

Open Joint Stock Company “BANK URALSIB”
Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2008

CONTENTS**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

| | |
|--|---|
| Interim condensed consolidated balance sheet..... | 1 |
| Interim condensed consolidated statement of income..... | 2 |
| Interim condensed consolidated statement of changes in equity..... | 3 |
| Interim condensed consolidated statement of cash flows..... | 4 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| | |
|---|----|
| 1. Principal activities..... | 5 |
| 2. Basis of preparation..... | 5 |
| 3. Summary of accounting policies..... | 6 |
| 4. Analysis by segment..... | 9 |
| 5. Cash and cash equivalents..... | 17 |
| 6. Amounts due from credit institutions..... | 17 |
| 7. Trading securities and securities pledged under repurchase agreements..... | 17 |
| 8. Available-for-sale securities..... | 18 |
| 9. Derivative financial assets and liabilities..... | 18 |
| 10. Loans to customers..... | 19 |
| 11. Impairment allowances..... | 19 |
| 12. Net investments in finance leases..... | 20 |
| 13. Property and equipment..... | 21 |
| 14. Taxation..... | 22 |
| 15. Amounts due to credit institutions..... | 22 |
| 16. Amounts due to customers..... | 23 |
| 17. Promissory notes and certificates of deposit issued..... | 23 |
| 18. Other borrowed funds..... | 23 |
| 19. Equity..... | 24 |
| 20. Capital adequacy..... | 24 |
| 21. Net fee and commission income..... | 26 |
| 22. Personnel, expenses administrative and operating expenses..... | 26 |
| 23. Related party transactions..... | 27 |
| 24. Subsequent events..... | 27 |



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

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

Independent Auditors' Report

To the Shareholders and the Board of Directors
Open Joint Stock Company "BANK 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 "BANK URALSIB" and its subsidiaries as at 30 June 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 30 June 2008 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

ZAO KPMG
October 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> |
|--|--------------|--------------------------------------|--------------------------|
| Assets | | | |
| Cash and cash equivalents | 5 | 48,459 | 47,847 |
| Obligatory reserves with the Central Bank | | 7,478 | 4,112 |
| Amounts due from credit institutions | 6 | 3,306 | 2,080 |
| Trading securities | 7 | 39,990 | 40,554 |
| Trading securities pledged under repurchase agreements | 7 | 198 | 3,533 |
| Available-for-sale securities | 8 | 8,375 | 3,292 |
| Total securities | | 48,563 | 47,379 |
| Derivative financial assets | 9 | 677 | 1,130 |
| Loans to corporate entities (gross) | | 194,807 | 175,588 |
| less: Impairment allowance | | (8,676) | (7,438) |
| Loans to corporate entities (net) | | 186,131 | 168,150 |
| Loans to individuals (gross) | | 76,928 | 63,816 |
| less: Impairment allowance | | (3,791) | (2,865) |
| Loans to individuals (net) | | 73,137 | 60,951 |
| Total loans to customers (net) | 10 | 259,268 | 229,101 |
| Net investment in finance leases | 12 | 26,261 | 20,480 |
| Property and equipment | 13 | 8,622 | 8,780 |
| Goodwill | | 4,527 | 4,527 |
| Current tax assets | | 510 | 740 |
| Deferred tax assets | | 595 | 65 |
| Other assets | | 12,945 | 8,473 |
| Total assets | | 421,211 | 374,714 |
| Liabilities | | | |
| Derivative financial liabilities | 9 | 801 | 836 |
| Amounts due to credit institutions | 15 | 73,202 | 85,966 |
| Current accounts of corporate clients | | 86,374 | 73,739 |
| Time deposits of corporate clients and repurchase agreements | | 110,021 | 70,638 |
| Total amounts due to corporate clients | | 196,395 | 144,377 |
| Current accounts of individuals | | 20,739 | 23,251 |
| Time deposits of individuals | | 53,591 | 47,384 |
| Total amounts due to individual clients | | 74,330 | 70,635 |
| Total amounts due to customers | 16 | 270,725 | 215,012 |
| Promissory notes and certificates of deposit issued | 17 | 14,074 | 14,682 |
| Other borrowed funds | 18 | 6,199 | 5,031 |
| Deferred tax liabilities | | - | 616 |
| Other liabilities | | 5,455 | 4,329 |
| Total liabilities | | 370,456 | 326,472 |
| Equity | | | |
| Share capital | 19 | 32,607 | 32,607 |
| Additional paid-in capital | | 7,681 | 7,681 |
| Revaluation reserve for available-for-sale securities | | 211 | 55 |
| Revaluation surplus for property and equipment | | 2,407 | 2,420 |
| Retained earnings | | 7,248 | 4,902 |
| Total equity attributable to shareholders of the parent | | 50,154 | 47,665 |
| Minority interest | | 601 | 577 |
| Total equity | | 50,755 | 48,242 |
| Total equity and liabilities | | 421,211 | 374,714 |

Signed and authorised for release on behalf of the Management Board of the Bank

Andrey M. Donskikh

Chairman of the Board

Yury V. Petukhov

Chief Accountant

October 1, 2008

The accompanying notes on pages 5 to 27 are an integral part of these interim condensed consolidated financial statements.

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

| | <i>Notes</i> | For the six-month period ended <i>June 30,</i> | |
|--|--------------|---|-----------------------------|
| | | 2008 (Unaudited) | 2007 (Unaudited) |
| Interest income | | | |
| Loans to customers | | 16,709 | 10,545 |
| Net investments in finance leases | | 2,486 | 1,205 |
| Securities | | 1,585 | 1,277 |
| Amounts due from credit institutions | | 672 | 473 |
| | | 21,452 | 13,500 |
| Interest expense | | | |
| Amounts due to customers | | (5,304) | (4,024) |
| Amounts due to credit institutions | | (2,538) | (2,147) |
| Promissory notes and certificates of deposit issued | | (487) | (315) |
| Other borrowed funds | | (244) | (150) |
| | | (8,573) | (6,636) |
| Net interest income | | 12,879 | 6,864 |
| Impairment of interest earning assets | 11 | (2,502) | (1,920) |
| Net interest income after impairment of interest earning assets | | 10,377 | 4,944 |
| Fee and commission income | | 2,582 | 2,771 |
| Fee and commission expense | | (810) | (487) |
| Net fee and commission income | 21 | 1,772 | 2,284 |
| Net trading loss from financial instruments | | (1,499) | (4,659) |
| Net realised gain from available-for-sale securities | | 40 | 680 |
| Net gain from foreign currencies | | 567 | 180 |
| Net gain from operations with precious metals | | 165 | 24 |
| Dividend income | | 28 | 44 |
| Other income | | 383 | 518 |
| | | (316) | (3,213) |
| Personnel expenses | 22 | (4,241) | (4,425) |
| Administrative and operating expenses | 22 | (3,967) | (2,668) |
| Depreciation and amortisation | | (311) | (399) |
| (Charge for)/reversal of impairment of other assets | 11 | (21) | 24 |
| | | (8,540) | (7,468) |
| Profit/(loss) before income tax expense | | 3,293 | (3,453) |
| Income tax (expense)/benefit | 14 | (882) | 604 |
| Profit/(loss) for the period | | 2,411 | (2,849) |
| Attributable to: | | | |
| - shareholders of the parent | | 2,331 | (2,875) |
| - minority interest | | 80 | 26 |
| | | 2,411 | (2,849) |

The accompanying notes on pages 5 to 27 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2008

