OJSC “Bank “St Petersburg” Group

Condensed Consolidated Interim Financial Information and Review Report

30 June 2006

CONTENTS

PRICEWATERHOUSECOOPERS

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REVIEW REPORT

To the Supervisory Board of OJSC "Bank "St Petersburg":

We have reviewed the accompanying condensed consolidated interim balance sheet of OJSC "Bank "St Petersburg" and its subsidiary (the "Group") as at 30 June 2006, and the related condensed consolidated interim statements of income, cash flows and changes in equity for the six months then ended. This condensed consolidated interim financial information is the responsibility of the Group's Management. Our responsibility is to issue a report on this condensed consolidated interim financial information based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the condensed consolidated interim financial information is free of material misstatement. A review is limited primarily to inquiries of the Group's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information has not been properly prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
29 September 2006

In thousands of Russian Roubles	Note	30 June 2006	31 December 2005
ASSETS			
Cash and cash equivalents		4 122 327	4 556 945
Mandatory cash balances with the Central Bank of the Russian Federation		641 826	500 453
Trading securities	7	3 977 396	3 024 055
Other securities at fair value through profit or loss		291 576	327 488
Due from other banks		671 166	2 086 821
Loans and advances to customers	8	28 202 607	19 044 576
Deferred income tax asset		-	1 107
Premises and equipment and intangible assets		1 405 273	1 394 328
Other assets		409 080	198 969
TOTAL ASSETS		**39 721 251**	**31 134 742**
LIABILITIES			
Due to other banks		112 900	1 293 684
Customer accounts	9	32 100 230	23 438 211
Debt securities in issue		2 591 577	2 825 234
Bonds in issue	10	996 967	-
Other borrowed funds		26 785	35 926
Other liabilities		139 469	154 704
Deferred income tax liability		76 928	70 349
TOTAL LIABILITIES		**36 044 856**	**27 818 108**
EQUITY			
Share capital		3 284 230	3 284 230
Share premium		2 124 906	2 124 906
Revaluation reserve for premises and equipment		510 909	510 909
Accumulated deficit		(2 243 650)	(2 603 411)
TOTAL EQUITY		**3 676 395**	**3 316 634**
TOTAL LIABILITIES AND EQUITY		**39 721 251**	**31 134 742**

Approved for issue and signed on behalf of the Supervisory Board on 29 September 2006.

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО "БАНК "САНКТ-ПЕТЕРБУРГ"
ИНН 7831000027

A. [illegible]eliev
Chairman of the Board

N.G. Tomilina
Chief Accountant

In thousands of Russian Roubles	Note	6 months ended 30 June 2006	6 months ended 30 June 2005
Interest income	11	1 799 937	1 107 466
Interest expense	11	(661 008)	(393 829)
Net interest income		**1 138 929**	**713 637**
Provision for loan impairment		(182 481)	(364 465)
Net interest income after provision for loan impairment		**956 448**	**349 172**
Net (losses)/ gains from trading securities		(40 751)	9 500
Net (losses)/ gains from other securities at fair value through profit or loss		(12 648)	24 853
Net gains/ (losses) from trading in foreign currencies		140 591	(43 887)
Foreign exchange translation net (losses)/ gains		(100 992)	96 035
Fee and commission income		274 656	180 103
Fee and commission expense		(21 100)	(10 165)
Provision for losses on credit related commitments		(27 366)	(21 216)
Other operating income		8 815	8 721
Operating income		**1 177 653**	**593 116**
Administrative and other operating expenses		(672 886)	(495 313)
Profit before tax		**504 767**	**97 803**
Income tax expense		(141 965)	(23 493)
Profit for the period		**362 802**	**74 310**
Basic and diluted earnings per share (in Russian Roubles per share)		**18.0**	**4.4**

