CIT FINANCE INVESTMENT BANK

Interim Consolidated
Condensed Financial Information
for the six-month period ended
30 June 2007

Contents

KPMG

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Independent Accountants' Review

To the Management of CIT FINANCE INVESTMENT BANK

Introduction

We have reviewed the accompanying interim consolidated condensed balance sheet of CIT Finance Investment Bank (the "Bank") and its subsidiaries (the "Group") as at 30 June 2007, and the related interim consolidated condensed statements of income, changes in shareholders' equity and cash flows for the six-month period then ended (the "interim consolidated financial information"). Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial reporting*. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial information as at 30 June 2007 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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ZAO KPMG
27 September 2007

(in thousands of Russian Roubles)

	Notes	30 June 2007 (unaudited)	31 December 2006
Assets			
Cash and cash equivalents		3,249,631	5,429,195
Mandatory cash balances with Central Bank of the Russian Federation		1,386,499	490,047
Placements with banks and financial institutions	4	7,514,970	3,331,550
Financial instruments at fair value through profit or loss			
- Unpledged	5	26,029,017	15,466,365
- Pledged under sale and repurchase agreements	5	3,076,901	90,214
Amounts receivable under reverse repurchase agreements		5,664,421	84,755
Loans and advances to customers	6	46,957,408	26,363,646
Net investment in finance lease	7	13,050,477	13,949,054
Available-for-sale assets	8	4,222,193	56,995
Property and equipment		417,167	377,981
Other assets	9	6,611,794	9,359,672
Total assets		**118,180,478**	**74,999,474**
Liabilities			
Financial instruments at fair value through profit or loss	5	119,011	95,442
Deposits and balances from banks and other financial institutions	10	11,580,990	21,054,554
Amounts payable under repurchase agreements		2,895,285	83,016
Liabilities to deliver securities under reverse repurchase agreements		211,788	-
Current accounts and deposits from customers	11	60,267,579	31,400,900
Debt securities issued	12	24,353,379	7,096,583
Other liabilities	13	1,589,635	1,187,480
Deferred tax liability		99,094	796,356
Total liabilities		**101,116,761**	**61,714,331**
Shareholders' equity			
Share capital	14	3,000,000	3,000,000
Share premium		180,000	180,000
Retained earnings		13,883,717	10,105,143
Total shareholders' equity		**17,063,717**	**13,285,143**
Total liabilities and shareholders equity		**118,180,478**	**74,999,474**
Commitments and Contingencies	17		

The interim consolidated condensed financial statements are approved by the Board of Directors of the Bank and signed on its behalf on 27 September 2007.

A.I. Vinokurov General Director

N.V. Ustinova Chief Accountant

The interim consolidated condensed balance sheet is to be read in conjunction with the notes to, and forming part of, the interim consolidated condensed financial information

(in thousands of Russian Roubles)

	Notes	Six-month period ended 30 June 2007 (unaudited)	Six-month period ended 30 June 2006 (unaudited)
Interest income		2,961,796	1,181,027
Interest expense		(2,198,389)	(952,702)
Net interest income		**763,407**	**228,325**
Fee and commission income		615,599	828,419
Fee and commission expense		(8,002)	(15,316)
Net fee and commission income		**607,597**	**813,103**
Net gain on financial instruments at fair value through profit or loss		5,621,615	3,183,780
Net gain from foreign currency		(160,321)	(24,471)
Other income		76,635	179,741
Operating income		**6,908,933**	**4,380,478**
General administrative expenses		(1,759,609)	(727,529)
(Impairment losses)/recovery of impairment losses	15	(49,794)	79,006
Operating expenses		**(1,809,403)**	**(648,523)**
Income before taxes		**5,099,530**	**3,731,955**
Income tax expense	16	(1,320,956)	(965,360)
Net income for the period		**3,778,574**	**2,766,595**
Earnings per share (expressed in Russian Roubles per share)	19	**15.4**	**13.2**

The interim consolidated condensed income statement is to be read in conjunction with the notes to, and forming part of, the interim consolidated condensed financial information.

(in thousands of Russian Roubles)

	Six-month period ended 30 June 2007 (unaudited)	**Six-month period ended 30 June 2006 (unaudited)**
Net cash from operating activities	1,177,212	(3,349,647)
Net cash from investing activities	(3,356,776)	(30,380)
Net cash from financing activities	-	(52,500)
Net decrease in cash and cash equivalents	**(2,179,564)**	**(3,432,527)**
Cash and cash equivalents at the beginning of the period	5,429,195	4,633,312
Cash and cash equivalents at the end of the period	**3,249,631**	**1,200,785**

The interim consolidated condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim consolidated condensed financial information.