(Millions of Russian Rubles)

| | <i>Attributable to shareholders of the parent</i> | | | | | | | <i>Total equity</i> |
|--|---|-----------------------------------|--|---|--------------------------|--|--------------------------|---------------------|
| | <i>Share capital</i> | <i>Additional paid-in capital</i> | <i>Revaluation reserve for available-for-sale securities</i> | <i>Revaluation surplus for property and equipment</i> | <i>Retained earnings</i> | <i>Total equity attributable to shareholders of the parent</i> | <i>Minority interest</i> | |
| December 31, 2006 | 32,607 | 7,681 | 281 | 738 | 3,908 | 45,215 | 1,036 | 46,251 |
| Net unrealised gain on available-for-sale securities (unaudited) | - | - | 516 | - | - | 516 | - | 516 |
| Net realised gain on available-for-sale securities reclassified to the statement of income (unaudited) | - | - | (680) | - | - | (680) | - | (680) |
| Deferred tax related to net unrealised gain on available-for-sale securities and to net realised gain on available-for-sale securities reclassified to the statement of income (unaudited) | - | - | 39 | - | - | 39 | - | 39 |
| Transfer of revaluation surplus on disposal of property previously revalued (unaudited) | - | - | - | (1) | 1 | - | - | - |
| (Loss)/profit for the six-month period ended June 30, 2007 (unaudited) | - | - | - | - | (2,875) | (2,875) | 26 | (2,849) |
| Total income for the six-month period ended June 30, 2007 (unaudited) | - | - | (125) | (1) | (2,874) | (3,000) | 26 | (2,974) |
| Disposal of subsidiary (unaudited) | - | - | - | - | - | - | (3) | (3) |
| June 30, 2007 | 32,607 | 7,681 | 156 | 737 | 1,034 | 42,215 | 1,059 | 43,274 |
| December 31, 2007 | 32,607 | 7,681 | 55 | 2,420 | 4,902 | 47,665 | 577 | 48,242 |
| Net unrealised gain on available-for-sale securities (unaudited) | - | - | 245 | - | - | 245 | - | 245 |
| Net realised gain on available-for-sale securities reclassified to the statement of income (unaudited) | - | - | (40) | - | - | (40) | - | (40) |
| Deferred tax related to net unrealised gain on available-for-sale securities and to net realised gain on available-for-sale securities reclassified to the statement of income (unaudited) | - | - | (49) | - | - | (49) | - | (49) |
| Transfer of revaluation surplus on disposal of property previously revalued (unaudited) | - | - | - | (17) | 17 | - | - | - |
| Deferred tax related to transfer of revaluation surplus on disposal of property previously revalued (unaudited) | - | - | - | 4 | (4) | - | - | - |
| Profit for the six-month period ended June 30, 2008 (unaudited) | - | - | - | - | 2,331 | 2,331 | 80 | 2,411 |
| Total income and expense for the six-month period ended June 30, 2008 (unaudited) | - | - | 156 | (13) | 2,344 | 2,487 | 80 | 2,567 |
| Change of minority share in subsidiary (unaudited) | - | - | - | - | 2 | 2 | 71 | 73 |
| Purchase of subsidiaries (unaudited) | - | - | - | - | - | - | 12 | 12 |
| Dividends paid (unaudited) | - | - | - | - | - | - | (139) | (139) |
| June 30, 2008 (unaudited) | 32,607 | 7,681 | 211 | 2,407 | 7,248 | 50,154 | 601 | 50,755 |

The accompanying notes on pages 5 to 27 are an integral part of these interim condensed consolidated financial statements.

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

| | For the six-month period ended June 30, | |
|--|--|----------------------------|
| | 2008 <i>(Unaudited)</i> | 2007 <i>(Unaudited)</i> |
| <i>Notes</i> | | |
| Cash flows from operating activities | | |
| Interest received | 20,530 | 13,546 |
| Interest paid | (7,196) | (6,482) |
| Fees and commissions received | 2,588 | 2,771 |
| Fees and commissions paid | (810) | (487) |
| Net loss from financial instruments | (610) | (3,976) |
| Net realised gain from dealing in foreign currencies | 896 | 514 |
| Net realised gain from dealing in precious metals | 176 | 47 |
| Dividends received | 26 | 40 |
| Other income received | 308 | 518 |
| Personnel expenses paid | (5,101) | (5,570) |
| Operating and administrative expenses paid | (3,413) | (2,570) |
| Cash flows from operating activities before changes in operating assets and liabilities | 7,394 | (1,649) |
| <i>Net (increase)/ decrease in operating assets</i> | | |
| Trading securities and securities pledged under repurchase agreements | 2,893 | 24,518 |
| Amounts due from credit institutions | (4,871) | 4,485 |
| Loans to customers | (33,846) | (27,442) |
| Net investments in finance leases | (6,524) | (3,263) |
| Other assets other than investment property | (4,626) | 543 |
| <i>Net increase / (decrease) in operating liabilities</i> | | |
| Amounts due to credit institutions other than subordinated and syndicated loans | 2,728 | 4,380 |
| Amounts due to customers and credit linked notes | 55,665 | 16,544 |
| Promissory notes and certificates of deposit issued | (469) | 389 |
| Other liabilities | 2,058 | (994) |
| Net cash from operating activities before income tax | 20,402 | 17,511 |
| Income tax paid | (1,839) | (3,759) |
| Net cash from operating activities | 18,563 | 13,752 |
| Cash flows from investing activities | | |
| Purchase of available-for-sale securities | (5,640) | (11,628) |
| Proceeds from sale of available-for-sale securities | 803 | 2,319 |
| Proceeds from sale of investment property | - | 802 |
| Purchase of property and equipment | (341) | (525) |
| Proceeds from sale of property and equipment | 215 | 59 |
| Proceeds from sale of subsidiaries | - | 15,515 |
| Purchase of subsidiaries | - | (15,137) |
| Net cash used in investing activities | (4,963) | (8,595) |
| Cash flows from financing activities | | |
| Proceeds from syndicated loans | 1,158 | 8,778 |
| Syndicated loans repaid | (15,879) | (5,582) |
| Proceeds from subordinated loan | - | 6,454 |
| Proceeds from bonds | 2,066 | - |
| Dividends paid by subsidiaries to minority shareholders | (139) | - |
| Redemption of Eurobonds | - | (3,574) |
| Net cash (used in)/from financing activities | (12,794) | 6,076 |
| Effect of exchange rates changes on cash and cash equivalents | (194) | (87) |
| Net increase in cash and cash equivalents | 612 | 11,146 |
| Cash and cash equivalents, beginning of the reporting period | 47,847 | 32,468 |
| Cash and cash equivalents, end of the reporting period | 5 48,459 | 43,614 |

The accompanying notes on pages 5 to 27 are an integral part of these interim condensed consolidated financial statements.

*(Millions of Russian Rubles)***1. Principal activities**

The accompanying interim condensed consolidated financial statements comprise the accounts of Open joint stock company "BANK URALSIB" and its subsidiaries (together the "Bank"). Open joint stock company "BANK URALSIB" was established in January 1993 by a decree of the Supreme Soviet of the Bashkortostan Republic as an open joint stock company.

Open joint stock company "BANK URALSIB" possesses a general banking license from the Central Bank of Russia (the "CBR") granted on September 20, 2005 and licenses for securities operations and custody services from the Federal Service for the Securities Market as well as a license for precious metals operations granted by the CBR.

The Bank operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

The Bank is ultimately controlled by Mr. Nickolai A. Tsvetkov.

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 Bank's presentation currency and the functional currency for all of the Bank's member companies.

Subsidiaries

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

June 30, 2008

| <i>Subsidiary</i> | <i>Ownership, %</i> | <i>Country</i> | <i>Date of incorporation</i> | <i>Industry</i> | <i>Date of receiving Control</i> |
|--|-------------------------|----------------|----------------------------------|-----------------|--------------------------------------|
| OJSC AKB "Stroyvestbank" | 86.77% | Russia | January 24, 1992 | Banking | September 28, 2001 |
| LLC "Operating Factoring Company URALSIB-NIKoil" | 100% | Russia | February 27, 2002 | Factoring | February 27, 2002 |
| LLC "Uralsib Electronic Technologies" | 100% | Russia | March 4, 2003 | Consulting | March 4, 2003 |
| LLC "Ufa-City" | 100% | Russia | April 29, 2002 | Construction | May 13, 2002 |
| Members of Leasing Group | | | | | |
| Uralsib | | | | | |
| LLC "Uralsib Leasing Company" | 87.61% | Russia | October 9, 1990 | Leasing | December 22, 2006 |
| LLC "Region Leasing Ufa" | 86.73% | Russia | November 10, 2000 | Leasing | December 22, 2006 |
| LLC "Region Leasing Consult" | 86.73% | Russia | November 12, 2001 | Leasing | December 22, 2006 |
| NIKOIL Leasing company LLC | 100% | Azerbaijan | December 11, 2007 | Leasing | December 11, 2007 |