In thousands of Russian Roubles	**Share capital**	**Share premium**	**Revaluation reserve for premises and equipment**	**Accumulated deficit**	**Total equity**
Balance as at 1 January 2005	**3 281 105**	**1 628 031**	**224 461**	**(3 240 584)**	**1 893 013**
Profit for the period	-	-	-	74 310	74 310
Dividends declared					
- Ordinary shares	-	-	-	(2 382)	(2 382)
- Preference shares	-	-	-	(221)	(221)
Balance as at 30 June 2005	**3 281 105**	**1 628 031**	**224 461**	**(3 168 877)**	**1 964 720**
Balance as at 1 January 2006	**3 284 230**	**2 124 906**	**510 909**	**(2 603 411)**	**3 316 634**
Profit for the period	-	-	-	362 802	362 802
Dividends declared					
- Ordinary shares	-	-	-	(2 820)	(2 820)
- Preference shares	-	-	-	(221)	(221)
Balance as at 30 June 2006	**3 284 230**	**2 124 906**	**510 909**	**(2 243 650)**	**3 676 395**

In thousands of Russian Roubles	**6 months ended 30 June 2006**	**6 months ended 30 June 2005**
Cash flows from operating activities		
Interest received	1 691 089	1 034 910
Interest paid	(587 550)	(353 756)
Net (expenses)/ income received from trading in trading securities	(6 312)	8 972
Net income/ (expenses) received from trading in other securities at fair value through profit or loss	7	(2 737)
Net income/ (expenses) received from dealing in foreign currencies	144 483	(35 215)
Fees and commissions received	274 656	180 103
Fees and commissions paid	(21 100)	(10 165)
Other operating income received	6 162	6 512
Operating expenses paid	(684 772)	(410 618)
Income tax paid	(142 020)	(59 320)
Cash flows from operating activities before changes in operating assets and liabilities	**674 643**	**358 686**
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	(141 373)	(118 680)
Net (increase)/decrease in trading securities	(1 020 141)	363 664
Net (increase)/decrease in other securities at fair value through profit or loss	(1 628)	117 603
Net decrease/(increase) in due from other banks	1 395 777	(746 260)
Net increase in loans and advances to customers	(9 513 167)	(4 453 712)
Net (increase)/decrease in other assets	(193 690)	25 261
Net (decrease)/increase in due to other banks	(1 121 778)	607 520
Net increase in customer accounts	8 826 267	4 873 168
Net decrease in debt securities in issue	(239 865)	(211 038)
Net decrease in other liabilities	15 291	11 409
Net cash (used in)/from operating activities	**(1 319 664)**	**827 621**
Cash flows from investing activities		
Acquisition of premises and equipment and intangible assets	(73 921)	(50 798)
Proceeds from disposal of premises and equipment and intangible assets	4 128	58
Dividend income received	2 646	2 092
Net cash used in investing activities	**(67 147)**	**(48 648)**
Cash flows from financing activities		
Bonds issue	992 980	-
Repayment of other borrowed funds	(6 821)	(15 282)
Dividends paid	(2 904)	(2 646)
Net cash from/ (used in) financing activities	**983 255**	**(17 928)**
Effect of exchange rate changes on cash and cash equivalents	**(31 062)**	**7 780**
Net (decrease)/increase in cash and cash equivalents	**(434 618)**	**768 825**
Cash and cash equivalents at the beginning of the period	4 556 945	1 678 978
Cash and cash equivalents at the end of the period	**4 122 327**	**2 447 803**

1 Introduction

This condensed consolidated interim financial information for the six months ended 30 June 2006 comprises Bank "St Petersburg" (the "Bank") and its subsidiary Leasing Company St Petersburg (together referred to as the "Group" or OJSC "Bank "St Petersburg" Group).

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as a result of the privatization process of the former Leningrad regional office of Zhilsotsbank. The Bank is an open joint stock company limited by shares and was set up in accordance with Russian regulations.

50.6% of the ordinary shares of the Group are ultimately controlled by top management of the Bank headed by Mr. Saveliev. Another 15.0% of the shares are ultimately controlled by Mr. Troitskiy and 15.1% of shares are ultimately controlled by Mr. Korzhev. 13.8% of the shares are ultimately controlled by "Vozrozhdenie" Group headed by Mr. Bukato. The remaining 5.5% of the shares are widely held.

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1997. In 2004 the Bank was accepted to the State deposit insurance scheme, which was introduced by the Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State deposit insurance scheme dictates that the State Deposit Insurance Agency will guarantee repayment by the date corporation "Agency for Insurance of Deposits" of individual deposits up to RR 190 thousand (approximately US Dollars 7 thousand) per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on its payments. On 13 April 2006 the state corporation "Agency for Insurance of Deposits" issued a decision on accreditation of the Bank for participation in bids arranged by the Agency in order to organise payments of the insurance coverage to depositors of the banks – members of the insurance scheme.

