

VOSTOCHNY EXPRESS BANK
Interim Financial Information and Review Report
as of 30 June 2007

Vostochny Express Bank

Interim Financial Information and Review Report

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Vostochny Express Bank

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STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the financial statements and related notes of open joint-stock bank Vostochny Express Bank (the "Bank"). They have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and necessarily include amounts based on judgements and estimates by management.

The Bank maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Bank's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

S.N. Vlasov,
President

L.S. Proskurina,
Chief Accountant

Vostochny Express Bank

Interim Financial Information and Review Report

**Review Report to Management and
the Board of Directors of
Vostochny Express Bank**

Introduction

We have reviewed the accompanying balance sheet of Vostochny Express Bank as at 30 June 2007 and the related statements of income, changes in equity and cash flows for the six-month period then ended and other explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this 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.

Basis for qualified opinion

As stated in Note 4(r), in contravention of International Accounting Standard 34, comparative information presented in these financial statements in respect of the Statement of Income, Statement of Cash Flows and Statement of Changes in Equity are for the twelve months ending 31 December 2006 rather than for the six months ended 30 June 2006. As a result they are not comparable with figures for the six months ended 30 June 2006.

Qualified Conclusion

based on our review, with the exception of the matter referred to in the previous paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Bank at 30 June 2007 and of its financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards.

OOO Moore Stephens

18A Verkhneportovaya St.,
Vladivostok, Russia

Dated 3 October, 2007

Vostochny Express Bank

Balance Sheet as at 30 June 2007
(in thousands of Russian Roubles)

	Notes	30 June 2007	31 December 2006
Assets			
Cash and cash equivalents	5	1,438,950	730,748
Mandatory cash balances with the Central Bank of the Russian Federation		238,772	110,113
Investments	6	26,143	111
Due from other banks	7	633,510	1,057,409
Loans and advances to customers	8	10,974,225	5,642,312
Accrued interest income and other assets	9	484,212	329,079
Service fee asset	21	1,114,155	1,137,986
Premises and equipment	10	801,328	540,774
Total assets		15,711,295	9,548,532
Liabilities and shareholders' equity			
Due to other banks	11	1,591,353	864,493
Customer accounts	12	8,133,283	5,735,026
Debt securities issued	13	2,352,359	771,157
Warranty on loans sold	14	107,121	153,106
Accrued interest expense and other liabilities	15	374,515	191,970
Subordinated loan	16	1,091,546	-
Finance lease liability	17	67,810	69,879
Deferred tax liability	18	192,215	244,687
Total liabilities		13,910,202	8,030,318
Shareholders' equity			
Share capital	19	399,837	399,837
Share premium		4,697	4,697
Accumulated profit and other reserves	20	1,396,559	1,113,680
Total shareholders' equity		1,801,093	1,518,214
Total liabilities and shareholders' equity		15,711,295	9,548,532
Total credit related commitments	28	67,677	5,421

Approved on behalf of the Management Board on 02 October 2007

S.N. Vlasov, President

L.S. Proskurina, Chief Accountant

Vostochny Express Bank

Statement of Income for the Period Ended 30 June 2007
(in thousands of Russian Roubles)

	Notes	<u>6 months 2007</u>	<u>12 months 2006</u>
Interest income	22	1,411,027	1,142,582
Interest expense	22	<u>(514,025)</u>	<u>(426,448)</u>
Net interest income		897,002	716,134
Net allowance for impairment losses on loans and advances	23	<u>(202,210)</u>	<u>(306,221)</u>
Net interest income after allowances for impairment losses		694,792	409,913
Result on sale of loans	21	365,460	1,379,822
Gains less losses arising from securities		-	3
Gains less losses arising from dealing in foreign currencies		9,390	13,394
Net foreign exchange translation (losses)/gains		(7)	959
Net fee and commission income	24	421,897	756,539
Release of warranty	14	87,510	126,183
Other operating income		1,295	2,311
Allowance for impairment losses against loans resold to Sibakadembank		<u>(204,231)</u>	<u>(143,095)</u>
Operating income		1,376,106	2,546,029
Operating expenses	25	<u>(991,070)</u>	<u>(1,306,814)</u>
Profit before taxation		385,036	1,239,215
Taxation	26	<u>(102,157)</u>	<u>(328,602)</u>
Net profit for the period		<u>282,879</u>	<u>910,613</u>

Vostochny Express Bank

Statement of Cash Flows for the Period Ended 30 June 2007
(in thousands of Russian Roubles)

	Notes	6 months 2007	12 months 2006
Cash flows from operating activities			
Interest received on loans		1,355,092	1,060,377
Interest paid		(439,232)	(383,864)
Net gains arising from dealing in securities		327	22
Income received from dealing in foreign currencies		9,390	13,394
Net fees and commissions received		913,316	2,136,361
Other operating income received		86,638	123,293
Operating expenses paid		(976,402)	(1,151,314)
Income tax paid		(154,629)	(189,706)
Cash flows from operating activities before changes in operating assets and liabilities		794,500	1,608,563
Net cash increase / (decrease) from changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(128,659)	(88,374)
Net increase in due from other banks		423,899	(1,057,409)
Net increase in loans and advances to customers		(5,534,123)	(4,613,753)
Net increase in due to other banks		726,860	404,664
Net increase in customer accounts		2,398,257	4,736,459
Net increase in debt securities issued		1,581,202	678,711
Net change in other assets and liabilities		(291,515)	(931,043)
Net cash (used in)/generated by operating activities		(29,579)	737,818
Cash flows from investing activities			
Purchase of premises and equipment		(296,206)	(366,941)
Proceeds from sale of fixed assets		4,334	8,962
Purchase of investments		(26,032)	(111)
Proceeds from sale of investments		-	800
Net cash used in investing activities		(317,904)	(357,290)
Cash flows from financing activities			
Finance lease capital repayments		(35,854)	(37,880)
Subordinated loan received		1,091,546	-
Net cash received from/ (used in) financing activities		1,055,692	(37,880)
Effect of changes in exchange rate		(7)	959
Net change in cash and cash equivalents		708,202	343,607
Cash and cash equivalents at the beginning of the period		730,748	387,141
Cash and cash equivalents at the end of the period	5	1,438,950	730,748

Non-cash transactions: fixed assets of RUR 24,740 thousand were acquired under a finance lease during the period (2006: RUR 43,521 thousand).

Vostochny Express Bank

Statement of Changes in Equity for the Period Ended 30 June 2007
(in thousands of Russian Roubles)

	<u>Share Capital</u>	<u>Share premium</u>	<u>Accumulated (loss)/profit and other reserves</u>	<u>Total Equity</u>
Balance at 1 January 2006	399,837	4,697	203,067	607,601
Net profit	-	-	910,613	910,613
Balance at 1 January 2007	399,837	4,697	1,113,680	1,518,214
Net profit	-	-	282,879	282,879
Balance at 30 June 2007	399,837	4,697	1,396,559	1,801,093

The availability of the Bank's retained earnings for distribution to shareholders is determined by Russian legal and fiscal regulations and by shareholders' decisions and does not correspond to the figures presented above (Note 20).

A reconciliation of shareholders' equity and net profit per Russian Accounting Standards and International Financial Reporting Standards is set out in Note 3 (c).

Vostochny Express Bank

Notes to the Financial Information - 30 June 2007 (in Russian Roubles)

1. Principal Activities

Vostochny Express Bank (hereafter the “Bank”) is a commercial bank owned by shareholders whose liability is limited. It is constituted as a Russian open joint stock company (OAO). The Bank was granted a license to conduct banking operations by the Central Bank of Russian Federation (CBRF) on 12 May 1991. It holds a license to carry out transactions with individuals and a license to make loans. These were re-registered on 22 June 2006. As at 30 June 2007 the Bank operates a head office in Blagoveshensk, eight branches and 229 offices located in the Russian Far East, Siberia, Moscow and St-Petersburg.

The Bank’s registered office is located at the following address: 1, per. Svyatiteyal Innokentiya, Blagoveschensk, Amursky Region, 675000, Russian Federation. As at 30 June 2007 the Bank had 3,868 employees (2006: 3,124).

A list of major shareholders is set out in Note 19. The Bank does not have any immediate parent entity. Mr. Igor Kim is considered to be the Bank’s ultimate controlling party.

2. Operating Environment of the Bank

The Russian economy, although essentially transformed to market status, continues to display certain characteristics consistent with that of a market in transition. These attributes have in the past included higher than normal historic inflation, lack of liquidity in capital markets, and the existence of currency controls that cause the national currency to be illiquid outside of the Russian Federation. The continued success and stability of the Russian economy will be significantly impacted by the government’s continued actions with regard to supervisory, legal, and economic reforms.