December 31, 2007

| <i>Subsidiary</i> | <i>Ownership, %</i> | <i>Country</i> | <i>Date of incorporation</i> | <i>Industry</i> | <i>Date of receiving control</i> |
|--|-------------------------|----------------|----------------------------------|-----------------|--------------------------------------|
| OJSC AKB "Stroyvestbank" | 91.5% | Russia | January 24, 1992 | Banking | September 28, 2001 |
| CJSC "Stock Agency" | 100% | Russia | June 6, 1996 | Investment | June 6, 1996 |
| LLC "Operating Factoring Company URALSIB-NIKoil" | 100% | Russia | February 27, 2002 | Factoring | February 27, 2002 |
| LLC "Uralsib Electronic Technologies" | 100% | Russia | March 4, 2003 | Consulting | March 4, 2003 |
| LLC "Ufa-City" | 100% | Russia | April 29, 2002 | Construction | May 13, 2002 |

(Millions of Russian Rubles)

| <i>Subsidiary</i> | <i>Ownership, %</i> | <i>Country</i> | <i>Date of incorporation</i> | <i>Industry</i> | <i>Date of receiving control</i> |
|---------------------------------|-------------------------|----------------|----------------------------------|-----------------|--------------------------------------|
| Members of Leasing Group | | | | | |
| Uralsib | | | | | |
| LLC "Uralsib Leasing Company" | 87.61% | Russia | October 9, 1990 | Leasing | December 22, 2006 |
| LLC "Region Leasing Ufa" | 86.73% | Russia | November 10, 2000 | Leasing | December 22, 2006 |
| LLC "Region Leasing Consult" | 86.73% | Russia | November 12, 2001 | Leasing | December 22, 2006 |
| NIKOIL Leasing company LLC | 100% | Azerbaijan | December 11, 2007 | Leasing | December 11, 2007 |

The interim condensed consolidated financial statements include also the following unincorporated subsidiaries:

June 30, 2008

| <i>Subsidiary</i> | <i>Ownership, %</i> | <i>Country</i> | <i>Date of establishment</i> | <i>Industry</i> | <i>Date of receiving control</i> |
|--|-------------------------|----------------|----------------------------------|-----------------|--------------------------------------|
| Interval Unit Investment Fund of stock "URALSIB Connection and Information technologies" | 86.56% | Russia | March 3, 2008 | Investment | March 3, 2008 |
| Interval Unit Investment Fund of stock "URALSIB Russian finances" | 88.58% | Russia | March 3, 2008 | Investment | March 3, 2008 |
| Closed Unit Investment Fund of real estate "URALSIB real estate" | 100% | Russia | February 26, 2008 | Investment | February 26, 2008 |
| Closed Unit Investment Fund of stock "Strategic management" | 100% | Russia | November 1, 2007 | Investment | November 1, 2007 |
| Closed Unit Investment Fund of property "URALSIB - REGION" | 100% | Russia | November 1, 2007 | Investment | November 1, 2007 |
| Closed Unit Investment Fund of property "URALSIB - ARENDA" | 100% | Russia | November 1, 2007 | Investment | November 1, 2007 |

December 31, 2007

| <i>Subsidiary</i> | <i>Ownership, %</i> | <i>Country</i> | <i>Date of establishment</i> | <i>Industry</i> | <i>Date of receiving Control</i> |
|---|-------------------------|----------------|----------------------------------|-----------------|--------------------------------------|
| Closed Unit Investment Fund of stock "Strategic management" | 100% | Russia | November 1, 2007 | Investment | November 1, 2007 |
| Closed Unit Investment Fund of property "URALSIB - REGION" | 100% | Russia | November 1, 2007 | Investment | November 1, 2007 |
| Closed Unit Investment Fund of property "URALSIB - ARENDA" | 100% | Russia | November 1, 2007 | Investment | November 1, 2007 |

During the six-month period ended June 30, 2008 the Bank 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 the Bank liquidated its 100% subsidiary CJSC "Stock Agency".

In August 2007 the Bank acquired OJSC AKB "Dzerjinsky", which represents a subsidiary under common control. The Bank's policy with respect to reorganisations under common control is accounting, using book values with restatement of comparatives. Thus in these interim condensed consolidated financial statements comparative information in the statement of income was correspondingly adjusted. OJSC AKB "Dzerjinsky" was merged into OJSC AKB "Stroyvestbank" in August 2007.

3. Summary of accounting policies

Except as described below the accounting policies applied by the Bank 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:

(Millions of Russian Rubles)

| | <i>June 30, 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 Bank 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 Bank 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.

Net assets attributable to participants in Banks' subsidiaries established in form of limited liability companies and unit investment funds which represent such puttable instruments met the criteria, thus the Bank changed classification of the minority interest in these subsidiaries from 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 Bank.

(Millions of Russian Rubles)

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 Bank's operations. The Bank plans to adopt this pronouncement when it becomes effective. The Bank has not yet analysed the likely impact of this new standard on its financial statements.

- Revised IAS 1 "Presentation of Financial Statements (2007)" which becomes mandatory for the Bank'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 Bank's 2009 financial statements and will constitute a change in accounting policy for the Bank. In accordance with the transitional provisions the Bank 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 Bank's 2010 consolidated financial statements requires accounting for changes in ownership interests by the Bank in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Bank 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 Bank'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 Bank'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 Bank'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.
- 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 Bank'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 Bank's 2009 financial statements.

*(Millions of Russian Rubles)***4. Analysis by segment**

The Bank 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, 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 Bank 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 Bank's regional network.
7. Treasury and asset-liability management unit: treasury, which lends and borrows funds on money market, undertakes the Bank'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 Bank and certain securities operations. In the Bank's transfer pricing system, this segment is responsible for the Bank's capital. It also carries out service operations that are not related to the main business activity of the Bank, such as management of the proper real estate.
9. Head office and shared services: expenses incurred by the central administrative divisions of the Bank. This category also includes other Head Office expenditures and indirect overhead expenses such as the advertisement of the Bank's brand, which is common to all reportable segments.

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.

| | For the six-month period ended June 30, | |
|--|--|--------------------|
| | 2008 | 2007 |
| | (Unaudited) | (Unaudited) |
| Profit/(loss) before income tax expense per management accounting | 3,654 | (3,954) |
| Consolidation adjustment | (101) | (11) |
| Interest and commission accrued | 495 | (317) |
| Conversion to finance lease accounting | 429 | 7 |
| Fair value and other adjustments to securities | (701) | 105 |
| Fair value adjustment to derivative financial instruments | (413) | (82) |
| Personnel, administrative and operating expenses accrued | (64) | 150 |
| Rent expenses not recognized in management accounting | 51 | 9 |
| Adjustment of impairment allowance | (211) | 562 |
| Other adjustments | 154 | 78 |
| Profit/(loss) before income tax expense per IFRS financials | 3,293 | (3,453) |

(Millions of Russian Rubles)

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</i> | | <i>December 31, 2007</i> | |
|--|----------------------|--------------------|--------------------------|--------------------|
| | <i>(Unaudited)</i> | | <i>(Unaudited)</i> | |
| | <i>Assets</i> | <i>Liabilities</i> | <i>Assets</i> | <i>Liabilities</i> |
| Total assets/liabilities per management accounting | 425,364 | 381,434 | 375,229 | 332,772 |
| Netting of accounts receivable and payable on securities operations in management accounting | 7,867 | 7,875 | 6,808 | 5,425 |
| Accrual of administrative and operating expenses | 1,396 | 116 | 2,069 | 712 |
| Consolidation adjustment | 3,173 | 151 | 2,761 | 39 |
| Elimination of intragroup balances | (18,369) | (18,369) | (16,173) | (16,173) |
| Conversion to finance lease accounting | 916 | (1,226) | 1,007 | (577) |
| Revaluation and other adjustments to property and equipment | 1,298 | (2) | 2,522 | 9 |
| Revaluation and other adjustments to accumulated depreciation on property and equipment | (561) | (256) | (1,871) | - |
| Adjustment of current and deferred tax assets and liabilities | 2,151 | 1,177 | (382) | 373 |
| Accrual of interests and commissions | (858) | (231) | (2,738) | (351) |
| Adjustment of impairment allowance | (453) | (132) | (281) | (80) |
| Fair value adjustment to derivative financial instruments | 714 | 158 | 296 | 2,439 |
| Fair value adjustment to securities | (1,715) | (1,370) | 4,475 | 254 |
| Accrual of employee compensation payable | - | 265 | - | 624 |
| Other adjustments | 288 | 866 | 992 | 1,006 |
| Total assets/liabilities per IFRS financials | 421,211 | 370,456 | 374,714 | 326,472 |