The Bank has 9 branches within the Russian Federation; 8 branches are located in the North-West region of Russia and one branch is located in Moscow.

Registered address and place of business. The Bank's registered address and place of business is: 191167, Russian Federation, Saint Petersburg, Nevskiy prospect, 178.

Presentation currency. This condensed consolidated interim financial information is presented in thousands of Russian Roubles ("RR thousands").

2 Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, relatively high inflation and economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions. The Russian economy occasionally experiences falls in confidence in the banking sector accompanied by reductions in liquidity. Management is unable to predict economic trends and developments in the banking sector and what effect, if any, a deterioration in the liquidity of or confidence in the Russian banking system could have on the financial position of the Group.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

3 Basis of Preparation and Accounting Policies

Basis of Preparation. This condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read together with the consolidated financial statements for the year ended 31 December 2005. The annual consolidated financial statements and related auditors' opinion were issued on 10 May 2006.

The principal accounting policies applied in the preparation of this condensed consolidated interim financial information are consistent with those applied to consolidated financial statements for the year ended 31 December 2005 as set out in the 2005 consolidated financial statements.

4 Adoption of New or Revised Standards and Interpretations

Listed below are those amended standards which must be applied in preparation of financial statements for the year ended 31 December 2006.

IAS 39 (Amendment) – The Fair Value Option (effective as of 1 January 2006). IAS 39 (as revised in 2003) permitted entities to designate irrevocably on initial recognition practically any financial instrument as one to be measured at fair value with gains and losses recognised in consolidated statement of income ('fair value through profit or loss'). The amendment changes the definition of financial instruments 'at fair value through profit or loss' and restricts the ability to designate financial instruments as part of this category. This amendment does not have impact on classification and measurement of financial instruments classified by the Group as recorded at fair value through profit and loss prior to 1 January 2006, as the Group is able to meet the revised criteria for classification of financial instruments as 'fair value through profit or loss'.

IAS 39 (Amendment) Financial Guarantee Agreements. Issued financial guarantees will have to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred and (ii) the expenditure required to settle the commitment at the balance sheet date.

The revision of IAS 39 standard did not result in a significant impact on this condensed consolidated interim financial information.

5 New Accounting Pronouncements

The Group has not exercised its right to early adopt any of the following other new standards or interpretations that are not effective for 2006:

- IFRS 7 "Financial Instruments: Disclosures" and a Complementary Amendment to IAS 1 "Presentation of Financial Statements" - Capital Disclosures. IFRS 7 introduces new disclosures to improve the information about financial instruments. It replaces IAS 30, "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", and some of the requirements in IAS 32, "Financial Instruments: Disclosure and Presentation". The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital.

- IFRIC 7, "Application of the restatement concept under IAS 29" (effective for the periods starting on or after 1 March 2006, that is from 1 January 2007);

- IFRIC 8, "Scope of application of IFRS 2" (effective for the periods starting on or after 1 May 2006, that is from 1 January 2007);

- IFRIC 9, "Reclassification of imbedded derivative financial instruments" (effective for the periods starting on or after 1 June 2006, that is from 1 January 2007);

- IFRIC 10, "Interim financial statements and impairment" (effective for the periods starting on or after 1 November 2006, that is from 1 January 2007).

The Group is currently assessing what impact the new IFRS, the amendment to IAS 1 and new IFRICs will have on disclosures in its consolidated financial statements.

6 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the provision would be estimated RR 68 385 thousand higher or RR 68 385 thousand lower (31 December 2005: RR 58 914 thousand higher or RR 58 914 thousand lower).

Legislation. Russian tax, currency and customs legislation is subject to varying interpretations and are subject to frequent changes.

