7,288)
Net interest income	3,795	1,489	54	671	466	90	670	(1,562)	–	105	1	5,779
Impairment of interest earning assets	(1,628)	(599)	1	(51)	–	(169)	–	–	–	–	–	(2,446)
Net interest after impairment of interest earning assets	2,167	890	55	620	466	(79)	670	(1,562)	–	105	1	3,333
Net fee and commission income	1,847	1,293	–	(97)	456	752	169	(188)	–	–	(25)	4,207
Net trading income	–	–	–	–	431	188	7	(2,416)	–	44	44	(1,702)
Net gains on foreign currency	192	109	–	17	(92)	(3)	71	–	–	–	–	294
Net gains on operations with precious metals	71	1	–	–	–	–	–	–	–	–	–	72
Fees from trust activities	–	1	7	–	–	–	–	–	–	–	–	8
Dividend income	–	–	–	–	72	32	–	187	–	–	–	291
Other income	(164)	43	–	(135)	(3)	1	(40)	670	–	–	(249)	123
Net income on insurance operations	–	–	–	–	–	–	–	–	–	1,043	(48)	995
Total operating income	4,113	2,337	62	405	1,330	891	877	(3,309)	–	1,192	(277)	7,621
Operating expenses												
Salaries and employment benefits	(461)	(528)	(36)	(79)	(797)	(317)	(100)	(109)	(2,966)	(795)	–	(6,188)
General and administrative expenses	(179)	(475)	(25)	(38)	(193)	(215)	(24)	304	(2,454)	(257)	236	(3,320)
Depreciation and amortisation	(4)	(11)	–	–	(5)	(1)	–	(82)	(240)	(37)	–	(380)
Impairment (reversal) for accounts receivable and other assets	1	–	–	–	(99)	–	–	–	–	–	–	(98)
Total operating expenses	(643)	(1,014)	(61)	(117)	(1,094)	(533)	(124)	113	(5,660)	(1,089)	236	(9,986)
Operating loss before tax	3,470	1,323	1	288	236	358	753	(3,196)	(5,660)	103	(41)	(2,365)
Income tax expense	–	–	–	(98)	(43)	(115)	–	(25)	(2,469)	(30)	–	(2,780)
Loss for the year	3,470	1,323	1	190	193	243	753	(3,221)	(8,129)	73	(41)	(5,145)

*(Millions of Russian Rubles)***5. Cash and cash equivalents**

Cash and cash equivalents comprise:

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2007</i>
Time deposits with credit institutions up to 90 days	21,274	14,844
Cash on hand	12,455	13,291
Current accounts with the Central Bank of Russia	11,181	13,392
Current accounts with other credit institutions	6,899	7,068
Current accounts with stock exchanges	191	–
Reverse repurchase agreements up to 90 days	5,489	4,218
Time deposits with the Central Bank	–	4,501
Cash and cash equivalents	57,489	57,314

The Group has entered into short-term (up to 90 days) reverse repurchase agreements with a number of credit institutions. The subject of these agreements are Russian State bonds (OFZ) with fair value of RUB 1,263 (2007 – RUB 2,488) and corporate shares and corporate bonds issued by Russian companies and banks with fair value of RUB 4,537 (2007 – RUB 2,012).

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2007</i>
Time deposits for more than 90 days	3,190	2,234
Promissory notes	80	80
	3,270	2,314
Less – Impairment allowance (Note 11)	(122)	(123)
Amounts due from credit institutions	3,148	2,191

7. Trading portfolio assets and liabilities and securities under repurchase agreement

Trading securities (unpledged) comprise:

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2007</i>
Treasury bills of foreign governments	11,349	12,020
Corporate bonds	10,289	10,382
Other corporate shares and ADRs	5,750	3,601
Russian State bonds (OFZ)	5,204	4,203
Promissory notes	4,291	5,879
Corporate Eurobonds	3,843	1,501
Eurobonds of the Russian Federation	3,442	1,458
OJSC “LUKoil” corporate shares and ADRs	3,434	8,241
Municipal and government bonds	1,347	308
Financial derivative asset (Note 9)	677	871
Units in LUKoil equity investment funds	133	782
Trading securities (unpledged)	49,759	49,246

As of June 30, 2008 and December 31, 2007, Treasury bills of foreign governments included US Treasury bills and Treasury bills of Latin America countries governments; corporate bonds represented bonds of various Russian entities, primarily “blue-chip” companies; other corporate shares represented shares of “blue-chip” Russian companies; promissory notes included notes of large Russian Groups and ‘blue-chip’ Russian companies.