3. Basis of Presentation

a) Basis of Presentation

The interim financial information for the Bank has been prepared in accordance with International Financial Reporting Standards including International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”). The Bank maintains its accounting records in accordance with Russian Banking regulations. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with International Financial Reporting Standards.

Under IAS 34, it is envisaged that interim financial information will often present condensed primary statements and less detailed accounting policies and additional notes than a complete set of general purpose financial statements prepared in accordance with International Financial Reporting Standards. These financial statements present full primary statements but have fewer disclosures than would be required in a complete set of general purpose financial statements most notably in respect of disclosures on financial instruments and related parties.

The accompanying financial information has been prepared using the Russian Rouble (“RUR”) as the unit of measurement and adjusted for the impact of inflation during periods of hyperinflation in accordance with IAS 29 “*Financial Reporting in Hyperinflationary Economies*”. Adjustments have been made for periods up to 31 December 2002.

b) Functional and presentation currency

Accounting records of the Bank are maintained in Russian Roubles and the Rouble is also considered to be the Bank’s functional currency for the purpose of IFRS financial statements as management believes this currency best reflects the economic substance of the underlying events and circumstances relevant to the Bank. Management also believes the Russian Rouble to be the most appropriate currency for presentation of the Bank’s IFRS financial statements.

Actual exchange rates applied in translation of transactions and balances denominated in currencies other than the Russian Rouble are detailed in Note 4(n)*continued*

Vostochny Express Bank

Notes to the Financial Information - 30 June 2007
(in Russian Roubles)

3. Basis of Presentation (continued)

c) Reconciliation of shareholders' equity and net profit between Russian Accounting Standards and IFRS

Shareholders' equity and net profit in accordance with Russian Accounting Standards can be reconciled to equity and net profit in accordance with IFRS as follows:

	30 June 2007	6 months 2007	31 December 2006	12 months 2006
	Equity RUR 000's	Net profit RUR 000's	Equity RUR 000's	Net profit RUR 000's
Russian Accounting Standards	1,329,162	434,401	894,761	540,173
Depreciation and other expenses related to fixed assets	(29,593)	(17,482)	(12,111)	(7,229)
Tax liabilities, including profit tax	(218,849)	25,838	(244,687)	(138,896)
Effect of accrued interest	11,421	(19,271)	30,692	39,688
Allowance for loans and fair value adjustment	42,058	(20,666)	62,724	62,992
Result on sales of loans	2,363,987	491,419	1,872,568	1,379,822
Reserve against resold loans	9,955	(8,187)	18,142	29,725
Amortization of loans sold	(1,578,767)	(556,775)	(1,021,992)	(942,877)
Amortization of warranty	221,814	87,510	134,304	126,183
Other operating accruals	(236,385)	(104,798)	(131,587)	(97,629)
Unused holidays	(53,032)	(20,256)	(32,776)	(27,196)
LVI written off	(46,926)	(22,960)	(23,966)	(18,857)
Other	(13,752)	14,106	(27,858)	(35,286)
International Financial Reporting Standards	1,801,093	282,879	1,518,214	910,613

d) Consolidation

The Bank has three subsidiaries and three associates (one subsidiary and one associate are under significant influence though the Bank does not own shares of the entities), whose operations, singly and in aggregate are immaterial in the context of the Bank. There are also several related parties over whom the Bank is able to exert significant influence (see Note 30). Management has considered whether or not IFRS require the Bank to produce consolidated financial statements consolidating the balances and results of any of these entities and has concluded that consolidation is not required. In the light of the above management has decided not to produce consolidated financial statements. This decision will be reviewed on an annual basis.

e) Changes in accounting policies

There has been no change in Standards in 2006 which are considered to have an impact on the financial statements of the bank.

Changes in Standards in 2007 include the requirement to adopt IFRS 7 "Financial Instruments: Disclosures" and amendments to IAS 1.

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specific minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces *IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions"*, and disclosure requirements in *IAS 32 "Financial Instruments: Disclosure and Presentation"*.

Amendments to IAS 1 require disclosures about the entity's objectives, policies and processes for managing capital, as well as quantitative data about what the entity regards as capital and compliance with capital requirements.

continued

3. Basis of Presentation (continued)

e) Changes in accounting policies (continued)

The Bank has assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. These disclosures will be included for the first time in the financial statements for the year ending 31 December 2007.

f) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are critical judgements and estimations that management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Fair value of financial instruments

Impairment of financial assets

Revenue recognition

The most significant estimates and assumptions relate to management's estimate of allowance for impairment losses on loans which is described in Note 4 (d).

g) Standards, interpretations and amendments that are not yet effective

Following the issue of IFRS 7, the IASB has announced that no new standards will come into force until 2009. This statement does not apply to IFRICs and minor amendments to standards. At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 8 "Operating Segments"

IFRIC 9 "Reassessment of Embedded Derivatives"

IFRIC 10 "Interim Financial Reporting and Impairment"

IFRIC 11 "IFRS 2—Group and Treasury Share Transactions"

IFRIC 12 "Service Concession Arrangements"

IFRIC D13 "Service Concession Arrangements – model of finance assets"

IFRIC D14 "Service Concession Arrangements – model intangible assets"

IFRIC 9 provides guidance on whether embedded derivatives should be re-assessed and when evaluation should take place on initial application of IAS 39. The Bank believes that this IFRIC 9 should not have a significant impact on the financial statements of the Bank as it does not generally deal with embedded derivatives. The Bank will apply this amendment from the annual period beginning 1 January 2007.

The Bank believes that IFRICs 10 to D14 will not have a significant impact on the financial statements of the Bank.

4. Significant Accounting Policies

a) Cash and cash equivalents

Cash and cash equivalents are items that can be converted into cash within a day. All short term interbank placements, beyond overnight deposits, are included in due from banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

b) Mandatory balances with CBRF

Mandatory balances with CBRF represent mandatory reserve deposits which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the cash flow statement.

c) Securities

Values for securities are derived either from market quotations or from management's assessment of the future realisability of these securities. Certain securities, for which there is no readily attainable market value or those securities for which management has determined that the available quotation does not depict the security's true market value, have been fair valued by management. Management has used the best available information to adjust downwards, based on the concept of prudence, market quotations to reflect their best estimate of fair values where considered necessary.

In determining market value, all securities are valued at the last trade price if quoted on an exchange or, if traded over-the-counter, at the last bid price. If listed market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined based upon other relevant factors, including management's estimates of amounts to be realised on settlement, assuming current market conditions and an orderly disposition in a reasonable period of time and the level of liquidity in the stock. Market value is not necessarily indicative of the amount that could be obtained for disposal of a large block of securities.

Changes in market values are recorded within gains less losses arising from securities in the statement of income in the period in which the change occurs. Coupons earned on government securities are reflected in the statement of income as interest income on securities whereas any trading gains or losses on these securities are reflected as gains less losses arising from securities.

Because of the inherent settlement risk of the securities market, purchases and sales of securities are recorded on the date that ownership is transferred.

d) Loans and advances and allowance for impairment

Loans are stated at underlying amortised cost, net of allowances for impairment. Amortised cost is calculated as the amount outstanding after amortisation of the premium or discount over fair value arising at initial recognition using the effective interest method.

A loan or portfolio of loans is considered impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or loans (a 'loss event'), that loss event (or events) has an impact on the estimated future cash flows that will be generated by the loan or portfolio of loans and that loss can be reliably estimated.

Whether objective evidence of impairment exists is considered individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Should no objective evidence of impairment exist for an individually assessed loan, whether significant or not, the loan is included in a portfolio of loans with similar credit risk characteristics and is collectively assessed for impairment.