Related party transactions. In the normal course of business the Group enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

7 Trading Securities

In thousands of Russian Roubles	**30 June 2006**	**31 December 2005**
Federal loan bonds (OFZ bonds)	2 053 734	1 554 638
Russian Federation Eurobonds	534 561	550 880
Municipal bonds	531 325	594 125
Corporate bonds	512 645	214 823
Corporate shares	345 131	19 177
Corporate Eurobonds	-	90 412
Total trading securities	**3 977 396**	**3 024 055**

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from 30 April 2008 to 6 February 2036 (31 December 2005: from 2 September 2006 to 29 August 2018), coupon rate of approximately 5.8% - 10.0% p.a. (31 December 2005: 6.0% -10.0% p.a.) and yield to maturity from 6.1% to 7.1% p.a. as at 30 June 2006, depending on the type of bond issue (31 December 2005: from 5.1% to 6.8% p.a., depending on the type of bond issue).

Russian Federation Eurobonds are interest bearing securities denominated in USD, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have maturity dates from 31 March 2010 to 31 March 2030 (31 December 2005: 31 March 2010 to 31 March 2030), coupon rate of 5.0 – 8.3% p.a. (31 December 2005: 5.0 – 8.3% p.a.); and yield to maturity from 7.3% to 8.2% p.a. as at 30 June 2006, depending on the type of bond issue (31 December 2005: from 4.8% to 5.6% p.a., depending on the type of bond issue).

7 Trading Securities (Continued)

Municipal bonds are Russian Federation Rouble denominated securities issued by the municipal administrations of St. Petersburg, Moscow region and Krasnoyarsk region. Bonds are issued at a discount to nominal value, have maturity dates from 26 October 2006 to 6 August 2014 (31 December 2005: from 18 May 2006 to 6 August 2014), coupon rate of 9.0 – 11.0% p.a. (31 December 2005: 9.0 – 12.0% p.a.) and yield to maturity from 6.9% to 8.0% p.a. as at 30 June 2006, depending on the type of bond issue (31 December 2005: from 6.3% to 11.5% p.a., depending on the type of bond issue).

Corporate bonds are interest bearing Rouble denominated securities issued by Russian companies, and are freely tradable at the Russian market. These bonds have maturity dates from 19 April 2007 to 20 May 2010 (31 December 2005: from 20 March 2008 to 22 April 2010); coupon rate of 10.3% -13.5% p.a. (31 December 2005: 11.5% - 15.5% p.a.) and yield to maturity from 9.1% to 12.1% as at 30 June 2006, depending on the type of bond issue (31 December 2005: from 5.3% to 12.7% p.a., depending on the type of bond issue).

Corporate shares are shares of Russian companies freely tradable on the stock market.

As at 30 June 2006 included in trading securities are municipal bonds pledged under sale and repurchase agreements whose fair value is RR 220 814 thousand (31 December 2005: RR 466 582 thousand). Refer to Note 9.

Maturity analysis of trading securities is disclosed in Note 13.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

8 Loans and Advances to Customers

In thousands of Russian Roubles	**30 June 2006**	**31 December 2005**
Current loans	29 137 240	18 930 334
Net investment in lease	180 252	210 223
Reverse sale and repurchase agreements	127 803	918 102
Overdue loans	124 777	164 187
Less: Provision for loan impairment	(1 367 465)	(1 178 270)
Total loans and advances to customers	**28 202 607**	**19 044 576**

As at 30 June 2006 loans and advances to customers of RR 127 803 thousand (31 December 2005: RR 918 102 thousand) are effectively collateralised by securities purchased under reverse sale and repurchase agreements at a fair value of RR 132 997 thousand (31 December 2005: RR 967 747 thousand), for all of which the Group has a right to sell or repledge. These sale and repurchase deals were settled in July 2006.

Movements in the provision for loan impairment are as follows:

In thousands of Russian Roubles	**6 months ended 30 June 2006**	**6 months ended 30 June 2005**
Provision for loan impairment as at 1 January	**1 178 270**	**846 334**
Provision for loan impairment during the period	189 195	362 458
Loans and advances to customers written off during the period as uncollectible	-	(134 617)
Provision for loan impairment as at 30 June	**1 367 465**	**1 074 175**