*(Millions of Russian Rubles)***7. Trading portfolio assets and liabilities and securities under repurchase agreement (continued)**

Trading securities pledged under repurchase agreements comprise:

	<i>June 30, 2008 (Unaudited)</i>	<i>December 31, 2007</i>
Corporate shares	78	–
Corporate bonds	72	101
Municipal and government bonds	49	17
Russian Federation Eurobonds	–	2,893
Corporate Eurobonds	–	476
Russian State bonds (OFZ)	–	46
Trading securities pledged under repurchase agreements	199	3,533

Trading portfolio liabilities comprise:

	<i>June 30, 2008 (Unaudited)</i>	<i>December 31, 2007</i>
Securities sold, but not yet purchased	1,983	538
Financial derivative liabilities (Note 9)	801	836
Amounts due to clients under Russian equity share and bond linked contracts	291	171
Trading portfolio liabilities	3,075	1,545

Securities subject to Russian equity shares and bonds linked contracts are held by the Group in relation to the agreements reflected in trading portfolio liabilities in amount of RUB 291 (2007 – RUB 171) where the customers enjoy the right to receive coupon, market appreciation or similar income but not to purchase or sell the base security. The Group does not carry any market risks in relation to owning those equity shares and bonds.

8. Available-for-sale securities

Available-for-sale securities comprise:

	<i>June 30, 2008 (Unaudited)</i>	<i>December 31, 2007</i>
Corporate bonds	5,033	787
Units in closed unit investment fund	2,893	1,226
Equity investments	773	2,520
Other investments	212	220
Available-for-sale securities	8,911	4,753

As of June 30, 2008 and December 31, 2007 available-for-sale financial assets included corporate bonds and corporate equity securities, which are not actively traded in Russian capital markets, such as shares in the “second tier” Russian enterprises and start-ups of various industrial and technology sectors. As of June 30, 2008 units in unit investment funds included investments in closed unit investment funds of property “Development of South of Russia” in the amount of RUB 598 (2007 – RUB 574), “Construction Investments” in the amount of RUB 1,475 (2007 – RUB 523), “URALSIB – Land investments” in the amount of RUB 719 (2007 – RUB 123), open unit investment fund of shares “URALSIB Metals of Russia” in the amount of RUB 65 (2007 – nil) and interval unit investment fund of shares “URALSIB Energetic Perspectives” in the amount of RUB 26 (2007 – nil), “URALSIB oil and gas” in the amount of RUB 8 (2007 – nil).

(Millions of Russian Rubles)

9. Derivative financial assets and liabilities

The Group enters into derivative financial instruments for trading purposes. The outstanding deals with derivative financial instruments are as follows:

	<i>June 30, 2008</i> <i>(Unaudited)</i>			<i>December 31, 2007</i>		
	<i>Notional principal</i>	<i>Fair values</i>		<i>Notional principal</i>	<i>Fair value</i>	
		<i>Asset</i>	<i>Liability</i>		<i>Asset</i>	<i>Liability</i>
Precious metal contracts						
Forwards and Swaps – foreign	4,336	674	792	7,014	604	752
Foreign exchange contracts						
Forwards – foreign	234	–	–	9,246	29	61
Forwards – domestic	4,596	3	7	6,063	2	13
Equity contracts						
Forwards – foreign	229	–	2	1,125	234	–
Forwards – domestic	–	–	–	89	2	10
Derivative financial instruments	9,395	677	801	23,537	871	836

10. Loans to customers

Loans to customers comprise:

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31, 2007</i>
Loans	273,128	240,290
Overdrafts	7,780	5,096
Loans granted under reverse repurchase agreements	8,801	6,740
Margin loans with securities collateral	–	48
Factoring	67	67
Promissory notes	77	47
	289,853	252,288
Less – Allowance for impairment (Note 11)	(13,161)	(11,019)
Loans to customers	276,692	241,269

As of June 30, 2008, the Group had a concentration of loans represented by RUB 22,376 due from ten largest non-related party borrowers (8% of gross loan portfolio) (2007 – RUB 14,223 or 6%). An impairment allowance of RUB 320 (2007 – RUB 268) was recognised against these loans.