(Millions of Russian Rubles)

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

| (Unaudited) | Corporate banking | Retail banking | Private banking | Leasing | Investment banking | Asset management & structured financing | Treasury & asset-liability management unit | Corporate investments & other operations | Total |
|--|----------------------|----------------|--------------------|---------------|-----------------------|--|---|---|----------------|
| Assets | | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | 21,980 | 1 | 21,981 |
| Obligatory reserves with the Central Bank | - | - | - | - | - | - | 7,478 | - | 7,478 |
| Amounts due from credit institutions (gross) | - | 113 | - | 1,218 | - | - | 23,052 | 193 | 24,576 |
| less: Impairment allowance | - | - | - | - | - | - | (18) | - | (18) |
| Amounts due from credit institutions | - | 113 | - | 1,218 | - | - | 23,034 | 193 | 24,558 |
| Total securities (gross) | - | - | - | - | 8,202 | 2,919 | 146 | 39,619 | 50,886 |
| less: Impairment allowance | - | - | - | - | - | - | (5) | (295) | (300) |
| Total securities | - | - | - | - | 8,202 | 2,919 | 141 | 39,324 | 50,586 |
| Loans to corporates (gross) | 151,794 | - | - | 810 | 14,063 | 1,770 | 5,192 | 26,731 | 200,360 |
| less: Impairment allowance | (8,416) | - | - | - | - | (9) | - | (100) | (8,525) |
| Total loans to corporates | 143,378 | - | - | 810 | 14,063 | 1,761 | 5,192 | 26,631 | 191,835 |
| Loans to individuals (gross) | - | 75,478 | 1,121 | - | - | - | - | - | 76,599 |
| less: Impairment allowance | - | (3,766) | (9) | - | - | - | - | - | (3,775) |
| Loans to individuals | - | 71,712 | 1,112 | - | - | - | - | - | 72,824 |
| Loans to customers | 143,378 | 71,712 | 1,112 | 810 | 14,063 | 1,761 | 5,192 | 26,631 | 264,659 |
| Net investments in finance leases (gross) | - | - | - | 22,550 | - | - | - | - | 22,550 |
| less: Impairment allowance | - | - | - | (539) | - | - | - | - | (539) |
| Net investments in finance leases | - | - | - | 22,011 | - | - | - | - | 22,011 |
| Property and equipment | - | - | - | - | - | - | - | 9,092 | 9,092 |
| Current tax asset | - | - | - | 2,103 | - | - | - | 79 | 2,182 |
| Deferred tax asset | - | - | - | - | - | - | - | 1 | 1 |
| Other assets | 7,109 | 952 | - | 5,859 | 506 | 1,323 | 4,217 | 2,850 | 22,816 |
| Total assets | 150,487 | 72,777 | 1,112 | 32,001 | 22,771 | 6,003 | 62,042 | 78,171 | 425,364 |

(Millions of Russian Rubles)

| (Unaudited) | Corporate banking | Retail banking | Private banking | Leasing | Investment banking | Asset management & structured financing | Treasury & asset-liability management unit | Corporate investments & other operations | Total |
|--|-------------------|----------------|-----------------|---------------|--------------------|---|--|--|----------------|
| Liabilities | | | | | | | | | |
| Amounts due to credit institutions | 3,651 | 3,068 | 616 | - | - | - | 57,355 | 5,864 | 70,554 |
| Current accounts of corporate clients | 62,307 | - | 24 | - | - | 172 | 1,075 | 14,689 | 78,267 |
| Time deposits of corporate clients and repurchase agreements | 93,240 | - | - | - | - | 6,515 | - | 2,701 | 102,456 |
| Amounts due to corporate clients | 155,547 | - | 24 | - | - | 6,687 | 1,075 | 17,390 | 180,723 |
| Current accounts of individuals | - | 20,291 | 635 | - | - | - | - | - | 20,926 |
| Time deposits of individuals | - | 45,295 | 13,964 | - | - | - | - | - | 59,259 |
| Amounts due to individuals | - | 65,586 | 14,599 | - | - | - | - | - | 80,185 |
| Amounts due to customers | 155,547 | 65,586 | 14,623 | - | - | 6,687 | 1,075 | 17,390 | 260,908 |
| Promissory notes and certificates of deposit issued | 1,996 | 153 | - | - | - | - | 9,354 | 86 | 11,589 |
| Other borrowed funds | - | - | - | 25,658 | 515 | - | - | - | 26,173 |
| Current tax liability | - | - | - | 204 | - | - | - | 32 | 236 |
| Other liabilities | 2,517 | 193 | - | 3,936 | - | - | 4,340 | 988 | 11,974 |
| Total liabilities | 163,711 | 69,000 | 15,239 | 29,798 | 515 | 6,687 | 72,124 | 24,360 | 381,434 |
| Total equity | - | - | - | - | - | - | - | 43,930 | 43,930 |
| Total equity and liabilities | 163,711 | 69,000 | 15,239 | 29,798 | 515 | 6,687 | 72,124 | 68,290 | 425,364 |
| Trust assets | - | - | - | - | - | 1,956 | - | - | 1,956 |
| Credit related commitments | 62,782 | 6,078 | 4 | - | - | - | 430 | 18,214 | 87,508 |

(Millions of Russian Rubles)

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

| (Unaudited) | Corporate banking | Retail banking | Private banking | Leasing | Investment banking | Asset management & structured financing | Treasury & asset-liability management unit | Corporate investments & other operations | Total |
|--|-------------------|----------------|-----------------|---------------|--------------------|---|--|--|----------------|
| Assets | | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | 24,691 | - | 24,691 |
| Obligatory reserves with the Central Bank | - | - | - | - | - | - | 4,112 | - | 4,112 |
| Amounts due from credit institutions (gross) | - | 14 | - | 571 | - | - | 20,206 | 67 | 20,858 |
| less: Impairment allowance | - | - | - | - | - | - | (18) | - | (18) |
| Amounts due from credit institutions | - | 14 | - | 571 | - | - | 20,188 | 67 | 20,840 |
| Total securities (gross) | - | - | - | - | 9,497 | 588 | 155 | 37,427 | 47,667 |
| less: Impairment allowance | - | - | - | - | - | - | (7) | (123) | (130) |
| Total securities | - | - | - | - | 9,497 | 588 | 148 | 37,304 | 47,537 |
| Loans to corporates (gross) | 136,310 | - | - | 462 | 10,903 | 2,688 | 2,103 | 24,166 | 176,632 |
| less: Impairment allowance | (7,167) | - | - | - | - | (65) | - | (94) | (7,326) |
| Total loans to corporates | 129,143 | - | - | 462 | 10,903 | 2,623 | 2,103 | 24,072 | 169,306 |
| Loans to individuals (gross) | - | 62,216 | 1,073 | - | - | - | - | - | 63,289 |
| less: Impairment allowance | - | (2,849) | (7) | - | - | - | - | - | (2,856) |
| Total loans to individuals | - | 59,367 | 1,066 | - | - | - | - | - | 60,433 |
| Total loans to customers | 129,143 | 59,367 | 1,066 | 462 | 10,903 | 2,623 | 2,103 | 24,072 | 229,739 |
| Net investments in finance leases (gross) | - | - | - | 16,793 | - | - | - | - | 16,793 |
| less: Impairment allowance | - | - | - | (403) | - | - | - | - | (403) |
| Net investments in finance leases | - | - | - | 16,390 | - | - | - | - | 16,390 |
| Property and equipment | - | - | - | - | - | - | - | 9,252 | 9,252 |
| Current tax asset | - | - | - | 1,725 | - | - | - | 749 | 2,474 |
| Other assets | 5,786 | 737 | - | 4,517 | - | 1,285 | 3,936 | 3,933 | 20,194 |
| Total assets | 134,929 | 60,118 | 1,066 | 23,665 | 20,400 | 4,496 | 55,178 | 75,377 | 375,229 |