(in thousands of Russian Roubles)

	Share capital	Share premium	Retained earnings	Total shareholders' equity
Balance at 31 December 2005	**2,100,000**	**-**	**3,492,920**	**5,592,920**
Profit for the six-month period ended 30 June 2006 (unaudited)	-	-	2,766,595	**2,766,595**
Dividends	-	-	(52,500)	**(52,500)**
Balance at 30 June 2006 (unaudited)	**2,100,000**	**-**	**6,207,015**	**8,307,015**
Balance at 31 December 2006	**3,000,000**	**180,000**	**10,105,143**	**13,285,143**
Profit for the six-month period ended 30 June 2007 (unaudited)	-	-	3,778,574	**3,778,574**
Balance at 30 June 2007 (unaudited)	3,000,000	180,000	13,883,717	17,063,717

The interim consolidated condensed statement of changes in shareholders' equity is to be read in conjunction with the notes to, and forming part of, the interim consolidated condensed financial information.

1 Background

Principal activities

These consolidated financial statements comprise the accounts of CIT Finance Investment Bank ("the Bank") and its subsidiaries (together the "Group"). CIT Finance Investment Bank registered with the Central Bank of the Russian Federation ("CBR") under the name "Palmira Bank" on 11 June 1992 and commenced operations as a commercial bank at the end of that year. In 2001 the Bank was renamed "Web-Invest Bank" and on 7 September 2005 changed its name to CIT Finance Investment Bank.

The main shareholder of the Bank and the Group is A.I. Vinokurov who holds 62.01% of the Group's share capital.

The Bank acts as the parent for the group via CIT Finance Holding Company (OOO). The Bank has a CBR license to conduct banking operations in Russian Roubles ('RUR') and in foreign currency, and a license to conduct banking operations with individuals in RUR and foreign currency. The Bank is a member of the State Deposits Insurance system. The Bank also has licenses from the Federal Commission for the Securities Market allowing it to carry out depositary functions, act as a broker and dealer and provide services in managing securities.

The Bank conducts investment banking, commercial banking and mortgage lending activities. Investment banking activity is focused on bookrunning and underwriting in respect of bond issues for Russian corporations and regional governments. It also trades in bonds, shares, derivative financial instruments and provides advisory and other investment banking services.

The Bank's registered address and principal place of business is 38/4 "A", Nevsky Prospect, Saint-Petersburg, Russian Federation, 191011.

The Group is involved in different activities within the financial market. Group companies and their major activities are as follows.

CIT Finance Holding Company (OOO) (formerly OOO "LINKS Capital") is a sub-holding company for the subsidiaries of the Bank, and is a fully owned subsidiary of the Bank.

CIT Finance (OOO) (formerly OOO "Web-invest.ru"), a fully owned subsidiary of CIT Finance Holding Company (OOO), conducts brokerage and dealing activities in the Russian stock and derivatives markets. CIT Finance (OOO) is licensed by the Federal Commission for the Securities Market to provide brokerage, dealing and depositary services and by the Commission for Commodity Exchanges to trade derivatives. CIT Finance (OOO) specializes in Internet-trading services for professional investors and financial institutions. The Company is a member of various stock exchanges, including the Moscow Interbank Currency Exchange (MICEX), the Russian Trading System (RTS), the Saint Petersburg Stock Exchange and the Saint Petersburg Currency Exchange (SPCEX). The company owns 100% of KIT Finance Europe – an Estonia based investment company.

KIT Finance Europe (formerly Aurora Access Securities AS) is an Estonian investment company specializing in brokerage and dealing activities. KIT Finance Europe offers institutional investors access to sophisticated investment products, such as equity, fixed income and derivatives. The company is headquartered in Tallinn. KIT Finance Europe owns 100% of Creative investment Technologies Limited – a UK based investment company.

Creative Investment Technologies Limited is a UK based investment holding company, a fully owned subsidiary of KIT Finance Europe.

Leasing Company Magistral Finance (OAO) provides leasing services, is a fully owned subsidiary of CIT Finance Holding Company (OOO). Control of the Company was acquired in 2003. It is focused on providing finance lease services to corporate customers.