Loans have been extended to the following types of customers:

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31, 2007</i>
Private companies	204,826	179,645
Individuals	82,968	70,363
State companies	1,955	2,025
State budget or local authorities	104	255
Total	289,853	252,288

The Group has entered into reverse repurchase agreements with a number of Russian companies. The subject of these agreements are Russian State bonds (OFZ), bonds, shares and global depository receipts issued by Russian companies with a fair value of RUB 9,605 (2007 – RUB 10,324). At June 30, 2008, the Group had no loans granted under reverse repurchase agreements placed with related parties (2007 – RUB 2,661).

(Millions of Russian Rubles)

11. Impairment allowances

The movements in impairment allowances of interest earning assets were as follows:

	<i>Due from credit institutions</i>	<i>Loans to customers</i>	<i>Net investments in finance leases</i>	<i>Total</i>
December 31, 2006	44	11,040	275	11,359
Charge	–	1,573	201	1,774
Write-offs	–	(3)	–	(3)
June 30, 2007	44	12,610	476	13,130
December 31, 2007	123	11,019	651	11,793
Charge	(1)	2,258	279	2,536
Write-offs	–	(12)	–	(12)
Difference from exchange fluctuations	–	8	–	8
Disposal of subsidiaries	–	(112)	–	(112)
June 30, 2008	122	13,161	930	14,213

The movements in impairment allowances for non-interest bearing assets were as follows:

	<i>Total</i>
December 31, 2006	297
Reversal	(82)
Write-offs	(150)
June 30, 2007	65
December 31, 2007	70
Charge	21
June 30, 2008	91

12. Net investments in finance leases

Net investments in finance leases comprise:

	<i>June 30, 2008 (Unaudited)</i>	<i>December 31, 2007</i>
Gross investments in finance leases	38,374	29,407
Less - Unearned finance leases income	(11,003)	(8,044)
	27,371	21,363
Less - Allowance for impairment (Note 11)	(930)	(651)
Net investments in finance leases	26,441	20,712

There is no residual value related to lease contracts existing as at June 30, 2008 and December 31, 2007. Future minimum lease payments to be received following June 30, 2008 and December 31, 2007 are disclosed below:

	<i>June 30, 2008 (Unaudited)</i>	<i>December 31, 2007</i>
Within 1 year	14,755	11,610
From 1 to 5 years	20,601	15,614
More than 5 years	3,018	2,183
Minimum lease payments receivable	38,374	29,407

*(Millions of Russian Rubles)***13. Property and equipment**

The movements in property and equipment were as follows:

	<i>Buildings</i>	<i>Fixtures and equipment</i>	<i>Assets under construction</i>	<i>Leasehold improvements</i>	<i>Total</i>
Cost or revaluation					
December 31, 2006	10,360	3,377	634	4	14,375
Additions	125	184	285	–	594
Disposals	(18)	(158)	(6)	–	(182)
Transfers	4	60	(64)	–	–
June 30, 2007	10,471	3,463	849	4	14,787
December 31, 2007	13,895	3,787	674	22	18,378
Additions	40	351	13	–	404
Disposals	(79)	(102)	(113)	(4)	(298)
Disposal of subsidiaries	(1)	(28)	–	(8)	(37)
Transfers	1	71	(72)	–	–
June 30, 2008	13,856	4,079	502	10	18,447
Accumulated depreciation					
December 31, 2006	586	1,559	–	–	2,145
Charge for the period	143	370	–	1	514
Disposals	(5)	(110)	–	–	(115)
June 30, 2007	724	1,819	–	1	2,544
December 31, 2007	118	1,731	–	3	1,852
Charge for the period	124	333	–	–	457
Disposals	(3)	(59)	–	–	(62)
June 30, 2008	239	2,005	–	3	2,247
Net book value					
December 31, 2006	9,774	1,818	634	4	12,230
June 30, 2007	9,747	1,644	849	3	12,243
December 31, 2007	13,777	2,056	674	19	16,526
June 30, 2008	13,617	2,074	502	7	16,200