8 Loans and Advances to Customers (Continued)

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

	30 June 2006		31 December 2005	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Real estate	6 201 784	21.0	3 008 856	14.9
Trade	5 758 535	19.5	3 263 736	16.1
Construction	5 053 252	17.1	3 563 308	17.6
Manufacturing	4 340 958	14.7	3 444 567	17.0
Leasing and financial services	3 150 291	10.7	2 288 320	11.3
Consumer goods and food industry	1 810 076	6.1	1 591 288	7.9
Individuals	771 055	2.6	450 519	2.2
Energy	570 830	1.9	591 571	2.9
Chemical industry	448 267	1.5	259 073	1.3
Other	1 465 024	4.9	1 761 608	8.8
Total loans and advances to customers (before provision for impairment)	**29 570 072**	**100.0**	**20 222 846**	**100.0**

As at 30 June 2006 the Group had 22 groups of related borrowers with aggregated loan amounts issued to each group above 10% of consolidated equity of the Group as at this date. The total aggregate amount of these loans was RR 13 737 471 thousand or 46% of the gross loan portfolio.

As at 31 December 2005 the Group had 12 borrowers with aggregated loan amounts issued to each borrower above 10% of consolidated equity of the Group as at that date. The total aggregate amount of these loans was RR 7 007 824 thousand or 35% of the gross loan portfolio.

As at 30 June 2006 the estimated fair value of loans and advances to customers amounted to RR 28 149 308 thousand (2005: RR 19 015 996 thousand).

Maturity analysis of loans and advances to customers is disclosed in Note 13. The information on related party balances is disclosed in Note 16.

9 Customer Accounts

In thousands of Russian Roubles	30 June 2006	31 December 2005
State and public organisations		
- Current/settlement accounts	451 733	63 646
- Term deposits	1 010 521	740 000
Other legal entities		
- Current/settlement accounts	14 259 368	9 029 504
- Term deposits	5 280 766	4 217 631
- Sale and repurchase agreements	215 257	434 269
Individuals		
- Current/demand accounts	2 471 695	1 791 028
- Term deposits	8 410 890	7 162 133
Total customer accounts	**32 100 230**	**23 438 211**

State and public organizations exclude government-owned profit-oriented business.

As at 30 June 2006 the Group has 6 customers with total balances above 10% of the consolidated equity of the Group as at this date. The aggregate balance of these customers was RR 5 789 460 thousand or 18.0% of total customer accounts.

As at 31 December 2005 the Group had 6 customers with total balances above 10% of the consolidated equity of the Group as at this date. The aggregate balance of these customers was RR 3 729 030 thousand or 16.0% of total customer accounts.

As at 30 June 2006 included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 215 257 thousand (31 December 2005: RR 434 269 thousand). Securities sold under these sale and repurchase agreements are municipal bonds with the fair value of RR 220 814 thousand (2005: RR 466 582 thousand). As at 30 June 2006 and 31 December 2005 these securities had been recorded in the consolidated balance sheet as municipal bonds within trading securities. Refer to Note 7.

As at 30 June 2006 the estimated fair value of customer accounts was approximately RR 32 100 230 thousand (31 December 2005: RR 23 438 211 thousand).

Maturity analysis of customer accounts is disclosed in Note 13. The information on related party balances is disclosed in Note 16.

10 Bonds in Issue

On 14 June 2006 the Group placed interest-bearing bonds denominated in Russian Roubles (one bond – RR 1 000), in the amount of 1 000 000 bonds. As at 30 June 2006, the amortised value of these bonds amounted to RR 996 967 thousand. They mature on 14 June 2009, with a coupon rate established for the first 4 quarter coupon periods as 9.6% p.a. For the coupon periods starting from the fifth, the coupon rate is defined by the issuer, but not later than at the fifth day of the previous coupon period. As at 30 June 2006, these bonds yield to maturity is 10.24% p.a.

These bonds bear an early redemption option at the nominal amount, which can be exercised on the third day of the fifth coupon period, which is 20 June 2007.

Maturity analysis of bonds in issue is disclosed in Note 13.

11 Interest Income and Expense

In thousands of Russian Roubles	**6 months ended 30 June 2006**	**6 months ended 30 June 2005**
Interest income		
Loans and advances to customers	1 644 550	976 984
Trading debt securities	92 382	100 993
Due from other banks	56 091	19 342
Other debt securities at fair value through profit or loss	4 587	7 442
Correspondent accounts with other banks	2 327	2 705
Total interest income	**1 799 937**	**1 107 466**
Interest expense		
Term deposits of individuals	339 666	205 996
Term deposits of legal entities	188 346	66 653
Debt securities in issue	80 073	75 567
Due to other banks	26 296	12 400
Current/settlement accounts	21 607	26 515
Bonds in issue	3 987	-
Other borrowed funds	1 033	6 698
Total interest expense	**661 008**	**393 829**
Net interest income	**1 138 929**	**713 637**

12 Segment Analysis

The Group's primary format for reporting segment information is business segments.