KIT Fortis Investment Management Holding B.V. is a company 50% owned by CIT Finance Holding Company (OOO) and 50% by Fortis Investment Management S.A. The Company is a sub-holding company for KIT Fortis Investment Management (OAO) and KIT Fortis Investment Consulting (OOO). The Company is incorporated under the laws of the Netherlands.

KIT Fortis Investment Management (OAO) (formerly CIT Finance (OAO)), a fully owned subsidiary of KIT Fortis Investment Management Holding B.V., provides asset management services for Russian individuals, corporations, non-pension funds and others. The Company is licensed by the Federal Commission for the Securities Market. The main activity of the Company is the management of mutual funds.

Joint Stock Company "CIT Finance" is a fully owned subsidiary of KIT Fortis Investment Management (OAO), registered in Almaty, Kazakhstan. The major activity of the Company is asset management in Kazakhstan.

KIT Fortis Investment Consulting (OOO), a fully owned subsidiary of KIT Fortis Investment Management Holding B.V., provides investment consulting services. The Company was established in 2007.

Rumba S.A. is a consolidated special purpose entity that is used as a warehouse for mortgages sold in the frames of securitization process. The Company is headquartered in Luxembourg.

Closed Unit Fund "CIT Mortgage Fund" is a unit fund fully owned by the Bank and managed by KIT Fortis Investment Management (OAO).

Closed Unit Fund "CIT Russian Mass-media" is a unit fund fully owned by the Bank and mananged by KIT Fortis Investment Management (OAO).

All Group companies are registered in the Russian Federation with the exception of KIT Finance Europe which is registered in the Republic of Estonia, Creative Investment Technologies Limited which is registered in UK, KIT Fortis Investment Management Holding B.V. which is registered in the Netherlands, Joint-Stock Company "CIT Finance" which is registered in Kazakhstan, and Rumba S.A. which is registered in Luxembourg.

Russian business environment

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets. The accompanying interim consolidated condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

The interim consolidated condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standard ("IFRS") IAS 34 "*Interim Financial Reporting*". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated statements of the Group as at and for the year ended 31 December 2006, as these interim consolidated condensed financial statements provide an update of previously reported financial information.

Basis of measurement

These interim consolidated condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and, available-for-sale financial assets are stated at fair value.

Functional and Presentation Currency

Functional currency for each group company has been determined as the currency of the primary economic environment in which the company operates. The Russian Rouble ("RUR") has been selected as the functional currency for the Bank, group companies domiciled in the Russian Federation and group companies domiciled outside of the Russian Federation, where it reflects the economic substance of the underlying events and circumstances.

Financial information presented in RUR has been rounded to the nearest thousand.

Use of estimates and judgments

The preparation of interim consolidated condensed financial statements in conformity with IFRSs 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates 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 recognised 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.

Information about significant areas of estimation uncertainty and critical judgments made by Management in the application of IFRSs that have significant effect on these consolidated financial statements are described in Note 6 *"Loans to customers"* in respect of the loan impairment allowance.

(in thousands of Russian Roubles)

3 Significant accounting policies

The accounting policies applied by the Group in these interim consolidated condensed financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2006, except for changes resulting from changes in presentation and the amendments to IFRS, as described below.

As at 1 January 2007, the Group adopted the International Financial Reporting Standard IAS 7 "Financial Instruments: Disclosures" and the amendment to International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" – "Capital Disclosures". The application of the Standard and the amendment resulted in increased disclosure in respect of Group's financial instruments and the nature and extent of risks arising from such financial instruments and increased disclosure in respect of Group's objectives, policies and processes for managing capital. As these financial statements are condensed, additional disclosures resulting from the above amendments are not required in these interim consolidated condensed financial statements and will be provided in the annual financial statements for the year ended 31 December 2007.

In preparing these financial statements the Group has early adopted IFRS 8 *"Operating Segments"*, which is effective for annual periods beginning on or after 1 January 2009, before it effective date. Under this standard the Group has no operating segments.

4 Placements with banks and other financial institutions

	30 June 2007 (unaudited)	31 December 2006
Nostro accounts	6,487,011	1,718,054
Loans and deposits	1,048,800	878,049
Promissory notes of other banks	-	745,219
Provision for impairment	(20,841)	(9,772)
	7,514,970	**3,331,550**

As at 30 June 2007 the Group had three banks and financial institutions, whose balances exceeded 10% of total placements with banks and other financial institutions (31 December 2006: two). The gross value of these balances as of 30 June 2007 was RUR 6,130,849 thousand (31 December 2005: 2,570,359 thousand).