The Group engaged independent appraisers to determine the fair value of its buildings. Fair value was determined by reference to market-based evidence. The date of the revaluation was November 1, 2007. If the buildings were measured using the cost model, the carrying amounts would be as follows:

	<i>June 30, 2008 (Unaudited)</i>	<i>December 31, 2007</i>
Cost	6,991	7,033
Accumulated depreciation and impairment	(917)	(871)
Net carrying amount	6,074	6,162

*(Millions of Russian Rubles)***14. Taxation**

The corporate income tax expense comprises:

	<i>For the six-month period ended June 30,</i>	
	<i>2008 (Unaudited)</i>	<i>2007 (Unaudited)</i>
Current tax expense	2,547	2,743
Deferred tax expense:		
<i>Movement in net deferred tax liability</i>	(1,315)	(3,174)
<i>Recognized directly in equity – property revaluation reserve</i>	4	–
<i>Recognized directly in equity – investment revaluation reserve</i>	202	45
	<u>(1,109)</u>	<u>(3,129)</u>
Income tax expense / (benefit)	<u>1,438</u>	<u>(386)</u>

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	<i>For the six-month period ended June 30,</i>	
	<i>2008 (Unaudited)</i>	<i>2007 (Unaudited)</i>
Profit before taxation	5,789	(1,789)
Statutory tax rate	24%	24%
Theoretical income tax charge at the statutory rate	1,389	(429)
Differences due to various jurisdictions' tax rates	(260)	(230)
Intercompany income	258	93
Non-deductible administrative expenditures	135	161
Dividend income taxed at different rate	(88)	(18)
State securities income taxed at different rate	(21)	(10)
Transfer pricing adjustments on dealing gain	–	69
Other	25	(22)
Income tax expense / (benefit)	<u>1,438</u>	<u>(386)</u>

15. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>June 30, 2008 (Unaudited)</i>	<i>December 31, 2007</i>
Time deposits and loans	48,102	41,633
Syndicated loans	12,546	31,011
Subordinated loan	5,805	6,097
Current accounts	5,258	4,601
Repurchase agreements	2,132	4,485
Amounts due to credit institutions	<u>73,843</u>	<u>87,827</u>

The Group entered into direct repurchase agreements with a number of credit institutions. The subject of these agreements at June 30, 2008 are Corporate shares issued by Russian companies with a fair value of RUB 853 (2007 – RUB 1,904), and Corporate Eurobonds issued by Russian companies with a fair value of RUB 1,672 (as of December 31, 2007 are Eurobonds of the Russian Federation and Corporate Eurobonds issued by Russian companies with a fair value of RUB 2,893 and RUB 476, respectively).

(Millions of Russian Rubles)

15. Amounts due to credit institutions (continued)

As of June 30, 2008 the nominal amount of syndicated loans received by the Group comprised USD 531.5 million from Russian, OECD and non-OECD Groups and companies. The amounts received from non-credit institutions (nominal amount comprised USD 59.5 million) is recognized in other borrowed funds. The contractual maturity of syndicated loans is 2008-2012, and the interest rate is tied to six-month LIBOR.

During 2007 the Group received a subordinated loan in total nominal amount of USD 250 million from an OECD Group. The contractual maturity of the subordinated loan is 2017, and the interest rate is LIBOR plus 4.5 per cent during the first 5-year period and LIBOR plus 6.5 per cent after the first five year period.

16. Amounts due to customers

Amounts due to customers include the following:

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2007</i>
Time deposits	173,495	125,457
Current accounts	113,174	100,385
Repurchase agreements	209	166
Amounts due to customers	286,878	226,008

At June 30, 2008 amounts due to customers of RUB 47,683 or 17% were due to the ten largest non-related party customers (2007 - RUB 25,085 or 11%).