(Millions of Russian Rubles)

| (Unaudited) | Corporate banking | Retail banking | Private banking | Leasing | Investment banking | Asset management & structured financing | Treasury & asset-liability management unit | Corporate investments & other operations | Total |
|--|-------------------|----------------|-----------------|---------------|--------------------|---|--|--|----------------|
| Liabilities | | | | | | | | | |
| Amounts due to credit institutions | 4,682 | 2,939 | - | - | - | - | 76,330 | 6,147 | 90,098 |
| Current accounts of corporate clients | 57,277 | - | 14 | - | - | 1,907 | 291 | 14,699 | 74,188 |
| Time deposits of corporate clients and repurchase agreements | 53,450 | - | - | - | - | 382 | - | 6,442 | 60,274 |
| Amounts due to corporate clients | 110,727 | - | 14 | - | - | 2,289 | 291 | 21,141 | 134,462 |
| Current accounts of individuals | - | 22,967 | 616 | - | - | - | - | - | 23,583 |
| Time deposits of individuals | - | 41,130 | 4,941 | - | - | - | - | - | 46,071 |
| Amounts due to individuals | - | 64,097 | 5,557 | - | - | - | - | - | 69,654 |
| Amounts due to customers | 110,727 | 64,097 | 5,571 | - | - | 2,289 | 291 | 21,141 | 204,116 |
| Promissory notes and certificates of deposit issued | 2,572 | 153 | - | - | - | - | 8,451 | 86 | 11,262 |
| Other borrowed funds | - | - | - | 17,625 | 596 | - | - | - | 18,221 |
| Current tax liability | - | - | - | 137 | - | - | - | 3 | 140 |
| Other liabilities | 1,410 | 214 | - | 3,278 | - | - | 3,853 | 180 | 8,935 |
| Total liabilities | 119,391 | 67,403 | 5,571 | 21,040 | 596 | 2,289 | 88,925 | 27,557 | 332,772 |
| Total equity | - | - | - | - | - | - | - | 42,457 | 42,457 |
| Total equity and liabilities | 119,391 | 67,403 | 5,571 | 21,040 | 596 | 2,289 | 88,925 | 70,014 | 375,229 |
| Trust assets | - | - | 1,929 | - | - | - | - | - | 1,929 |
| Credit related commitments | 74,281 | 3,243 | 1 | - | - | - | 422 | 12,599 | 90,546 |

(Millions of Russian Rubles)

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

| (Unaudited) | Corporate banking | Retail banking | Private banking | Leasing | Investment banking | Asset management & structured financing | Treasury & asset-liability management unit | Corporate investments & other operations | Head office & shared services | Total |
|--|-------------------|----------------|-----------------|--------------|--------------------|---|--|--|-------------------------------|-----------------|
| Interest income | | | | | | | | | | |
| Loans to customers | 8,473 | 4,461 | 69 | 84 | 168 | 62 | - | 1,849 | - | 15,166 |
| Net investments in finance leases | - | - | - | 1,914 | - | - | - | - | - | 1,914 |
| Amounts due from credit institutions | - | - | - | 1 | - | - | 536 | - | - | 537 |
| Intersegment income | 5,108 | 2,719 | 252 | 11 | - | 56 | 17,252 | 2,753 | - | 28,151 |
| | 13,581 | 7,180 | 321 | 2,010 | 168 | 118 | 17,788 | 4,602 | - | 45,768 |
| Interest expense | | | | | | | | | | |
| Amounts due to customers | (2,580) | (1,641) | (195) | - | - | (31) | (28) | (329) | - | (4,804) |
| Amounts due to credit institutions | (41) | (11) | - | - | - | - | (2,017) | (291) | - | (2,360) |
| Promissory notes and certificates of deposit issued | (63) | - | - | - | - | - | (335) | - | - | (398) |
| Other borrowed funds | - | - | - | (649) | - | - | - | - | - | (649) |
| Intersegment expense | (6,743) | (3,670) | (69) | (291) | (393) | (167) | (14,524) | (2,294) | - | (28,151) |
| | (9,427) | (5,322) | (264) | (940) | (393) | (198) | (16,904) | (2,914) | - | (36,362) |
| Net interest income/(expense) | 4,154 | 1,858 | 57 | 1,070 | (225) | (80) | 884 | 1,688 | - | 9,406 |
| (Charge for)/ reversal of impairment of interest earning assets | (1,255) | (918) | (1) | (132) | - | 56 | - | (7) | - | (2,257) |
| Net interest income after impairment of interest earning assets | 2,899 | 940 | 56 | 938 | (225) | (24) | 884 | 1,681 | - | 7,149 |
| Fee and commission income | 2,031 | 1,585 | 4 | - | 22 | 15 | 107 | 16 | - | 3,780 |
| Fee and commission expense | (64) | (125) | - | (115) | - | (11) | (209) | (60) | - | (584) |
| Intersegment fee income | 222 | 154 | 10 | 10 | 7 | 12 | 334 | 42 | - | 791 |
| Intersegment fee expense | (156) | (152) | - | (34) | - | (4) | (260) | (185) | - | (791) |
| Net fee and commission income | 2,033 | 1,462 | 14 | (139) | 29 | 12 | (28) | (187) | - | 3,196 |
| Net trading gain/(loss) from financial instruments | - | - | - | - | 524 | (64) | (25) | 231 | - | 666 |
| Net gain/(loss) from foreign currencies | 213 | 118 | - | 67 | - | - | 263 | (42) | - | 619 |
| Net gain from operations with precious metals | 67 | - | - | - | - | - | - | - | - | 67 |
| Other income/(expense) | (96) | 458 | 1 | (313) | (8) | 31 | (10) | 56 | - | 119 |
| | 184 | 576 | 1 | (246) | 516 | (33) | 228 | 245 | - | 1,471 |
| Personnel expenses | (665) | (670) | (46) | (198) | (176) | (99) | (102) | (37) | (3,060) | (5,053) |
| Administrative and operating expenses | (206) | (499) | (34) | (57) | (29) | (37) | (19) | 618 | (2,415) | (2,678) |
| Depreciation and amortisation | (33) | (55) | (1) | (2) | (1) | (4) | (2) | (46) | (234) | (378) |
| Impairment of other assets | (53) | - | - | - | - | - | - | - | - | (53) |
| | (957) | (1,224) | (81) | (257) | (206) | (140) | (123) | 535 | (5,709) | (8,162) |
| Profit/(loss) before income tax expense | 4,159 | 1,754 | (10) | 296 | 114 | (185) | 961 | 2,274 | (5,709) | 3,654 |
| Income tax expense | - | - | - | (146) | - | - | - | - | (2,169) | (2,315) |
| Profit/(loss) for the period | 4,159 | 1,754 | (10) | 150 | 114 | (185) | 961 | 2,274 | (7,878) | 1,339 |

(Millions of Russian Rubles)