The amount of impairment loss is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The aggregate of the allowances made during the year is charged against profit for the year.

continued

4. Significant Accounting Policies (continued)

d) Loans and advances and allowance for impairment (continued)

Loans and advances which cannot be recovered are written off and charged against the allowance for impairment loss. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss is finally determined.

e) Discount on loans at below commercial rates

Where loans are made at rates of interest below the normal commercial rate, loans are discounted to fair value based on market rates of interest. The financial impact of this write down is shown as a separate item on the face of the statement of income. Any subsequent upward revaluation passes through the statement of income as interest. Such transactions are largely entered into with related parties. They may also be undertaken for marketing or other purposes.

f) Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments comprising loan commitments, letters of credit and guarantees. These operations are initially recognised at fair value and are subsequently re-measured at the higher of the amount that would be recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

g) Fixed assets

Equipment and other fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the statement of income. The estimated recoverable amount is the higher of an asset's potential net sales proceeds and its value in use.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit/(loss). Repairs and maintenance are charged to the statement of income when the expenditure is incurred.

h) Depreciation

Depreciation is applied on the straight line basis over the estimated useful lives of the assets as follows:

Buildings	50 years;
Leasehold improvements	10 years;
Vehicles and other assets	3–5 years.

i) Debt securities issued

Debt securities issued represent bonds and promissory notes issued by the Bank. These are initially stated at fair value, which represent amounts received on issue (fair value) less expenses incurred in respect of the transaction. Subsequently debt securities issued are stated at amortized cost and the difference between initial value and the value at the date of repayment is reflected in the income statement over the period using the method of effective interest rate. Interest accrued on debt securities issued is accounted for as other liabilities.

j) Share premium

Share premium represents the excess of shareholders' contributions to share capital over the nominal value of the issued shares.

k) Dividends

Dividends payable are not accounted for until they have been ratified at the Bank's Annual Shareholders' Meeting. They are accounted for in the year they are ratified. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. No dividends were declared during the current period or in 2006.

continued

4. Significant Accounting Policies (continued)

l) Income taxes

Taxation has been provided for in the financial statements in accordance with Russian legislation currently in force. The charge for taxation in the statement of income for the year comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates in force at the balance sheet date.

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Taxes, other than on income, are recorded within operating expenses.

m) Income and expense recognition

Interest income and expense are recognised in the statement of income on an accrual basis. Overdue interest or accrued interest which management considers doubtful is included in interest income and an impairment allowance is recognized when required. Interest income includes coupons earned on fixed income securities and accrued discount on federal short-term zero coupon bonds. Fees, commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognised at the time the products are received or the service is provided.

Certain fees and commissions may be charged in place of applying a higher interest rate to the relevant loan. Where it is possible to identify fees and commissions as being similar in nature to interest they are recognised in equal instalments over the life of the loan and are shown as interest income. Where this is not possible they are treated in a manner similar to other fees and commissions.

n) Foreign currency translation

Transactions denominated in currencies other than the Rouble ("foreign currencies") are recorded in Roubles at the exchange rate ruling on the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of income using the exchange rate ruling on that date. Monetary assets and liabilities denominated in foreign currency are translated into Russian Roubles at the official exchange rate of the CBRF at the balance sheet date.

Foreign currency gains and losses arising from the translation of assets and liabilities are reflected in the statement of income as foreign exchange translation gains less losses. As at 30 June 2007 the principal rate of exchange used for translating foreign currency balances was U.S.\$ 1 = RUR 25.8162 (2006: U.S. \$ 1 = RUR 26.3311).

Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies. At present, the Russian Rouble is not a fully convertible currency outside the Russian Federation.

o) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

p) Pension costs

The Bank contributes to the Russian Federation state pension scheme, social insurance and employment funds in respect of its employees. The Bank's pension scheme contributions amount to 20% of employees' gross salaries, and are expensed as incurred. The contributions are included in staff costs. The Bank has no liability to Pension Fund other than that.

continued

Vostochny Express Bank

**Notes to the Financial Information - 30 June 2007
(in Russian Roubles)**

4. Significant Accounting Policies (continued)

q) Leases of fixed assets

Leases of fixed assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges, is included in payables. The interest element is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining lease liability. Fixed assets acquired under finance lease are depreciated similar to assets owned by the Bank.

Where the Bank is the lessee under operating lease agreements, the total payments are charged against income in equal instalments over the period of the lease.

r) Comparative information

This is the first occasion on which the Bank has prepared interim financial information in accordance with IFRS for a six month period. Consequently, when the Bank prepared these financial statements there was no source of readily available comparative six month figures for the income statement or cash flow statement. Management decided that the cost of producing six month comparative figures for the period to 30 June 2006 so long after the period end could not be justified and instead decided to present full year figures as comparatives. Management is aware that this policy is in breach of IAS 34.

5. Cash and Cash Equivalents

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Cash on hand	355,969	406,633
Cash balances with the CBRF (other than mandatory reserve and deposits)	102,945	218,347
Correspondent accounts and overnight deposits with other banks:		
- Russian Federation	909,535	104,347
- Other countries	70,501	1,421
Total cash and cash equivalents	1,438,950	730,748

6. Investments

Investments represent shareholdings in the following subsidiaries and associates:

Name	% holding	Activity	Country of incorporation	30 June 2007	31 December 2006
				RUR 000's	RUR 000's
OOO "VEB-finance"	100	Commerce	Russia	100	100
OOO "Torgovo-promishlennaya firma "AVK-GAMMA"	100	Commerce	Russia	26,032	-
OOO "Vostochnoye Bureau of Credit Histories"	50	Commerce	Russia	5	5
ZAO "Sibirskoye Bureau of Credit Histories"	20	Commerce	Russia	6	6
				26,143	111

The investments are accounted for at cost as there are no market values for the investments. Management believes that no allowance for impairment of the investments is required as at the period end (2006: nil). The Bank exercises control or exerts significant influence over the subsidiaries and associates mentioned above.

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7. Due from Other Banks

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Short term loans and deposits with Russian banks	633,510	1,057,409
	633,510	1,057,409

Short term loans were provided to various Russian banks at fixed rates varying from 4.15% to 8.0% p.a.

8. Loans and Advances to Customers

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Current loans	10,269,956	5,234,725
Overdue loans:		
- instalments overdue as per loan schedule	349,073	214,326
- remaining portion not yet due	916,942	552,797
	11,535,971	6,001,848
Less: Allowance for impairment loss	(561,746)	(359,536)
Total loans and advances to customers	10,974,225	5,642,312

The estimated fair value of collateral taken to secure the Bank's loan portfolio amounted to RUR 570,809 thousand (2006: RUR 74,346 thousand). The Bank also accepted some personal guarantees (with nominal value of RUR 502,147 thousand and RUR 89,839 thousand as at 30 June 2007 and 31 December 2006 respectively) to secure loans issued. These are not included in the fair value of collateral quoted above as management believes the fair value of such guarantees to be difficult to estimate reliably.

Movements in the allowance for impairment loss on loans and advances to customers are as follows:

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Allowance for impairment loss on loans and advances to customers at 1 January	359,536	53,315
Net movement in allowance for impairment loss (Note 23)	202,210	306,221
Allowance for impairment loss on loans and advances to customers at the period end	561,746	356,536

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8. Loans and Advances to Customers (continued)

Loan portfolio stratification at 30 June 2007 is as follows:

<u>Loan outstanding balance range</u>	<u>Amount</u> <u>RUR 000's</u>	<u>Number of</u> <u>loans</u>	<u>%</u>
Less than 500	130	1,559	0.0
From 500 to 5000	100,241	34,248	0.9
From 5001 to 10000	344,717	45,977	3.0
From 10,001 to 50,000	5,019,490	188,985	43.5
From 50,001 to 100,000	3,360,479	50,345	29.1
From 100,001 to 250,000	2,141,889	17,001	18.6
From 250,001 to 1,000,000	231,075	672	2.0
More than 1,000,000	337,950	70	2.9
Total loans and advances to customers	11,535,971	338,857	100.0

Loan portfolio stratification at 31 December 2006 is as follows:

<u>Loan outstanding balance range</u>	<u>Amount</u> <u>RUR 000's</u>	<u>Number of</u> <u>loans</u>	<u>%</u>
Less than 500	91	3,021	0.0
From 500 to 5000	74,647	24,853	1.2
From 5001 to 10000	280,079	37,363	4.7
From 10,001 to 50,000	3,807,601	144,348	63.4
From 50,001 to 100,000	1,358,950	23,380	22.6
From 100,001 to 250,000	328,332	2,710	5.5
From 250,001 to 1,000,000	35,078	90	0.6
More than 1,000,000	117,070	12	2.0
Total loans and advances to customers	6,001,848	235,777	100.0

The Bank did not have any borrowers who accounted for more than 5% of the loan portfolio as at 30 June 2007 (2006: none). The ten largest borrowers accounted for RUR 248,665 thousand or 2.2% (2006: RUR 115,052 thousand or 1.9% respectively).