17. Promissory notes and certificates of deposit issued

Promissory notes and certificates of deposit issued consisted of the following:

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2007</i>
Promissory notes	14,191	14,713
Certificates of deposit	1	80
Promissory notes and certificates of deposit issued	14,192	14,793

As of June 30, 2008 the Group issued non-interest-bearing promissory notes and deposit certificates having an aggregate nominal value of RUB 1,271 (2007 - 1 615). Other promissory notes and certificates of deposit issued by the Group as of June 30, 2008 bear annual interest rates ranging from 3.2% to 11.84% (2007 - from 2.0% to 11.9%).

18. Other borrowed funds

Other borrowed funds comprised the following:

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2007</i>
Bonds ("Uralsib Leasing Company" LLC)	2,694	645
Credit Linked Notes ("Uralsib Leasing Company" LLC)	2,096	2,228
Syndicated loans (Note 15)	1,410	2,148
Subordinated loan	78	78
Loans from clients	37	92
Other borrowed funds	6,315	5,191

In 2007 "Uralsib Leasing Company" LLC completed the issue of Credit Linked Notes denominated in Russian Rubles totalling RUB 2,500 maturing in 2009 with 9.75% fixed interest payable semi-annually. The Credit Linked Notes were issued by ING Group N.V the placement agents for the issue are OJSC "URALSIB" and ING Group N.V.

(Millions of Russian Rubles)

18. Other borrowed funds (continued)

In December 2007 LLC “Uralsib Leasing Company” (represented by OJSC “URALSIB” and LLC “Uralsib Capital”) completed the issue of non-convertible documentary bonds totalling RUB 2,700 maturing in 2010 with 11.6% interest (for the first three coupon payments remaining are to be determined by the issuer) and payable semi-annually. The placement agent for the issue was OJSC “URALSIB”.

19. Equity

On March 9, 2007, the participants of URALSIB Financial Corporation Ltd. approved the reorganization of the holding company from a limited liability company into an open joint-stock company. The report on share issue results was registered by the Federal Financial Markets Service on March 9, 2007. The share capital of the new entity was issued in a nominal amount equal to the statutory fund among the existing participants and in proportion to stakes of participants in the statutory fund.

The movement in share capital is:

	<i>Number of ordinary shares</i>	<i>Nominal amount</i>	<i>Inflation adjustment</i>	<i>Total</i>
March 9, 2007	459,970	46	5	51
Increase in share capital	10,000,000	1,000	-	1,000
December 31, 2007 and June 30, 2008	10,459,970	1,046	5	1,051

All authorised shares have been issued and fully paid.

On April 23, 2007, the shareholders of the parent made a decision to increase its share capital and executed the increase through the private offering of ordinary shares with a nominal value of Ruble 100 per share to the existing shareholder. The report on share issue results was registered by the Federal Financial Markets Service on August 21, 2007. The total number of authorised shares is 10,459,970 ordinary shares.

The share capital of OJSC “Financial Corporation “URALSIB” was contributed by the shareholders in Russian Rubles and they are entitled to dividends and any capital distribution in Russian Rubles.

In accordance with the Russian legislation, dividends may only be declared to the shareholders of the parent company of the Group from accumulated undistributed and unreserved earnings as shown in the Company's financial statements prepared in accordance with statutory requirements. No dividends were declared in 2008.

The additional paid-in-capital comprised the following as of June 30, 2008, and December 31, 2007:

	<i>June 30, 2008 (Unaudited)</i>	<i>December 31, 2007</i>
Excess of the fair value of consideration received over the par value of stakes issued	18,787	18,787
Consideration paid by entities under common control, not included in FC URALSIB, for acquisition of Uralsib Banking Group, OJSC “Avtobank-NIKOIL” and Insurance company URALSIB	5,212	5,212
Total additional paid-in-capital	23,999	23,999

(Millions of Russian Rubles)

19. Equity (continued)

Nature and purpose of other reserves

Property revaluation reserve

The property revaluation surplus is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Unrealised gains on available-for-sale securities

This revaluation reserve records fair value changes of available-for-sale investments.