Business Segments. The Group is organised on a basis of three main business segments:

- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency transactions with commercial and state entities.

- Operations on financial markets – representing financial instruments trading, loans and deposits in the interbank market, dealing in foreign exchange and derivative financial instruments.

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages for individuals.

Transactions between the business segments are on commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment.

Segment information for the main reportable business segments of the Group for 6 months ended 30 June 2006 and 30 June 2005 is set out below:

In thousands of Russian Roubles	**Corporate banking**	**Operations on financial markets**	**Retail banking**	**Eliminations**	**Total**
6 months 2006					
Total revenues comprise:					
- Interest income	2 754 405	1 709 400	538 731	(3 202 599)	1 799 937
- Net losses from operations with securities	-	(53 399)	-	-	(53 399)
- Net gains from trading in foreign currencies	52 271	63 951	24 369	-	140 591
- Net losses from translation of foreign currencies	-	(100 992)	-	-	(100 992)
- Fee and commission income	202 094	5 178	67 384	-	274 656
- Other operating income	7 320	-	1 495	-	8 815
Total revenues	**3 016 090**	**1 624 138**	**631 979**	**(3 202 599)**	**2 069 608**
Less: revenues from other segments	(1 171 544)	(1 554 013)	(477 042)	3 202 599	**-**
External revenues	1 844 546	70 125	154 937	-	**2 069 608**
Segment result	**839 633**	**(79 033)**	**91 302**	**-**	**851 902**
Unallocated costs					**(347 135)**
Profit before tax					**504 767**
Income tax expense					**(141 965)**
Profit for the period					**362 802**

12 Segment Analysis (Continued)

In thousands of Russian Roubles	Corporate banking	Operations on financial markets	Retail banking	Eliminations	Total
6 months 2005					
Total revenues comprise:					
- Interest income	1 394 911	1 060 359	378 235	(1 726 039)	1 107 466
- Net gains from operations with securities	-	34 353	-	-	34 353
- Net gains/(losses) from trading in foreign currencies	7 283	(75 258)	24 088	-	(43 887)
- Net gains from translation of foreign currencies	-	96 035	-	-	96 035
- Fee and commission income	158 491	901	20 712	-	180 103
- Other operating income	8 330	-	391	-	8 721
Total revenues	**1 569 015**	**1 116 389**	**423 426**	**(1 726 039)**	**1 382 791**
Less: revenues from other segments	(434 800)	(929 877)	(361 362)	1 726 039	**-**
Segment result	**(113 955)**	**284 710**	**122 407**	**-**	**293 162**
Unallocated costs	-	-	-	-	(195 360)
Profit before tax					**97 803**
Income tax expense					(23 493)
Profit for the period					**74 310**

13 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

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

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

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

13 Financial Risk Management (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 Group 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.

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Assets and Liabilities Management Committee.

The table below shows assets and liabilities as at 30 June 2006 by their remaining contractual maturity, unless there is evidence that any of the assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement of the assets is used.

Overdue assets are classified based on the expected repayment rate. The entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of the portfolio's realisability and their view that it is a fairer portrayal of the Group's liquidity position. Mandatory cash balances with the CBRF are included within demand and less than one month as the requirement is to maintain as a reserve a specified percentage of certain liabilities which are also included within this category.