Economic sector risk concentrations within the customer loan portfolio are as follows:

	<u>30 June 2007</u>		<u>31 December 2006</u>	
	<u>Amount</u> <u>RUR 000's</u>	<u>%</u>	<u>Amount</u> <u>RUR 000's</u>	<u>%</u>
Consumer lending	11,325,053	98.2	5,886,284	98.1
Trade and catering	35,168	0.3	16,971	0.3
Manufacturing	10	0.0	1,809	0.0
Other	175,740	1.5	96,784	1.6
Total loans and advances to customers (aggregate amount)	11,535,971	100.0	6,001,848	100.0

Geographic and currency analysis, interest rates and the maturity structure of the loan portfolio are detailed in Note 27. The Bank has several loans to related parties. The relevant information on related party loans is disclosed in Note 30.

During the first six months of 2007 the Bank sold to URSA Bank a portfolio of loans to individuals amounting to RUR 2,076,242 thousand (2006: RUR 7,160,997 thousand). See Note 21.

Vostochny Express Bank

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9. Accrued Interest Income and Other Assets

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Accrued interest income	147,654	92,046
Receivable from customers on loans previously sold	621,974	361,274
Balance with Siberian Interbank Currency Exchange, Novosibirsk	80,776	1,400
Balances with Post Office	29,450	29,023
Debtors and prepayments	15,580	33,700
Other	5,738	5,258
	<u>901,172</u>	<u>522,701</u>
Less: Allowance for impairment loss	(416,960)	(193,622)
Total accrued interest income and other assets	<u>484,212</u>	<u>329,079</u>

Movements in the allowance for impairment loss are as follows:

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Allowance for impairment loss at 1 January	193,622	13,772
Charge during the period	223,338	179,850
Allowance for impairment loss on 30 June 2007 (31 December 2006)	<u>416,960</u>	<u>193,622</u>

10. Premises and Equipment

	Premises	AUC	Equipment	Total
	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Historical cost				
Opening balance as at 01/01/06	50,871	9,620	121,308	181,799
Additions	221,639	77,340	111,483	410,462
Disposals	(170)	(190)	(6,221)	(6,581)
Transferred to fixed assets	115	(8,919)	8,804	-
Closing balance as at 31/12/06	<u>272,455</u>	<u>77,851</u>	<u>235,374</u>	<u>585,680</u>
Additions	56,520	182,964	56,722	296,206
Disposals	(1,826)	-	(805)	(2,631)
Transferred to fixed assets	62,607	(62,607)	-	-
Closing balance as at 30/06/07	<u>389,756</u>	<u>198,208</u>	<u>291,291</u>	<u>879,255</u>
Accumulated Depreciation				
Opening balance as at 01/01/06	886	-	11,576	12,462
Charge	2,724	-	31,820	34,544
Disposals	(4)	-	(2,096)	(2,100)
Closing balance as at 31/12/06	<u>3,606</u>	<u>-</u>	<u>41,300</u>	<u>44,906</u>
Charge	3,301	-	30,184	33,485
Disposals	(21)	-	(443)	(464)
Closing balance as at 30/09/07	<u>6,886</u>	<u>-</u>	<u>71,041</u>	<u>77,927</u>
NBV as at 01/01/07	<u>268,849</u>	<u>77,851</u>	<u>194,074</u>	<u>540,774</u>
NVB as at 30/06/07	<u>382,870</u>	<u>198,208</u>	<u>220,250</u>	<u>801,328</u>

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Vostochny Express Bank

Notes to the Financial Information - 30 June 2007
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10. Premises and Equipment (continued)

Assets with a net book value of RUR 103,177 thousand are held under Finance Leases (2006: RUR 92,867 thousand). Details concerning the lease of fixed assets from related parties are disclosed in Note 30.

As at 30 June 2007 fixed assets of the Bank were insured for RUR 81,964 thousand with Russian insurance companies (2006: RUR 30,222 thousand).

11. Due to Other Banks

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Unsecured short-term loans from Russian Banks	1,539,168	824,492
Unsecured long-term loans from Russian Banks	30,000	20,000
Vostro accounts with Russian Banks	22,185	20,001
Total due to other banks	1,591,353	864,493

Unsecured loans were provided by various Russian banks at fixed rates from 4.25% to 14% per annum.

12. Customer Accounts

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
State and public organisations		
– Current/settlement accounts	1,090	6,290
– Term deposits	24,121	21,639
Other legal entities		
– Current/settlement accounts	107,412	113,253
– Term deposits	525,410	586,464
Individuals		
– Current/demand accounts	732,342	546,917
– Term deposits	6,742,908	4,460,463
Total customer accounts	8,133,283	5,735,026

Deposits and current accounts of the Bank's ten largest depositors accounted for RUR 882,871 thousand (10.9% of the overall balance) as at 30 June 2007 (2006: RUR 897,241 thousand or 15.6%).

Customer accounts stratification at 30 June 2007 is as follows:

Outstanding balance range	Amount	Number of	%
	RUR 000's	accounts	
Less than 500	26,482	648,202	0.3
From 501 to 5,000	193,854	99,496	2.4
From 5,001 to 10,000	95,369	14,134	1.2
From 10,001 to 50,000	526,136	21,593	6.5
From 50,001 to 100,000	768,797	10,953	9.5
From 100,001 to 250,000	2,147,679	14,405	26.4
From 250,001 to 500,000	1,261,435	3,694	15.5
500,001 and higher	3,113,531	1,933	38.2
Total customer accounts	8,133,283	814,410	100.0

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Vostochny Express Bank

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12. Customer Accounts (continued)

Customer accounts stratification at 31 December 2006 is as follows:

Outstanding balance range	Amount RUR 000's	Number of accounts	%
Less than 500	20,278	469,014	0.4
From 501 to 5,000	225,005	109,017	3.9
From 5,001 to 10,000	90,238	14,304	1.6
From 10,001 to 50,000	404,116	17,073	7.0
From 50,001 to 100,000	569,144	8,200	9.9
From 100,001 to 250,000	1,528,525	10,604	26.7
From 250,001 to 500,000	580,476	1,751	10.1
500,001 and higher	2,317,244	1,215	40.4
Total customer accounts	5,735,026	631,178	100.0

Geographical, currency analysis of customers, interest rates and the maturity structure of the accounts are provided in Note 27. The Bank has several deposits from related parties. Information on related party deposits is disclosed in Note 30.

Economic sector concentrations within customer accounts are as follows:

	30 June 2007		31 December 2006	
	Amount RUR 000's	%	Amount RUR 000's	%
Individuals	7,475,250	91.9	5,007,380	87.3
Financial intermediation	408,863	5.0	328,032	5.7
Electricity, gas and water supply	138,147	1.7	10,804	0.2
Construction	30,892	0.4	15,345	0.3
Transport, storage and communications	18,668	0.2	21,405	0.4
Agriculture, hunting and forestry	13,302	0.2	3,889	0.1
Community and personal activities	10,510	0.1	16,524	0.3
Wholesale and retail trade	6,575	0.1	70,012	1.2
Manufacturing	2,599	-	227,900	4.0
Hotels and restaurants	1,109	-	198	-
Real estate, renting	477	-	1,104	-
Health and social work	294	-	117	-
Education	39	-	828	-
Other	26,558	0.4	31,488	0.5
Total customer accounts	8,133,283	100.0	5,735,026	100.0

Vostochny Express Bank

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13. Debt Securities Issued

	30 June 2007	31 December 2006
	RUR'000s	
Promissory notes	864,027	771,157
Bonds	1,488,332	-
Total debt securities issued	2,352,359	771,157

Promissory notes issued represent discounted and interest-bearing promissory notes denominated in RUR and redeemable on demand and until March 2010 (2006: the same). Effective interest rate varies from 11% to 16.5% (2006: 11% - 22.5%).

Bonds issued represent non-convertible interest-bearing available to public documentary bonds with a maturity date of 17 March 2010, and cannot be repaid in advance. The coupon rate is 10.3%. The nominal value of bonds issued is RUR 1,500,000 thousand.

14. Warranty on Loans Sold

The warranty on loans sold arises from the transactions described in Note 21. Movements on the warranty during the period are as follows:

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Opening balance	153,106	64,459
Fair value of warranty issued in period at date of issue	41,525	214,830
Movement in fair value of warranty in issue	(87,510)	(126,183)
Closing balance	107,121	153,106

15. Accrued Interest Expense and Other Liabilities

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Accrued interest expense	136,228	61,435
Other accrued expenses	206,198	118,159
Taxes	31,396	11,953
Other	693	423
Total accrued interest expenses and other liabilities	374,515	191,970

Vostochny Express Bank

**Notes to the Financial Information - 30 June 2007
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16. Subordinated loan

On 27 June 2007 the Bank received a subordinated loan with a nominal value of USD 43,000 thousand redeemable in 10 years (maturity date of 27 June 2017) from an Irish non-bank financial organization - Orient Express Finance Limited ("OEFL"). OEFL was established solely to issue publicly traded bonds in order to finance the loan to the Bank. The sole shareholder of OEFL is "Deutsche International Finance Limited" (Ireland).