Capital management policy

The primary objectives of the Group's capital management are the following:

- Maintaining the Group's ability to continue as a going concern in order to maximize shareholder value and provide economic benefits to other parties;
- Ensuring that the amount of capital is sufficient for business expansion and development;
- Full compliance with the capital requirements imposed by the Central Bank of Russia (CBR) and Russian legislation.

Since OJSC "URALSIB" represents the primary capital-generating entity of the Group, the Bank's and its subsidiaries capital management procedures are of major importance to the Group capital management.

Capital adequacy under Russian Accounting Legislation

Group management constantly monitors the adequacy of the Group's capital and its compliance with regulatory capital requirements. For the banking entities, the Group uses rules and ratios established by CBR regulations. All necessary capital adequacy calculations required by Russian legislation are submitted to the CBR on a monthly basis.

The CBR requires banks to maintain a capital adequacy ratio of 10% with respect to risk-weighted assets, as computed in accordance with RAL. As of June 30, 2008 and December 31, 2007, the Bank's CBR-defined capital adequacy ratio exceeded the required statutory minimum. The information below relates only to OJSC "BANK URALSIB", the largest bank in the Group.

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2007</i>
Main capital	32,270	31,885
Additional capital	11,651	9,151
Less: deductions from capital	(25)	(36)
Total regulatory capital	43,896	41,000
Risk-weighted assets	375,575	344,660
Capital adequacy ratio	11.7%	11.9%

Capital adequacy under the Basel Accord guidelines (the "Basel ratio")

For Basel ratio calculation purposes, two levels of capital are distinguished:

1. Tier 1 capital is "core" bank capital and includes paid share capital (less the carrying value of treasury shares), minority interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.
2. Tier II capital is "supplementary" bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and equity and certain revaluation reserves, such as unrealized gains on the revaluation of financial instruments classified as available-for-sale and property revaluation surplus.

*(Millions of Russian Rubles)***19. Equity (continued)**

The table below presents the composition of capital complying with Basel and discloses the capital adequacy ratio for the Bank for the six months ended June 30, 2008 and the year ended December 31, 2007:

	<i>June 30, 2008</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2007</i>
Tier 1 capital	43,610	41,240
Tier 2 capital	8,422	8,572
Less: investments in other banks	(139)	(136)
Total capital	51,893	49,676
Risk-weighted assets:		
On balance sheet	370,659	338,442
Off balance sheet	25,397	27,913
Total risk-weighted assets	396,056	366,355
Total capital ratio	13.1%	13.6%
Tier 1 ratio	11.0%	11.3%

The total capital ratio exceeded the minimum ratio of 8% recommended by the Basel Accord. During the six months 2008 and the year 2007, the Bank and its individual banking subsidiaries complied with Basel capital requirements.

Non-banking members of the Group

Other entities of the Group adhere to capital requirements, established by the Federal Securities Commission of Russia for different types of professional participants of securities market. Group management constantly monitors the adequacy of capital of Group members and its compliance with regulatory capital requirements.

The Group capital management procedures also include monitoring of capital requirements and covenants stipulated by creditors.

The Group's overall capital management policy is aimed at the dynamic optimization of capital required for the Group's expansion and maintenance of sufficient capital adequacy to protect the Group from unfavorable changes in market conditions and minimize liquidity risk. The capital management policy supports the shareholders' vision and strategy of long-term Group development.

As compared with 2007, the above policy of capital management remained unchanged.

*(Millions of Russian Rubles)***20. Net fee and commission income**

Net fee and commission income comprises:

	<i>For the six-month period ended June 30,</i>	
	<i>2008 (Unaudited)</i>	<i>2007 (Unaudited)</i>
Settlements operations	1,548	1,820
Cash operations	1,037	1,037
Brokerage fees	359	319
Guarantees issued	209	118
Foreign exchange operations	132	77
Underwriting	129	67
Securities registration operations	47	63
Other	172	191
Fee and commission income	3,633	3,692
Settlements operations	529	356
Cash operations	168	67
Securities operations	28	7
Guarantees	13	4
Currency conversion operations	9	–
Other	90	77
Fee and commission expense	837	511
Net fee and commission income	2,796	3,181

21. Personnel, expenses administrative and operating expenses

Personnel administrative and operating expenses comprise:

	<i>For the six-month period ended June 30,</i>	
	<i>2008 (Unaudited)</i>	<i>2007 (Unaudited)</i>
Salaries and bonuses	4,287	5,169
Social security costs	737	642
Personnel expenses	5,024	5,811
Operating taxes	844	628
Rental fees	827	438
Occupancy	405	487
Advertising	386	258
Business development	306	96
Communications	282	132
Supplies and materials	216	193
Contributions under deposit insurance system	206	208
Insurance	129	165
Travel and lodging	123	103
Data processing	87	45
Charity	80	193
Professional services	75	91
Information services	39	17
Personnel training	18	8
Penalties incurred	10	11
Other	276	271
Administrative and operating expenses	4,309	3,344

(Millions of Russian Rubles)

22. Related party transactions

The volumes of related party transactions, outstanding balances as of June 30, 2008 and December 31, 2007 and related expense and income for the six-month periods ended June 30, 2008 and 2007 are as follows:

	<i>June 30, 2008 (unaudited)</i>	<i>June 30, 2008 (unaudited)</i>	<i>December 31, 2007</i>	<i>December 31, 2007</i>
	<i>Entities under common control FC</i>	<i>Key management personnel</i>	<i>Entities under common control FC</i>	<i>Key management personnel</i>
Loans outstanding at January 1, gross	21,973	384	19,489	152
Loans issued during the year	19,968	160	96,657	452
Loan repayments during the year	(12,406)	(281)	(94,173)	(212)
Difference from exchange fluctuations	–	(12)	–	(8)
Loans outstanding at December 31, gross	29,535	251	21,973	384
Less: allowance for impairment at December 31	(180)	(–)	(237)	(–)
Loans outstanding at December 31, net	29,355	251	21,736	384
Cash and cash equivalents	3,313	–	2,522	–
Trading securities	1,239	–	1,754	–
Amounts due from credit institutions, gross	867	–	376	–
Available-for-sale securities	1	–	–	–
Trade accounts receivable	10,439	–	100	–
Investment in associates	1,712	–	1,326	–
Other assets	2	–	791	1
Amounts due to credit institutions	566	–	319	–
Settlements with brokerage houses and investment companies	1,793	–	2,237	–
Amounts due to customers	38,474	443	31,797	119
Promissory notes & certificates of deposit issued	134	–	131	–
Other borrowed funds	6	–	38	–
Other liabilities	81	–	16	–
Financial commitments and contingencies, gross	518	–	330	–
	<i>Six-months period ended June 30, 2008 (unaudited)</i>	<i>Six-months period ended June 30, 2008 (unaudited)</i>	<i>Six-months period ended June 30, 2007 (unaudited)</i>	<i>Six-months period ended June 30, 2007 (unaudited)</i>
	<i>Entities under common control FC</i>	<i>Key manage- ment personnel</i>	<i>Entities under common control FC</i>	<i>Key manage- ment personnel</i>
Interest income	1,675	–	1,470	–
Interest expense	(1,054)	(5)	(752)	–
Unrealized trading gains less losses	–	–	–	–
Realized trading gains less losses	115	–	(2,904)	–
Gain less losses from derivatives	–	–	–	–
Foreign exchange gains less losses	–	–	–	–
– Foreign exchange gains	17	–	64	–
– Foreign exchange losses	(251)	–	(26)	–
Foreign exchange gains less losses	(234)	–	38	–
Net fee and commission income	–	–	–	–
– Fees and commissions gains	27	1	30	–
– Fees and commissions expenses	(1)	–	–	–
Fees and commissions gains less losses	26	1	30	–
Share in income of associate	(69)	–	59	–
Gain/(Loss) on disposal of discontinued operations	–	–	–	–
Dividend income	–	–	–	–
Administrative and operating income	–	–	4	–
Trust assets	–	–	67	123
Personnel expenses	–	575	–	301

(Millions of Russian Rubles)

23. Subsequent events

During the second half of 2008 there has been a significant decrease in Russian securities prices. The volume of Eurobond issuance and similar wholesale financing by Russian banks has also significantly reduced. Such circumstances may affect the ability of the Group to obtain new borrowings. Borrowers of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed to the Group.