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

| (Unaudited) | Corporate banking | Retail banking | Private banking | Leasing | Investment banking | Asset management & structured financing | Treasury & asset-liability management unit | Corporate investments & other operations | Head office & shared services | Total |
|--|-------------------|----------------|-----------------|--------------|--------------------|---|--|--|-------------------------------|-----------------|
| Interest income | | | | | | | | | | |
| Loans to customers | 5,942 | 2,614 | 38 | 73 | 199 | 247 | - | 878 | - | 9,991 |
| Net investments in finance leases | - | - | - | 1,057 | - | - | - | - | - | 1,057 |
| Amounts due from credit institutions | - | - | - | 28 | - | - | 299 | - | - | 327 |
| Intersegment income | 4,190 | 2,290 | 187 | 8 | - | 12 | 12,806 | 482 | - | 19,975 |
| | 10,132 | 4,904 | 225 | 1,166 | 199 | 259 | 13,105 | 1,360 | - | 31,350 |
| Interest expense | | | | | | | | | | |
| Amounts due to customers | (1,941) | (1,619) | (141) | - | - | (2) | - | (56) | - | (3,759) |
| Amounts due to credit institutions | (44) | (1) | - | - | - | - | (1,855) | (7) | - | (1,907) |
| Promissory notes and certificates of deposit issued | (105) | - | - | - | - | - | (247) | (2) | - | (354) |
| Other borrowed funds | - | - | - | (241) | - | - | - | (305) | - | (546) |
| Intersegment expense | (4,717) | (1,964) | (31) | (255) | (209) | (188) | (10,314) | (2,297) | - | (19,975) |
| | (6,807) | (3,584) | (172) | (496) | (209) | (190) | (12,416) | (2,667) | - | (26,541) |
| Net interest income/(expense) | 3,325 | 1,320 | 53 | 670 | (10) | 69 | 689 | (1,307) | - | 4,809 |
| (Charge for)/ reversal of impairment of interest earning assets | (1,601) | (452) | 1 | (51) | - | (169) | - | - | - | (2,272) |
| Net interest income after impairment of interest earning assets | 1,724 | 868 | 54 | 619 | (10) | (100) | 689 | (1,307) | - | 2,537 |
| Fee and commission income | 1,661 | 1,214 | 12 | - | 25 | 26 | 123 | 5 | - | 3,066 |
| Fee and commission expense | (49) | (61) | (2) | (97) | - | - | (106) | (51) | - | (366) |
| Intersegment fee income | 160 | 98 | - | - | - | - | 349 | 87 | - | 694 |
| Intersegment fee expense | (162) | (110) | (3) | - | (7) | - | (195) | (217) | - | (694) |
| Net fee and commission income | 1,610 | 1,141 | 7 | (97) | 18 | 26 | 171 | (176) | - | 2,700 |
| Net trading gain/(loss) from financial instruments | - | - | - | - | 335 | 28 | 6 | (2,437) | - | (2,068) |
| Net gain/(loss) from foreign currencies | 159 | 85 | - | 17 | - | - | 68 | - | - | 329 |
| Net gain from operations with precious metals | 71 | - | - | - | - | - | - | - | - | 71 |
| Other income/(expense) | (159) | 48 | - | (135) | (6) | - | (38) | 29 | - | (261) |
| | 71 | 133 | - | (118) | 329 | 28 | 36 | (2,408) | - | (1,929) |
| Personnel expenses | (427) | (487) | (36) | (79) | (375) | (87) | (100) | (23) | (2,719) | (4,333) |
| Administrative and operating expenses | (164) | (427) | (24) | (38) | (32) | (81) | (24) | 515 | (2,278) | (2,553) |
| Depreciation and amortisation | (3) | (10) | - | - | - | - | - | (46) | (218) | (277) |
| Impairment of other assets | - | - | - | - | (99) | - | - | - | - | (99) |
| | (594) | (924) | (60) | (117) | (506) | (168) | (124) | 446 | (5,215) | (7,262) |
| Profit/(loss) before income tax expense | 2,811 | 1,218 | 1 | 287 | (169) | (214) | 772 | (3,445) | (5,215) | (3,954) |
| Income tax expense | - | - | - | (97) | - | - | - | (1) | (2,344) | (2,442) |
| Profit/(loss) for the period | 2,811 | 1,218 | 1 | 190 | (169) | (214) | 772 | (3,446) | (7,559) | (6,396) |

*(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 and the Central Bank up to 90 days | 19,100 | 12,291 |
| Cash on hand | 10,959 | 11,446 |
| Current accounts with the Central Bank | 10,942 | 12,955 |
| Reverse repurchase agreements with credit institutions up to 90 days | 5,283 | 4,136 |
| Current accounts with credit institutions | 1,984 | 2,273 |
| Current accounts with stock exchanges | 191 | 245 |
| Time deposits with the Central Bank | - | 4,501 |
| Cash and cash equivalents | 48,459 | 47,847 |

The Bank has entered into short-term 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 4,356 (2007 – RUB 1,972).

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 | 3,323 | 2,098 |
| Promissory notes | 80 | 30 |
| | 3,403 | 2,128 |
| Less – Impairment allowance (Note 11) | (97) | (48) |
| Amounts due from credit institutions | 3,306 | 2,080 |

7. Trading securities and securities pledged under repurchase agreements

Trading securities owned comprise:

| | <i>June 30, 2008</i> <i>(Unaudited)</i> | <i>December 31,</i> <i>2007</i> |
|---------------------------------------|--|------------------------------------|
| Treasury bills of foreign governments | 11,349 | 11,209 |
| Corporate bonds | 9,950 | 9,868 |
| Promissory notes | 3,751 | 3,814 |
| Russian Federation Eurobonds | 3,442 | 1,458 |
| Russian State bonds (OFZ) | 3,303 | 2,292 |
| Corporate Eurobonds | 2,928 | 1,502 |
| OJSC "LUKOIL" ordinary shares | 1,961 | 7,918 |
| Corporate shares | 1,956 | 1,601 |
| Municipal and government bonds | 1,347 | 307 |
| Units in LUKoil unit investment funds | 3 | 585 |
| Trading securities | 39,990 | 40,554 |

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; corporate shares represented shares of "blue-chip" Russian companies; promissory notes included notes of large Russian banks and 'blue-chip' Russian companies.

(Millions of Russian Rubles)

Trading securities pledged under repurchase agreements comprise:

| | <i>June 30, 2008</i> <i>(Unaudited)</i> | <i>December 31,</i> <i>2007</i> |
|---|--|------------------------------------|
| Corporate shares | 78 | - |
| Corporate bonds | 72 | 101 |
| Municipal and government bonds | 48 | 17 |
| Russian Federation Eurobonds | - | 2,893 |
| Corporate Eurobonds | - | 476 |
| Russian State bonds (OFZ) | - | 46 |
| Trading securities pledged under repurchase agreements | 198 | 3,533 |

8. Available-for-sale securities

Available-for-sale securities comprise:

| | <i>June 30, 2008</i> <i>(Unaudited)</i> | <i>December 31,</i> <i>2007</i> |
|--|--|------------------------------------|
| Corporate bonds | 4,923 | 672 |
| Units in unit investment funds | 2,853 | 1,220 |
| Corporate shares | 322 | 1,096 |
| Participation in limited liability companies | 143 | 146 |
| Corporate Eurobonds | 110 | 115 |
| Municipal and government bonds | 17 | 17 |
| Other equity investments | 7 | 26 |
| Available-for-sale securities | 8,375 | 3,292 |

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 1,467 (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 55 (2007 – nil) and interval unit investment fund of shares "URALSIB Energetic Perspectives" in the amount of RUB 14 (2007 – nil).

9. Derivative financial assets and liabilities

The Bank 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 metals contracts | | | | | | |
| Forwards and Swaps – foreign | 4,336 | 674 | 792 | 7,014 | 605 | 752 |
| Foreign exchange contracts | | | | | | |
| Forwards and Swaps – foreign | 234 | | | 9,246 | 29 | 61 |
| Forwards and Swaps – domestic | 4,596 | 3 | 7 | 6,063 | 2 | 13 |
| Equity contracts | | | | | | |
| Forwards and Swaps – foreign | 229 | - | 2 | 2,407 | 494 | |
| Forwards and Swaps – domestic | - | - | - | 69 | - | 10 |
| Total derivative assets/liabilities | 9,395 | 677 | 801 | 24,799 | 1,130 | 836 |

*(Millions of Russian Rubles)***10. Loans to customers**

Loans to customers comprise:

| | <i>June 30, 2008 (Unaudited)</i> | <i>December 31, 2007</i> |
|---|--------------------------------------|------------------------------|
| Loans to customers | 255,668 | 224,855 |
| Loans granted under reverse repurchase agreements | 8,801 | 9,401 |
| Overdrafts | 7,123 | 5,034 |
| Promissory notes | 76 | 47 |
| Factoring | 67 | 67 |
| | 271,735 | 239,404 |
| Less – Impairment allowance (Note 11) | (12,467) | (10,303) |
| Loans to customers | 259,268 | 229,101 |

As of June 30, 2008, the Bank had a concentration of loans represented by RUB 22,376 due from ten largest third 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 (Unaudited)</i> | <i>December 31, 2007</i> |
|-----------------------------------|--------------------------------------|------------------------------|
| Private companies | 192,751 | 173,323 |
| Individuals | 76,929 | 63,816 |
| State companies | 1,955 | 2,025 |
| State budget or local authorities | 100 | 240 |
| Loans to customers | 271,735 | 239,404 |

The Bank 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 Bank had no loans granted under reverse repurchase agreements placed with related parties (2007 – RUB 2,661).