The Interest rate on the loan is fixed at 11% per annum for a period of five years. Thereafter the loan is at a floating rate 7.45% above US Treasury rates. Interest is payable twice yearly on 27 June and 27 December whilst the loan remains outstanding.

17. Finance Lease Liability

Amounts payable under finance lease liability as at 30 June 2007 are:

	Minimum lease payments RUR 000's	Present value of minimum lease payments RUR 000's
Within one year	54,438	46,527
From 2 to 5 years	23,332	21,283
Minimum lease payments	77,770	67,810
Less: Future finance charges	(9,960)	
Present value of minimum lease payments	67,810	

18. Deferred Tax

	30 June 2007 RUR 000's	31 December 2006 RUR 000's
Deferred tax (liability)/asset at 1 January	(244,687)	(105,791)
Deferred tax recognised during the year (Note 26)	52,472	(138,896)
Deferred tax liability at the period end	(192,215)	(244,687)

Major components making up the deferred tax asset at the end of the period were:

		31 December 2006		Movement during 6 months 2007		30 June 2007	
		Temporary differences	Deferred tax asset/ (liability)	Temporary differences	Deferred tax asset/ (liability)	Temporary differences	Deferred tax asset/ (liability)
		RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Securities	24	(20,892)	(5,014)	(4,923)	(1,182)	(25,815)	(6,196)
Loan loss allowance	24	(53,231)	(12,775)	48,859	11,726	(4,372)	(1,049)
Other allowances	24	(148,743)	(35,698)	(216,573)	(51,978)	(365,316)	(87,676)
Accrued income	24	(56,919)	(13,661)	(35,053)	(8,412)	(91,972)	(22,073)
Accrued expenses	24	121,008	29,042	87,955	21,109	208,963	50,151
Fixed assets	24	(321,113)	(77,067)	(137,406)	(32,978)	(458,519)	(110,045)
Loans sold	24	(2,159,978)	(518,395)	(532,944)	(127,906)	(2,692,922)	(646,301)
Other items of work Capital	24	1,620,339	388,881	1,008,720	242,093	2,629,059	630,974
		(1,019,529)	(244,687)	218,635	52,472	(800,894)	(192,215)

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19. Share Capital

Statutory capital authorised, issued and fully paid comprises:

	30 June 2007		31 December 2006	
	Number of shares	RUR 000's	Number of shares	RUR 000's
Ordinary shares with nominal value of RUR 100 each at 1 January, all carrying equal rights	2,799,883	279,988	2,799,883	279,988
Preference shares with nominal value of RUR 1 each at 1 January	11,700	12	11,700	12
Issue of new ordinary shares during the period	-	-	-	-
Inflation effect of IAS 29 on share capital	-	119,837	-	119,837
Total issued capital at the period end	2,811,583	399,837	2,811,583	399,837

The nominal value of capital is RUR 280 million (2006: RUR 280 million).

All preference shares have a par value of RUR 1 per share and carry no voting rights but rank ahead of the ordinary shares in the event of liquidation of the Bank. Holders of preference shares are entitled to receive annual dividends. If the dividends are not paid, preference shares carry the right to vote at annual and general meetings until the dividends are paid. Currently preference shareholders have the right to vote.

The Bank's major shareholders are:

Shareholder	30 June 2007		31 December 2006	
	Number of ordinary shares	% holding	Number of ordinary shares	% holding
OOO Sibakademinvest	-	-	559,000	19.96%
OOO Renessans Capital-Finance	-	-	209,991	7.50%
Rekha Holdings Limited	419,981	15.00%	-	-
Alexander Taranov	409,706	14.63%	371,033	13.25%
Schouplova Evgeniya (for the benefit of Sergei Vlasov)	160,000	5.71%	360,000	12.86%

Members of the Board of Directors, including:

Igor Kim	819,421	29.27%	554,634	19.81%
Sergei Vlasov	544,635	19.45%	527,758	18.85%
Andrey Bekarev	409,706	14.63%	171,033	6.11%
Yuri Vavilov	44,501	1.18%	44,469	1.18%
Other shareholders - individuals and legal entities (holders of less than 5%)	3,633	0.13%	13,665	0.48%
Total	2,811,583	100.00%	2,811,583	100.00%

Vostochny Express Bank

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20. Accumulated Profit and Other Reserves

In accordance with Russian Law on banking activity, the Bank must use financial statements prepared under Russian Accounting Standards as the basis for calculating distributable profit. Profits may be used to pay dividends or transferred to reserves. The Bank's reserves under Russian Accounting Standards as at 30 June 2007 were RUR 612,209 thousand (2006: RUR 617,401 thousand).

21. Result on Sale of Loans

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Sales of loans to URSA Bank (see below)	491,419	1,379,822
Other sales of loans	(125,959)	-
	365,460	1,379,822

During the year the Bank sold loans with a carrying value of RUR 2,076,242 thousand (2006: RUR 7,160,997 thousand) at the time of sale to URSA Bank, a related party. Under the sale agreement the bank continues to service the loans and has the right to retain service fees paid by the borrowers. These are charged at the rate of 1.5% per month based on the original amount advanced. Interest and capital are forwarded to URSA Bank. In accordance with the agreement URSA Bank charges the Bank a fee for maintaining accounting records.

Also as part of the sales agreement the Bank has issued a warranty in respect of the collectability of the loans sold. The initial limit of the warranty is set at RUR 115,000 thousand. Should the warranty be called upon the Bank will be obliged to either provide additional warranties to a maximum value equal to the value of loans sold, or to pay a penalty of 2% of the outstanding balance of the loan principal and accrued interest

The result on disposal has been calculated as follows:

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Fair value of cash consideration received	2,076,242	7,160,997
Carrying value of assets derecognised	2,076,242	7,160,997
Less element attributable to servicing asset	(532,944)	(1,594,652)
	1,543,298	5,566,345
Less fair value of warranties issued at date of issue	(41,525)	(214,830)
Result on disposal	491,419	1,379,822

Movements on the service fee asset during the year were as follows:

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Opening balance	1,137,986	486,211
Additions in the period	532,944	1,594,652
Amortisation in the period	(556,775)	(942,877)
Closing balance	1,114,155	1,137,986

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22. Interest Income and Expense

	6 months 2007	12 months 2006
	RUR 000's	RUR 000's
Interest income		
Loans and advances to legal entities	6,976	10,838
Loans and advances to individuals	1,385,687	1,114,161
Securities	327	19
Due from other banks	18,037	17,564
Total interest income	1,411,027	1,142,582
Interest expense		
Term deposits of individuals	(398,726)	(234,123)
Finance lease charges	(6,405)	(10,857)
Term deposits of legal entities	(30,730)	(32,982)
Bills of exchange	(59,669)	(64,848)
Current / settlement accounts	(1,534)	(3,804)
Term deposits of banks	(16,961)	(79,834)
Total interest expense	(514,025)	(426,448)
Net interest income	897,002	716,134

23. Net Allowance for Impairment Losses on Loans and Advances

	6 months 2007	12 months 2006
	RUR 000's	RUR 000's
Release of allowance credited to profits during the period	(833,179)	(701,314)
New allowance charged to profits during the period	1,035,389	1,007,535
Net movement in allowance during the period	202,210	306,221

24. Net Fee and Commission Income

	6 months 2007	12 months 2006
	RUR 000's	RUR 000's
Service fees	901,355	1,558,080
Commission on cash transactions	145,814	165,309
Amortization of Service Fee Asset	(556,775)	(942,877)
Other commissions	12,479	15,505
Total fee and commission income	502,873	796,017
Commission on settlement and foreign currency exchange transactions	(1,268)	(545)
Commission on cash transactions	(168)	(1,100)
Agency fees	(66,937)	(28,652)
Other	(12,603)	(9,181)
Total fee and commission expense	(80,976)	(39,478)
Net fee and commission income	421,897	756,539

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25. Operating Expenses

	6 months 2007	12 months 2006
	RUR 000's	RUR 000's
Staff costs	535,648	708,884
Depreciation (Note 10)	33,485	34,544
Administrative expenses	210,616	275,924
Taxes other than on income (Note 26)	54,644	55,793
Other expenses related to premises and equipment	95,122	152,669
Advertising and marketing	42,448	42,245
Allowance for impairment of other assets	19,107	36,755
Total operating expenses	991,070	1,306,814