The liquidity position of the Group as at 30 June 2006 is set out below.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	4 122 327	-	-	-	4 122 327
Mandatory cash balances with the CBRF	641 826	-	-	-	641 826
Trading securities	3 977 396	-	-	-	3 977 396
Other securities at fair value through profit or loss	-	-	-	291 576	291 576
Due from other banks	352 003	95 163	224 000	-	671 166
Loans and advances to customers	8 484 844	10 620 259	4 511 299	4 586 205	28 202 607
Premises and equipment and intangible assets	-	-	-	1 405 273	1 405 273
Other assets	149 851	144 099	41 811	73 319	409 080
Total assets	**17 728 247**	**10 859 521**	**4 777 110**	**6 356 373**	**39 721 251**
Liabilities					
Due to other banks	112 900	-	-	-	112 900
Customer accounts	18 989 966	7 680 440	5 200 842	228 982	32 100 230
Debt securities in issue	591 374	1 318 416	681 587	200	2 591 577
Bonds in issue	-	-	996 967	-	996 967
Other borrowed funds	-	6 696	6 696	13 393	26 785
Other liabilities	75 253	49 665	10 629	3 922	139 469
Deferred tax liability	-	-	-	76 928	76 928
Total liabilities	**19 769 493**	**9 055 217**	**6 896 721**	**323 425**	**36 044 856**
Net liquidity gap	**(2 041 246)**	**1 804 304**	**(2 119 611)**	**6 032 948**	**3 676 395**
Cumulative liquidity gap as at 30 June 2006	**(2 041 246)**	**(236 942)**	**(2 356 553)**	**3 676 395**	

13 Financial Risk Management (Continued)

The liquidity position of the Group as at 31 December 2005 is set out below.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Assets					
Cash and cash equivalents	4 556 945	-	-	-	4 556 945
Mandatory cash balances with the Central Bank of the Russian Federation	500 453	-	-	-	500 453
Trading securities	3 024 055	-	-	-	3 024 055
Other securities at fair value through profit or loss	-	-	-	327 488	327 488
Due from other banks	1 664 177	142 521	-	280 123	2 086 821
Loans and advances to customers	2 149 740	7 030 079	6 959 962	2 904 795	19 044 576
Deferred tax asset	-	-	-	1 107	1 107
Premises, equipment and intangible assets	-	-	-	1 394 328	1 394 328
Other assets	137 381	15 732	7 672	38 184	198 969
Total assets	**12 032 751**	**7 188 332**	**6 967 634**	**4 946 025**	**31 134 742**
Liabilities					
Due to other banks	669 971	623 713	-	-	1 293 684
Customer accounts	12 489 501	5 476 489	1 393 246	4 078 975	23 438 211
Debt securities in issue	1 609 530	846 928	364 886	3 890	2 825 234
Other borrowed funds	-	-	-	35 926	35 926
Other liabilities	33 182	103 683	-	17 839	154 704
Deferred tax liability	-	-	-	70 349	70 349
Total liabilities	**14 802 184**	**7 050 813**	**1 758 132**	**4 206 979**	**27 818 108**
Net liquidity gap	**(2 769 433)**	**137 519**	**5 209 502**	**739 046**	**3 316 634**
Cumulative liquidity gap as at 31 December 2005	**(2 769 433)**	**(2 631 914)**	**2 577 588**	**3 316 634**	

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. 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 Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Bank grants a contractual roll-over option for a significant part of its loan portfolio, mainly represented by project finance loans, with the maturity of the roll-over stated in the loan agreement. In accordance with the lending policy the Bank issues short-term loan with a rollover option to finance medium - or long-term project of a borrower. The customers are allowed to extend the maturity of the loan upon approval of the Credit Committee or/and Management Board of the Bank. The contractual roll-over option is usually exercised by most borrowers and is invariably approved by Management of the Bank. For such transactions contractual maturity of loans is shorter than their expected maturity which may have negative impact on the liquidity position of the Group presented above.

13 Financial Risk Management (Continued)

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

14 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

In thousands of Russian Roubles	**6 months ended 30 June 2006**	**6 months ended 30 June 2005**
Profit attributable to equity holders of the Bank	362 802	74 310
Less: preference dividends	(221)	(221)
Profit attributable to the Bank's ordinary shareholders	362 581	74 089
Weighted average number of ordinary shares in issue (thousands)	20 140	17 015
Basic and diluted earnings per share (expressed in RR per share)	**18.0**	**4.4**

15 Dividends

	2006		2005	
In thousands of Russian Roubles	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends payable as at 1 January	**395**	**-**	**438**	**-**
Dividends declared during the period	2 820	221	2 382	221
Dividends paid during the period	(2 683)	(221)	(2 425)	(221)
Dividends payable as at 30 June	**532**	**-**	**395**	**-**
Dividends per share declared during the period (RR per share)	**0.14**	**0.11**	**0.14**	**0.11**

All dividends are declared and paid in Russian Roubles.