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 | 18 | 9,777 | 275 | 10,070 |
| Charge (Unaudited) | - | 1,719 | 201 | 1,920 |
| June 30, 2007 (Unaudited) | 18 | 11,496 | 476 | 11,990 |
| December 31, 2007 | 48 | 10,303 | 651 | 11,002 |
| Charge (Unaudited) | 49 | 2,174 | 279 | 2,502 |
| Write-offs (Unaudited) | - | (10) | - | (10) |
| June 30, 2008 (Unaudited) | 97 | 12,467 | 930 | 13,494 |

(Millions of Russian Rubles)

The movements in impairment allowances for other assets were as follows:

| | <i>Total</i> |
|----------------------------------|--------------|
| December 31, 2006 | 233 |
| Charge (Unaudited) | (24) |
| Write-offs (Unaudited) | (150) |
| June 30, 2007 (Unaudited) | 59 |
| December 31, 2007 | 56 |
| Charge (Unaudited) | 21 |
| June 30, 2008 (Unaudited) | 77 |

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 | 38,170 | 29,139 |
| Less – Unearned finance leases income | (10,979) | (8,008) |
| | 27,191 | 21,131 |
| Less – Allowance for impairment | (930) | (651) |
| Net investments in finance leases | 26,261 | 20,480 |

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 | 14,655 | 11,502 |
| From 1 to 5 years | 20,497 | 15,454 |
| More than 5 years | 3,018 | 2,183 |
| Minimum lease payments receivable | 38,170 | 29,139 |

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

The movements in property and equipment were as follows:

| | <i>Buildings</i> | <i>Furniture and fixtures</i> | <i>Assets under construction</i> | <i>Total</i> |
|---------------------------------|------------------|-----------------------------------|--------------------------------------|---------------|
| Cost or revalued amount | | | | |
| December 31, 2006 | 4,053 | 2,580 | 461 | 7,094 |
| Additions | 90 | 126 | 279 | 495 |
| Disposals | (18) | (146) | (3) | (167) |
| Transfer | 1 | 56 | (57) | - |
| June 30, 2007 | 4,126 | 2,616 | 680 | 7,422 |
| December 31, 2007 | 6,536 | 3,220 | 646 | 10,402 |
| Additions | 36 | 303 | 2 | 341 |
| Disposals | (79) | (92) | (103) | (274) |
| Transfer | - | 71 | (71) | - |
| June 30, 2008 | 6,493 | 3,502 | 474 | 10,469 |
| Accumulated depreciation | | | | |
| December 31, 2006 | 84 | 1,207 | - | 1,291 |
| Charge for the reporting period | 60 | 283 | - | 343 |
| Disposals | (5) | (102) | - | (107) |
| June 30, 2007 | 139 | 1,388 | - | 1,527 |
| December 31, 2007 | 90 | 1,532 | - | 1,622 |
| Charge for the reporting period | 49 | 230 | - | 279 |
| Disposals | (3) | (51) | - | (54) |
| June 30, 2008 | 136 | 1,711 | - | 1,847 |
| Net book value | | | | |
| December 31, 2006 | 3,969 | 1,373 | 461 | 5,803 |
| June 30, 2007 | 3,987 | 1,228 | 680 | 5,895 |
| December 31, 2007 | 6,446 | 1,688 | 646 | 8,780 |
| June 30, 2008 | 6,357 | 1,791 | 474 | 8,622 |

The Bank 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 | 3,643 | 3,699 |
| Accumulated depreciation | (498) | (494) |
| Net carrying amount | 3,145 | 3,205 |

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

The corporate income tax expense comprises:

| | For the six-month period ended June 30, | |
|--|--|---------------------|
| | 2008 | 2007 |
| | (Unaudited) | (Unaudited) |
| Current tax charge | 2,072 | 2,431 |
| Deferred tax expense | | |
| <i>Origination and reversal of temporary differences</i> | (1,145) | (3,074) |
| <i>Recognized directly in equity</i> | (45) | 39 |
| | <u>(1,190)</u> | <u>(3,035)</u> |
| Income tax expense/(benefit) | <u>882</u> | <u>(604)</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:

| | For the six-month period ended June 30, | |
|---|--|---------------------|
| | 2008 | 2007 |
| | (Unaudited) | (Unaudited) |
| Profit/(loss) before income tax expense | 3,293 | (3,453) |
| Statutory tax rate | 24% | 24% |
| Theoretical income tax expense/(benefit) at the statutory rate | 790 | (829) |
| Non-deductible administrative expenditures | 95 | 187 |
| Transfer pricing adjustment on dealing gain | 4 | 69 |
| Dividend income taxed at different rate | (4) | (6) |
| State securities taxed at different rates | (16) | (10) |
| Other | 13 | (15) |
| Income tax expense/(benefit) | <u>882</u> | <u>(604)</u> |

15. Amounts due to credit institutions

The amounts due to credit institutions comprise:

| | June 30, 2008 | December 31, |
|---|----------------------|----------------------|
| | (Unaudited) | 2007 |
| Time deposits and loans | 45,114 | 40,943 |
| Syndicated loans | 16,344 | 31,011 |
| Subordinated loan | 5,805 | 6,097 |
| Current accounts | 5,473 | 4,865 |
| Repurchase agreements | 466 | 3,050 |
| Amounts due to credit institutions | <u>73,202</u> | <u>85,966</u> |

The Bank 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 506 (as of December 31, 2007 are Eurobonds of Russian Federation and Corporate Eurobonds issued by Russian companies with a fair value of RUB 2,893 and RUB 476, respectively).

As of June 30, 2008 nominal amount of syndicated loans received by the Bank comprised USD 531,5 million from Russian, OECD and non-OECD banks 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 Bank received a subordinated loan in total nominal amount of USD 250 million from an OECD bank. 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.

*(Millions of Russian Rubles)***16. Amounts due to customers**

The amounts due to customers include the following:

| | <i>June 30, 2008</i> <i>(Unaudited)</i> | <i>December 31,</i> <i>2007</i> |
|---------------------------------|--|------------------------------------|
| Time deposits | 163,403 | 117,856 |
| Current accounts | 107,114 | 96,990 |
| Repurchase agreements | 208 | 166 |
| Amounts due to customers | 270,725 | 215,012 |

At June 30, 2008 amounts due to customers of RUB 47,683 or 18% were due to the ten largest third party customers (2007 - RUB 25,085 or 12%).

The Bank had entered into direct repurchase agreements with a number of customers. The subject of these agreements as at June 30, 2008 are municipal and government bonds and corporate bonds with a fair value of RUB 185 and at December 31, 2007 were corporate bonds, Russian State bonds (OFZ) and municipal and government bonds with a fair value of RUB 164.

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 | 14,073 | 14,652 |
| Certificates of deposit | 1 | 30 |
| Promissory notes and certificates of deposit issued | 14,074 | 14,682 |

As of June 30, 2008 the Bank issued non-interest-bearing promissory notes and deposit certificates having an aggregate nominal value of RUB 1,267 (2007 - 1 612). Other promissory notes and certificates of deposit issued by the Bank 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 | 655 |
| Credit Linked Notes ("Uralsib Leasing Company" LLC) | 2,096 | 2,228 |
| Syndicated loans (Note 15) | 1,409 | 2,148 |
| Other borrowed funds | 6,199 | 5,031 |

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 Bank N.V the placement agents for the issue are OJSC "URALSIB" and ING Bank N.V.

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".

Credit Linked Notes issued by "Uralsib Leasing Company" LLC and which were owned by the Bank as of June 30, 2008 were netted off against their carrying value in other borrowed funds.

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

Movements in shares outstanding issued and fully paid were as follows:

| | <i>Number of shares</i> | | <i>Nominal amount Rbth</i> | | <i>Inflation adjustment Rbth</i> | <i>Total Rbth</i> |
|--|-------------------------|--------------------|----------------------------|-----------------|----------------------------------|-------------------|
| | <i>Preferred</i> | <i>Ordinary</i> | <i>Preferred</i> | <i>Ordinary</i> | | |
| December 31, 2006, 2007 and June 30, 2008 | – | 204,184,218 | – | 20,418 | 12,189 | 32,607 |

The number of authorized ordinary shares is 275,984,185,600 (2007: 275,984,185,600) with a nominal value per share of Ruble 0.1.