26. Taxation

Income tax comprised the following:

	6 months 2007	12 months 2006
	RUR 000's	RUR 000's
Current tax charge	(154,629)	(189,706)
Deferred tax charge relating to the origination and reversal of temporary differences (Note 18)	52,472	(138,896)
Income tax charge for the period	(102,157)	(328,602)

The income tax rate applicable to the majority of the Bank's income is 24% (2006: 24%). The Bank's accounting profit may be reconciled to profit for taxable purposes as follows:

	6 months 2007	12 months 2006
	RUR 000's	RUR 000's
Accounting profit before tax	385,036	910,613
Adjustments to comply with IFRS including:		
Increase in allowance for loan loss	(20,666)	62,992
Additional depreciation due to use of higher rates	(21,338)	(7,229)
Taxes	(668)	(328,602)
Net accrued interest	(19,271)	39,688
Other accruals	(125,054)	(124,825)
Results on sale of loans	491,419	1,379,822
Amortization of Service Fee Asset	(556,775)	(942,877)
Value of warranty issued	87,510	126,183
Other	(13,185)	(24,418)
	(178,028)	180,734
Accounting profit under Russian Accounting Standards	563,064	729,879
Adjustments for disallowable items / (not taxable items)	81,224	60,561
Taxable profit	644,288	790,440
Tax liability at 24%	(154,629)	(189,706)

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26. Taxation (continued)

Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 24% (2006: 24%).

Other significant taxes borne by the Bank and included in operating expenses (Note 25) comprise:

	6 months 2007	12 months 2006
	RUR 000's	RUR 000's
Irrecoverable VAT	49,861	50,466
Property tax	4,138	4,478
Other	645	849
Total other taxes	54,644	55,793

Property tax is calculated at a rate of 2.2% (2006: 2.2%) on the value of assets as computed under Russian statutory taxation regulations. Most of the income of the Bank is exempt from VAT and therefore input tax attributable to it is not normally available for credit and hence expensed as incurred.

27. Financial Risk Management

The Bank has a pro-active approach to management of financial risks (credit, interest rate, exchange rate and liquidity), operational risk, legal and reputation risk. The primary objectives of the financial risk management function are to establish risk limits, and then, through the internal control process to ensure that objectives and policies are communicated and implemented, that compliance with limits is monitored, and that deviations are corrected in accordance with management's policies. The operational and legal management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational, legal and reputation risks.

Credit risk

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

The Bank's credit policy establishes:

- Procedures for review and approval of credit applications;
- Methodology for the credit assessment of borrowers;
- Methodology for the evaluation of proposed collateral;
- Credit documentation requirements; and
- Procedures for the ongoing monitoring of loans and contingent operations.

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

The Bank's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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Vostochny Express Bank

**Notes to the Financial Information - 30 June 2007
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27. Financial Risk Management

Credit risk (continued)

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Country risk

Country risk is the risk that the Bank may suffer losses as the result of exposure to the political or economic environment of a country in which it operates or holds assets.

The Bank has particular exposure to the Russian Federation due to the concentration of its assets, liabilities and operating activities in the country. Further comments on the operating environment of the Bank are set out in Note 2. Comments on the risk associated with Russian tax are set out in Note 28.

A geographical analysis of the Bank's assets and liabilities as at 30 June 2007 is set out on the following page.

	<u>Russia</u>	<u>OECD</u>	<u>Non OECD</u>	<u>Total</u>
	<u>RUR 000's</u>	<u>RUR 000's</u>	<u>RUR 000's</u>	<u>RUR 000's</u>
Assets				
Cash and cash equivalents	1,368,450	-	70,500	1,438,950
Mandatory cash balances with the CBRF	238,772	-	-	238,772
Due from other banks	633,510	-	-	633,510
Loans and advances to customers	10,974,225	-	-	10,974,225
Accrued interest income and other assets	484,212	-	-	484,212
Investments	26,143	-	-	26,143
Service fee asset	1,114,155	-	-	1,114,155
Premises and equipment	801,328	-	-	801,328
Total assets	<u>15,640,795</u>	<u>-</u>	<u>70,500</u>	<u>15,711,295</u>
Liabilities				
Customer accounts	8,133,283	-	-	8,133,283
Due to other banks	1,591,353	-	-	1,591,353
Debt securities issued	2,352,359	-	-	2,352,359
Deferred tax liability	192,215	-	-	192,215
Accrued interest expense and other liabilities	374,515	-	-	374,515
Subordinated loan	1,091,546	-	-	1,091,546
Warranties on loans sold	107,121	-	-	107,121
Finance lease	67,810	-	-	67,810
Total liabilities	<u>13,910,202</u>	<u>-</u>	<u>-</u>	<u>13,910,202</u>
Net on-balance sheet position	<u>1,730,593</u>	<u>-</u>	<u>70,500</u>	<u>1,801,093</u>
Credit related commitments	<u>(67,677)</u>	<u>-</u>	<u>-</u>	<u>(67,677)</u>

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Vostochny Express Bank

Notes to the Financial Information - 30 June 2007
(in Russian Roubles)

27. Financial Risk Management

Country risk (continued)

The geographical concentration of the Bank's assets and liabilities as of 31 December 2006 is set out below:

	<u>Russia</u> RUR 000's	<u>OECD</u> RUR 000's	<u>Non OECD</u> RUR 000's	<u>Total</u> RUR 000's
Net on-balance sheet position	1,515,632	2,533	49	1,518,214
Credit related commitments	(5,421)	-	-	(5,421)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

At 30 June 2007, the Bank had the following positions in Russian and other currencies:

	<u>RUR</u> RUR 000's	<u>USD</u> RUR 000's	<u>Other</u> <u>currencies</u> RUR 000's	<u>Total</u> RUR 000's
Assets				
Cash and cash equivalents	486,360	915,892	36,698	1,438,950
Mandatory cash balances with the CBRF	238,772	-	-	238,772
Due from other banks	109,999	457,205	66,306	633,510
Loans and advances to customers	10,973,809	416	-	10,974,225
Accrued interest income and other assets	405,134	78,287	791	484,212
Investments	26,143	-	-	26,143
Service fee asset	1,114,155	-	-	1,114,155
Premises and equipment	801,328	-	-	801,328
Total assets	14,155,700	1,451,800	103,795	15,711,295
Liabilities				
Customer accounts	7,525,283	502,630	105,370	8,133,283
Due to other banks	1,591,353	-	-	1,591,353
Debt securities issued	2,352,359	-	-	2,352,359
Deferred tax liability	192,215	-	-	192,215
Accrued interest expense and other liabilities	371,371	2,910	234	374,515
Subordinated loan	-	1,091,546	-	1,091,546
Warranties on loans sold	107,121	-	-	107,121
Finance lease	67,810	-	-	67,810
Total liabilities	12,207,512	1,597,086	105,604	13,910,202
Net balance sheet position	1,948,188	(145,286)	(1,809)	1,801,093
Credit related commitments	(66,903)	(774)	-	(67,677)

continued

Vostochny Express Bank

Notes to the Financial Information - 30 June 2007
(in Russian Roubles)

27. Financial Risk Management (continued)

Currency risk (continued)

As of 31 December 2006 the Bank had the following positions in Russian and other currencies:

	RUR	USD	Other currencies	Total
	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Net balance sheet position	1,529,289	(10,583)	(492)	1,518,214
Credit related commitments	(4,368)	(1,053)	-	(5,421)

Currency classification of monetary assets and liabilities is based on the currency they are denominated in. The Bank has loans and advances denominated in foreign currencies. Depending on the revenue stream of the borrower, any fluctuation of these foreign currencies against the Russian Rouble may adversely affect the borrower's repayment ability and therefore increase the likelihood of future loan losses.

Interest rate risk

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements take place.

The Bank is exposed to this risk, principally as a result of lending and making advances to customers and other banks, at fixed interest rates, in amounts and for periods which differ from those of term deposits and other borrowed funds at fixed interest rates.

In practice, the Bank has the ability to make immediate changes to rates on most interest bearing assets in response to changes in the interest rate environment.

The majority of interest bearing liabilities are on fixed rate terms and will be repriced in line with changes in the CBRF refinancing rate. Management does not consider the Bank to have significant exposure as a result of taking long term deposits at fixed interest rates.

The table below summarises the effective average interest rate, by major currencies, for the main categories of interest bearing assets and liabilities. The analysis has been prepared on the basis of weighted average interest rates for the various financial instruments using year-end effective interest rates.