16 Related Party Transactions

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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Banking transactions are entered into in the normal course of business with shareholders of the Group, its management and companies controlled by shareholders and management of the Group. These transactions include settlements, loans, deposit taking, guarantees, trade finance and other transactions. These transactions are priced predominantly at market rates.

16 Related Party Transactions (Continued)

As at 30 June 2006, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Shareholders	Management of the Group	Companies under common control
Correspondent accounts and overnight placements with other banks	-	-	264
Due from other banks (contractual interest rate: 7.0-11.0%)	-	-	150 961
Impairment provision for due to other banks	-	-	(5 730)
Loans and advances to customers (contractual interest rate: 6.0-14.0%)	98 576	9 320	256 679
Customer accounts (contractual interest rate: 5.5-11.3%)	408 241	71 027	617 594

Companies under common control are companies owned by the shareholders of the Group.

The income and expense items with related parties for the 6 months ended 30 June 2006 were as follows:

In thousands of Russian Roubles	Shareholders	Management of the Group	Companies under common control
Interest income	6 132	267	15 400
Interest expense	(11 587)	(1 210)	(5 144)
Fee and commission income	25	-	379

Aggregate amounts lent to and repaid by related parties during 6 months ended 30 June 2006 were:

In thousands of Russian Roubles	Shareholders	Management of the Group	Companies under common control
Amounts lent to related parties during the period	34 050	8 186	1 813 534
Amounts repaid by related parties during the period	14 901	2 021	1 687 544

16 Related Party Transactions (Continued)

At 31 December 2005, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Shareholders	Management of the Group	Companies under common control
Correspondent accounts and overnight placements with other banks	-	-	264
Due from other banks (contractual interest rate: 9.0-11.0%)	-	-	268 746
Impairment provision for due to other banks	-	-	(12 362)
Loans and advances to customers (contractual interest rate: 12.0-21.0%)	79 427	3 155	12 905
Customer accounts (contractual interest rate: 5.5-11.3%)	103 331	50 020	471 142

The income and expense items with related parties for the 6 months ended 30 June 2005 were as follows:

In thousands of Russian Roubles	Shareholders	Management of the Group	Companies under common control
Interest income	3 286	165	13 403
Interest expense	-	-	-
Fee and commission income	34	-	514

Aggregate amounts lent to and repaid by related parties during 6 months ended 30 June 2005 were:

In thousands of Russian Roubles	Shareholders	Management of the Group	Companies under common control
Amounts lent to related parties during the period	-	-	1 132 732
Amounts repaid by related parties during the period	14 238	2 383	1 330 196

During the 6 months ended 30 June 2006 and as at 30 June 2006, remuneration to members of the Supervisory Board and Management Board including pension contributions and discretionary bonuses amounted to RR 88 241 thousand (6 months 2005: RR 32 784 thousand).

17 Subsequent events

As of 5 July 2006 the distribution of a bonus share issue of the Bank took place through the capitalisation of statutory retained earnings. All shareholders received 9 shares for each existing share. This resulted in an increase of the share capital of the Bank by RR 199 350 thousand. The prospectus of the share issue was registered by the St.Petersburg office of the Central Bank of the Russian Federation on 28 July 2006.

On 31 July 2006, the Bank attracted a syndicated loan from non-resident banks and a resident bank, arranged by ABN AMRO Bank N.V. The amount of the syndicated loan is US 30 000 thousand. The loan matures on 30 July 2007 and bears a roll-over option for 364 days. The interest rate on this loan is LIBOR plus 2.4%. The interest rate for the period from 31 July to 30 November 2006 is fixed at the level of 7.8% p.a.

During September 2006 the Bank attracted subordinated loans from its shareholders and companies under common control of the shareholders. The total amount of subordinated loans attracted is RR 875 000 thousand. All loans mature in September 2012 and bear interest rates in the range of 11.5 – 12.0% p.a. The obligation to repay the loans in the event of liquidation of the Bank is subordinated to the rights of other creditors and depositors of the Bank.