The share capital of the Bank was contributed by the shareholders in Russian Rubles and they are entitled to dividends and any capital distribution in Russian Rubles.

In November 2004 the shareholders of OJSC AB "IBG NIKoil" OJSC AKB "AVTOBANK-NIKOIL" OJSC "Bryansky Narodny Bank" OJSC "Kuzbassugolbank" and OJSC "Uralo-Sibirsky Bank" approved a reorganization in the form of a combination with OJSC "Uralo-Sibirsky Bank" which was completed and registered by the CBR in September 2005.

In accordance with the Russian legislation dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with statutory requirements. In its stand-alone financial statements the Bank had approximately RUB 3,324 of undistributed and unreserved earnings as of June 30, 2008 (2007 – RUB 1,252). In addition the Bank's share in the undistributed and unreserved earnings of its subsidiaries was approximately RUB 549 as of June 30, 2008 (2007 – RUB 737).

Nature and purpose of other reserves*Revaluation surplus for property and equipment*

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.

Revaluation reserve for available-for-sale securities

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

20. Capital adequacy

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

- Full compliance with the capital requirements imposed by the CBR and Russian legislation;
- Maintaining the Bank'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.

Minimum capital requirement under Russian legislation

During 2006 the Russian parliament (Duma) adopted amendments to the federal laws "On Banks and Banking Activities" and "On the Central Bank of Russian Federation" requiring Russian banks to maintain at all times capital equal to at least 5 mln. Euros. The Bank complied with this requirement during the reporting periods.

Capital adequacy under statutory requirements

Bank management constantly monitors the adequacy of the Bank's capital and its compliance with regulatory capital requirements. The Bank 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.

(Millions of Russian Rubles)

The CBR requires banks to maintain a capital adequacy ratio of 10% with respect to risk-weighted assets as computed in accordance with statutory requirements. As of June 30, 2008 and December 31, 2007 the Bank's CBR-defined capital adequacy ratio exceeded the required statutory minimum.

| | <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% |

* - The information presented in the table above is based on non-consolidated statutory financial statements of Open Joint-Stock Company "Bank URALSIB".

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, 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 for available-for-sale securities and property and equipment.

In computing regulatory capital Tier 1 and Tier 2 capital amounts are reduced by post-acquisition changes in the Bank's share in net assets of associates.

The table below presents the composition of capital complying with Basel and discloses the capital adequacy ratio as of June 30, 2008 and 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 associates | (139) | (136) |
| Total regulatory 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 |
| Basel ratio | 13.1% | 13.6% |
| Tier 1 | 11.0% | 11.3% |

Tier 1 capital adequacy ratios exceeded the minimum ratio of 8% recommended by the Basel Accord.

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

As compared with 2007 the above policy of capital management remained unchanged during the six-month period ended June 30, 2008.

*(Millions of Russian Rubles)***21. Net fee and commission income**

Net fee and commission income comprises:

| | For the six-month period ended <i>June 30</i> , | |
|--------------------------------------|--|-----------------------------------|
| | <i>2008</i> <i>(Unaudited)</i> | <i>2007</i> <i>(Unaudited)</i> |
| Settlements operations | 1,173 | 1,424 |
| Cash operations | 997 | 898 |
| Guarantees and letters of credit | 209 | 326 |
| Foreign exchange operations | 132 | 101 |
| Underwriting | 34 | - |
| Securities operations | 10 | 6 |
| Agent fees for insurance | 2 | 2 |
| Other | 25 | 14 |
| Fee and commission income | 2,582 | 2,771 |
| Settlements operations | 520 | 367 |
| Cash operations | 168 | 95 |
| Collection agencies services | 90 | - |
| Currency conversion operations | 9 | - |
| Securities operations | 8 | 6 |
| Guarantees and letters of credit | 13 | 17 |
| Other | 2 | 2 |
| Fee and commission expense | 810 | 487 |
| Net fee and commission income | 1,772 | 2,284 |

22. Personnel, expenses administrative and operating expenses

Personnel administrative and operating expenses comprise:

| | For the six-month period ended <i>June 30</i> , | |
|---|--|-----------------------------------|
| | <i>2008</i> <i>(Unaudited)</i> | <i>2007</i> <i>(Unaudited)</i> |
| Salaries and bonuses | 3,584 | 3,840 |
| Social security costs | 657 | 585 |
| Personnel expenses | 4,241 | 4,425 |
| Rent expenses | 968 | 483 |
| Operating taxes | 791 | 460 |
| Marketing and advertising | 367 | 238 |
| Repairs and maintenance of property and equipment | 350 | 438 |
| Business development | 290 | 74 |
| Communications | 253 | 114 |
| Office materials | 198 | 181 |
| Obligatory deposit insurance system contributions | 178 | 182 |
| Insurance | 118 | 67 |
| Data processing | 87 | 45 |
| Business travel and related expenses | 83 | 80 |
| Charity | 80 | 192 |
| Personnel training | 17 | 8 |
| Penalties incurred | 8 | 3 |
| Other | 179 | 103 |
| Administrative and operating expenses | 3,967 | 2,668 |

*(Millions of Russian Rubles)***23. 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</i> <i>(Unaudited)</i> | | | <i>December 31, 2007</i> | | |
|---|---|---|---------------------------------|---|---|---------------------------------|
| | <i>Other entities</i> | | | <i>Other entities</i> | | |
| | <i>Companies of Financial Corporation Uralsib</i> | <i>controlled by ultimate shareholder of the Bank</i> | <i>Key management personnel</i> | <i>Companies of Financial Corporation Uralsib</i> | <i>controlled by ultimate shareholder of the Bank</i> | <i>Key management personnel</i> |
| Assets | | | | | | |
| Cash and cash equivalents | 3 | 2,542 | - | 140 | 2,522 | - |
| Amounts due from credit institutions | 1,365 | 585 | - | 935 | 376 | - |
| Trading securities | - | 1,228 | - | - | 1,506 | - |
| Available-for-sale securities | 2,784 | 1 | - | 1,236 | - | - |
| Derivative financial assets | - | - | - | 262 | 232 | - |
| Loans to customers (gross) | 2,694 | 27,225 | 153 | 8,113 | 21,107 | 97 |
| Less: Impairment allowance | - | (185) | (1) | (1) | (177) | (1) |
| Loans to customers (net) | 2,694 | 27,040 | 152 | 8,112 | 20,930 | 96 |
| Other assets | 1,066 | 613 | - | 1,566 | 53 | - |
| Liabilities | | | | | | |
| Amounts due to credit institutions | 1,199 | 267 | - | 1,173 | 319 | - |
| Amounts due to customers | 7,713 | 38,474 | 443 | 12,967 | 31,797 | 241 |
| Promissory notes and certificates of deposit issued | - | 134 | - | - | 131 | - |
| Other liabilities | 730 | 76 | - | 39 | 10 | - |
| Commitments and contingencies | 500 | 518 | - | 602 | 330 | - |
| | | | | | | |
| | <i>For the six-month period ended</i> <i>June 30, 2008</i> <i>(Unaudited)</i> | | | <i>For the six-month period ended</i> <i>June 30, 2007</i> <i>(Unaudited)</i> | | |
| | <i>Other entities</i> | | | <i>Other entities</i> | | |
| | <i>Companies of Financial Corporation Uralsib</i> | <i>controlled by ultimate shareholder of the Bank</i> | <i>Key management personnel</i> | <i>Companies of Financial Corporation Uralsib</i> | <i>controlled by ultimate shareholder of the Bank</i> | <i>Key management personnel</i> |
| Interest income | 312 | 1,663 | 959 | 356 | 1,460 | 286 |
| Interest expense | (216) | (1,054) | (5) | (160) | (726) | (3) |
| Fee and commission income | 5 | 21 | - | 1 | 5 | - |
| Fee and commission expense | (3) | - | - | (2) | - | - |
| Net loss from financial instruments | (262) | (168) | - | (507) | (2,546) | - |
| Net gain from available-for-sale securities | - | - | - | - | 680 | - |
| Net gain from foreign currencies | 16 | 14 | - | 26 | 38 | - |
| Personnel expenses | - | - | 104 | - | - | 476 |
| Administrative and operating expenses | 144 | - | - | 223 | - | - |

24. 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 Bank to obtain new borrowings. Borrowers of the Bank may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed to the Bank.