	RUR	USD	EURO
Assets			
Due from banks	4.6%	5.5%	7.6%
Loans and advances to customers	12.9%	16%	-
Liabilities			
Due to other banks:			
- current term loans and deposits of other banks	9.1%	-	-
Customer accounts:			
- term deposits of legal entities	9.2%	-	-
- term deposits of individuals	12.4%	12.5%	12.0%
Bills of exchange issued	14.5%	-	-
Bonds issued	10.3%	-	-
Other borrowed funds (subordinate loan)	-	11.0%	-

A significant proportion of the Bank's revenue on loans is earned from charging service fees. This significantly increases the profitability of the Bank's interest bearing assets. Service fees are calculated on a fixed rate basis, generally at 1.5% per month based on the original loan amount.

continued

Vostochny Express Bank

Notes to the Financial Information - 30 June 2007
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27. Financial Risk Management (continued)

Liquidity risk

The liquidity position of the Bank as at 30 June 2007 is set out below:

	<u>Demand and less than 1 month</u>	<u>From 1 to 6 months</u>	<u>From 6 to 12 months</u>	<u>More than 1 year</u>	<u>Overdue/ no stated maturity</u>	<u>Total</u>
	<u>RUR</u>	<u>RUR</u>	<u>RUR</u>	<u>RUR</u>	<u>RUR</u>	<u>RUR</u>
	<u>000's</u>	<u>000's</u>	<u>000's</u>	<u>000's</u>	<u>000's</u>	<u>000's</u>
Assets						
Cash and cash equivalents	1,438,950	-	-	-	-	1,438,950
Mandatory cash balances with the CBRF	-	-	-	-	238,772	238,772
Due from other banks	408,651	224,859	-	-	-	633,510
Loans and advances to customers	646,936	2,867,141	2,587,917	4,872,231	-	10,974,225
Investments	-	-	-	-	26,143	26,143
Accrued interest income and other assets	169,703	16,417	233	507	297,352	484,212
Service fee asset	89,979	351,767	450,758	221,651	-	1,114,155
Premises and equipment	-	-	-	-	801,328	801,328
Total assets	<u>2,754,219</u>	<u>3,460,184</u>	<u>3,038,908</u>	<u>5,094,389</u>	<u>1,363,595</u>	<u>15,711,295</u>
Liabilities						
Customer accounts	2,620,828	2,323,743	2,137,340	1,051,372	-	8,133,283
Due to other banks	902,703	658,650	30,000	-	-	1,591,353
Debt securities issued	20,000	-	30,832	2,301,527	-	2,352,359
Deferred tax liability	-	-	-	-	192,215	192,215
Accrued interest expense and other liabilities	257,692	4,257	1,644	110,922	-	374,515
Subordinated loan	-	-	-	1,091,546	-	1,091,546
Finance lease liability	3,855	19,330	23,342	21,283	-	67,810
Warranties on loans sold	8,651	33,821	43,338	21,311	-	107,121
Total liabilities	<u>3,813,729</u>	<u>3,039,801</u>	<u>2,266,496</u>	<u>4,597,961</u>	<u>192,215</u>	<u>13,910,202</u>
Net liquidity gap	<u>(1,059,510)</u>	<u>420,383</u>	<u>772,412</u>	<u>496,428</u>	<u>1,171,380</u>	<u>1,801,093</u>
Cumulative						
liquidity gap at 30 June 2007	<u>(1,059,510)</u>	<u>(639,127)</u>	<u>133,285</u>	<u>629,713</u>	<u>1,801,093</u>	<u>-</u>
Cumulative						
liquidity gap at 31 December 2006	<u>(352,349)</u>	<u>(140,803)</u>	<u>(240,649)</u>	<u>911,906</u>	<u>1,518,214</u>	<u>-</u>

continued

27. Financial Risk Management (continued)

Liquidity risk (continued)

Liquidity risk is defined as the risk that arises from the fact that the maturity of assets and liabilities does not match. Management of the Bank actively monitors liquidity risk. The table above shows assets and liabilities as at 30 June 2007 by their remaining contractual maturity. Some of the assets, however, may be of a longer term nature. For example, loans are frequently renewed and accordingly short term loans can have a longer term duration.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Insurance

The use of insurance as a means of regulating liability risk is still relatively undeveloped in the Russian Federation as this type of cover is not widely available. Management has therefore not been able to utilise this risk management tool.

Detailed information on property insurance is set out in Note 10.

As at the end of the reporting period the Bank was registered with the Central Bank's retail deposit insurance scheme.

28. Contingencies, Commitments and Derivative Financial Instruments

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no allowance has been made in these financial statements.

Tax legislation

Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgement of business activities, management's judgement of the Bank's business activities may not coincide with the interpretation of the same activities by tax authorities.

If a particular treatment was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years.

Capital commitments

As at 30 June 2007 and 31 December 2006 the Bank had no material capital commitments.

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Vostochny Express Bank

**Notes to the Financial Information - 30 June 2007
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28. Contingencies, Commitments and Derivative Financial Instruments (continued)

Credit related commitments

Credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual amount of these commitments represents the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, all the Bank's import letters of credit are fully collateralised with cash deposits or collateral pledged to the Bank and accordingly the Bank normally assumes minimal risk. Outstanding credit related commitments are as follows:

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Undrawn credit lines	61,903	2,341
Guarantees issued	5,774	3,080
Total credit related commitments	67,677	5,421

At 30 June 2007, the probability of losses arising in connection with undrawn credit lines is considered remote and accordingly no specific allowances have been established. Management has evaluated the likelihood of impairment in respect of other credit related commitments and concluded that no allowance for impairment loss was necessary as at 30 June 2007 (2006: nil). The total outstanding contractual amount of guarantees, letters of credit, and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Derivatives

As at 30 June 2007 and 31 December 2006 the Bank had no outstanding derivative contracts.

Assets pledged

As at 30 June 2007 there were no assets pledged to secure liabilities of the Bank (2006: nil).

Leased Fixed Assets

During the year Bank leased fixed assets from third parties. Details of lease payments lease payable are set out below:

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Operating lease:		
Payable within one year	196,690	57,380
Payable within two to five years	104,908	48,844
Payable over five years	8,810	2,475
Total future operating lease payments	310,408	108,699

Operating lease includes a number of contracts expiring in 2007, but which can be prolonged, and this will result in substantial lease payable.

29. Fair Value of Financial Instruments

As no readily available market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument.

The Bank estimates the fair value of its financial assets and liabilities to be approximately equal to the carrying value of these assets and liabilities.

Vostochny Express Bank

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30. Related Parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". A holding of 5% or more by one party in another is considered by management to be one of the possible indicators that the parties are related. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The list of those companies and individuals considered by management to be related parties as at 30 June 2007 is set out below:

Significant shareholders	Activities
Igor Kim	
Sergei Vlasov	President of the Bank
Andrey Bekarev	
Evgeniya Schouplova	
Alexandr Taranov	
Rekha Holdings Limited	Investments
Subsidiary companies	
OOO VEB Finance	Financial Intermediary
OOO "Torgovo-promishlennaya firma "AVK-GAMMA"	Leasing
OOO First Collection Bureau	Financial intermediary
Associated companies	
OOO Dal VTB	Financial Intermediary
OOO Vostochnoye Bureau of Credit Histories	Financial intermediary
ZAO Sibirskoye Credit Bureau	Financial intermediary
Companies under common control through shareholders	
	Activities
OAO URSA Bank	Banking
OAO Etalonbank	Banking
OOO Yuzhny Region	Banking
ZAO Mass Media Bank	Banking
ZAO ZapSibZHASO	Insurance
OOO Blagoveschenskoye Credit Agency	Financial Intermediary
OOO Khabarovskoye Credit Agency	Financial Intermediary
OOO Primorskoye Credit Agency	Financial Intermediary
OOO Irkoutskoye Credit Agency	Financial Intermediary
OOO Zabaikal'skoye Credit Agency	Financial Intermediary
OOO Stroyinvest	Financial Intermediary

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Vostochny Express Bank

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30. Related Parties (continued)

Members of the Board of Management

Sergey Vlasov (also a shareholder)
Elena Kalinina
Ludmila Proskurina
Natalia Popova

Members of the Board of Directors

Yuriy Vavilov Chairman of the Board of Directors
Sergey Vlasov (also a shareholder) President of the Bank
Andrey Bekarev (also a shareholder)
Igor Kim (also a shareholder)
Sergei Nazarov

During the reporting period the Bank entered into transactions with related parties, which included loan and deposit agreements, and provision of guarantees.

Details of transactions and balances with related parties are set out below (all balances are unsecured unless otherwise stated):

	Share-holders	Mem-bers of BOD	Managem-ent (exclu-ding BOD)	Subsidi-aries	Assoc-iates	Other related parties	Total balances/trans-actions with related parties	Total for the category
	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Balances								
Cash and cash equivalents	-	-	-	-	-	3,756	3,756	1,438,950
Due from other banks	-	-	-	-	-	-	-	633,510
Loans issued	-	-	2	82,000	-	29	82,031	11,535,971
Loan loss allowance	-	-	-	-	-	-	-	(561,746)
Other assets	-	-	-	-	-	2,340	2,340	484,212
Balances on customer accounts	13,840	-	616	8,075	593	950	24,074	840,844
Deposits	369,560	3	16,009	-	-	9,000	394,572	7,451,939
Due to other banks	-	-	-	-	-	521,372	521,372	1,591,353
Promissory notes issued	175,000	-	-	-	-	-	175,000	864,027
Other liabilities	1,861	-	-	10,648	-	4,110	16,619	374,515
Liabilities under finance lease	-	-	-	-	-	28,141	28,141	67,810
Undrawn credit line	-	-	-	5,000	-	-	5,000	61,903
Balances on loans resold to URSA Bank	-	-	-	-	-	5,065,662	5,065,662	5,065,662
Balance on warranties on loans sold to URSA Bank	-	-	-	-	-	107,121	107,121	107,121
Transactions								
Interest income on loans issued	-	-	29	4,557	-	242	4,828	1,411,027
Interest expense	(20,842)	-	(614)	-	-	(2,075)	(23,531)	(514,025)
Rent expense	(3,383)	-	(248)	-	-	(251)	(3,882)	(56,103)
Commission received	2	-	-	88	3	10,680	10,773	502,873
Commission paid	-	-	-	(59,666)	(343)	-	(60,009)	(80,976)
Other income	-	-	-	-	-	-	-	1,295
Other expense	(9,991)	-	(6,085)	(125,959)	-	(23,577)	(165,612)	(1,060,926)
Results on disposal of loans	-	-	-	-	-	491,419	491,419	491,419
Loans sold to URSA Bank	-	-	-	-	-	2,076,242	2,076,242	2,076,242

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Vostochny Express Bank

Notes to the Financial Information - 30 June 2007
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30. Related Parties (continued)

31 December 2006									
	Share- holders	Mem- bers of BOD	Manage- ment (exclu- ding BOD)	Subsidia- ries	Associa- tes	Other related parties	Total balances/tr ansactions with related parties	Parties that ceased to be related during the year	Total for the category
	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Balances									
Cash and cash equivalents	-	-	-	-	-	4,136	4,136	-	730,748
Due from other banks	-	-	-	-	-	30,000	30,000	-	1,057,409
Loans issued	-	-	2,000	82,000	-	-	84,000	-	6,001,848
Loan loss allowance	-	-	-	-	-	-	-	-	(359,536)
Other assets	-	-	130	-	-	1,824	1,954	-	329,079
Balances on correspondent accounts	645	-	174	211	32	122	1,184	-	592,842
Deposits	255,538	2	4,010	-	-	-	259,550	95,790	5,142,184
Due to other banks	-	-	-	-	-	60,001	60,001	87	864,493
Promissory notes issued	-	-	-	-	-	-	-	463,400	771,157
Other liabilities	-	-	-	-	-	5,463	5,463	25,302	191,970
Liabilities under finance lease	-	-	-	-	-	39,854	39,854	-	69,879
Guarantees issued	-	-	-	-	-	2,026	2,026	-	2,026
Balances on loans resold to URSA Bank	-	-	-	-	-	5,103,542	5,103,542	-	5,103,542
Balance on warranties on loans sold to URSA Bank	-	-	-	-	-	153,106	153,106	-	153,106
Transactions									
Interest income on loans issued	-	-	4	1,359	477	1,036	2,876	-	1,142,582
Interest expense	(832)	-	(331)	-	-	(26,249)	(27,412)	(64,443)	(426,448)
Rent expense	(16,963)	-	(2,334)	-	-	(1,508)	(20,805)	-	(97,020)
Commission received	3	-	-	14	17	14,596	14,630	-	796,017
Commission paid	-	-	-	(12,892)	(10,702)	(1)	(23,595)	-	(39,478)
Other income	721	-	6	-	2	86	815	1	2,311
Other expense	(19,200)	-	(17,183)	-	-	(63,733)	(100,116)	(638)	(1,209,794)
Results on disposal of loans	-	-	-	-	-	1,379,822	1,379,822	-	1,379,822
Loans sold to URSA Bank	-	-	-	-	-	7,160,997	7,160,997	-	7,160,997

Total remuneration paid to the Chairman of the Management Board in the period amounted to RUR 9,991 thousand (2006: 19,200).

The salaries paid to the members of the Management Board in the period amounted to RUR 6,085 thousand (2006: RUR 16,301 thousand). There were no long term benefits, post-employment benefits, termination benefits or share based payments. No remuneration to other members of the Board of Directors was paid in the period and 2006.

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30. Related Parties (continued)

Leased Fixed Assets

During the year the Bank leased certain fixed assets from related parties, namely equipment and vehicles. Details of lease payments lease payable are set out below:

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Operating leases:		
Payable within one year	2,493	4,798
Cost of leased fixed assets	15,532	49,919

Operating leases includes a number of contracts expiring in 2007, but which can be prolonged, and this will result in substantial lease payable within two to five years.

31. Capital Adequacy

The Central Bank of the Russian Federation requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed based on Russian Accounting Legislation. As of 30 June 2007, the Bank's capital adequacy ratio calculated on this basis was 12.5%, exceeding the statutory minimum (2006: 11.4%)

The Bank's international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines issued in 1998, as of 30 June 2007 was 20.9% (2006: 18.9%). This ratio exceeded the minimum ratio of 8% recommended by Basle Accord.

The capital adequacy ratio in accordance with the 1998 Basle Accord guidelines based on the audited financial statements of the Bank as of 30 June 2007, was computed as follows:

	30 June 2007	31 December 2006
	RUR 000's	RUR 000's
Tier 1 Capital		
Share capital	399,837	399,837
Share Premium	4,697	4,697
Accumulated profit	1,396,559	1,113,680
Total Tier 1 Capital	1,801,093	1,518,214
Tier 2 Capital		
Term debt liabilities	1,091,546	-
Total Tier 2 Capital	1,091,546	-
Total Capital	2,892,639	1,518,214
Risk weighted assets	13,835,667	8,039,083
Capital adequacy ratio	20.9	18.9

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**Notes to the Financial Information - 30 June 2007
(in Russian Roubles)**

31. Capital Adequacy (continued)

Capital is calculated as the total of restricted and unrestricted components of equity plus general provision for loan losses to the extent that this provision does not exceed 1.25% of assets calculated using the following risk weightings:

Weighting	Description
0%	Cash, amounts with the Central Bank of Russian Federation and claims on the Government of the Russian Federation denominated in Roubles and funded in Roubles
20%	Due from OECD credit institutions
20%	Due from non-OECD credit institutions maturing within one year
100%	Loans to customers
100%	All other assets
	Off-balance sheet items
0%	Undrawn loan commitments maturing within one year
20%	Guarantees issued in favour of OECD credit institutions
50%	Undrawn loan commitments maturing in over one year and all standby letters of credit issued
100%	All other guarantees issued
1% - 5%	Foreign exchange contracts
0% - 0,5%	Interest rate contracts

32. Post Balance Sheet Events

In July 2007 the Bank received a further loan of RUR 5,400,000 thousand from OEFL (see note 16). This was financed by an issue of Loan Participation Notes by that company. The interest rate on the loan and the notes is 9.875%. The loan is due for repayment 3 July 2009.

On 18 July 2007, the CBRF registered a new branch of the Bank in St-Petersburg at the following address: 197022, St-Petersburg, Akademika Pavlova street, 16b, premise 1H, lit.A

On 27 August 2007 the CBRF registered a new branch of the Bank in Moscow at the following address: 109012, Moscow, Vetoshniy pereulok, 9

At an Extraordinary Shareholders Meeting on 7 September 2007 an increase in share capital was approved. An additional 1,680,000 ordinary nominal shares with a nominal value of 100 RUR per share and carrying the same rights as existing shares will be issued by open subscription with preemption rights for existing shareholders proportionate to their existing holding. The pre-emption period will be 20 days from the date notice is sent to shareholders. The price of shares to be offered to the general public is to be set by the Board of Directors once the preemption period has ended.