(in thousands of Russian Roubles)

5 Financial instruments at fair value through profit or loss

	30 June 2007 (unaudited)	31 December 2006
Assets		
Unpledged		
Corporate equity securities	24,486,708	12,998,899
Corporate bonds	605,650	1,344,169
Investments in mutual funds	425,985	394,279
Government and municipal bonds	207,340	667,977
Derivative financial instruments		
Securities option contracts	281,489	55,241
Foreign currency contracts	14,301	3,957
Securities forward contracts	7,544	1,843
	26,029,017	**15,466,365**
Pledged under reverse repurchase agreements		
Corporate equity securities	3,001,475	35,242
Corporate bonds	75,426	54,972
	3,076,901	**90,214**
	29,105,918	**15,556,579**
Liabilities		
Derivative financial instruments		
Securities forward contracts	115,044	19
Foreign currency contracts	3,487	-
Securities option contracts	480	95,423
	119,011	**95,442**

All of the above financial instruments at fair value through profit or loss are classified as trading.

As at 30 June 2007 the largest single holding was OAO "Lukoil" ordinary shares that comprised 48.11% of total financial assets at fair value through profit or loss and OAO "Rostelecom" ordinary shares that comprised 9.16% of total financial assets at fair value through profit or loss (31 December 2006: 72.2% of total financial assets at fair value through profit or loss were OAO "Rostelecom" ordinary shares).

As at 30 June 2007 corporate bonds were comprised of medium-term marketable bonds maturing in 2007-2017 (31 December 2006: 2007-2013) with coupon rates from 1% to 13.8% (31 December 2006: from 3% to 14.01%).

As of 30 June 2007 the ten largest holdings in securities by value had a fair value of RUR 24,255,985 thousand and comprised 83.34% of total financial assets through profit or loss (31 December 2006: RUR 13,210,789 thousand and 84.92% respectively).

All derivatives are recognized at fair value with changes in fair value being immediately recognized in the statement of income. Derivatives with positive fair values are recorded within assets, while derivatives with negative fair values are included in liabilities.

(in thousands of Russian Roubles)

6 Loans and advances to customers

Loans to customers comprise:

	30 June 2007 (unaudited)	31 December 2006
Current loans	47,029,259	26,418,632
Overdue loans	25,396	12,744
	47,054,655	26,431,376
Less: Allowance for impairment on loans and advances to customers	(97,247)	(67,730)
	46,957,408	**26,363,646**

As at 30 June 2007 the Group had no borrowers, whose balances exceeded 10% of total loans to customers (31 December 2006: none).

As at 30 June 2007 the ten largest borrowers by value comprised the amount of RUR 21,710,244 thousand or 46.23% of total loans and advances to customers (31 December 2006: RUR 14,537,248 thousand and 55.14% respectively).

An analysis of the loan portfolio by industry sectors is presented below:

	30 June 2007 (unaudited)	31 December 2006
Mortgage loans	21,736,402	10,796,875
Financial organisations	19,324,941	13,844,468
Leasing	2,448,462	385,778
Energy	1,498,555	-
Trading	891,173	803,848
Individuals	375,262	253,114
Research and development	300,081	-
Construction	70,022	172,272
Timber	56,829	53,711
Logistics	49,957	-
Other	205,724	53,580
Total loans and advances to customers (net)	**46,957,408**	**26,363,646**

(in thousands of Russian Roubles)

Analysis of movements in the provision for impairment

	Six-month period ended 30 June 2007 (unaudited)	Six-month period ended 30 June 2006 (unaudited)
Balance at the beginning of the period	67,730	130,051
Net charge/ (recovery) for the period	29,517	(95,567)
Balance at the end of the period	**97,247**	**34,484**

The Group has estimated the provision for impairment on loans to commercial and retail customers in accordance with the accounting policy.

The Group has reviewed its loan portfolio and has identified loans totaling RUR 25,396 thousand which display indicators of impairment, as at 30 June 2007, and has created provisions for these loans of RUR 6,493 thousand, as at 30 June 2007.

In addition, as at 30 June 2007 the Group has created collective provisions for impairment in respect of remaining loans of RUR 90,754 thousand. Changes in these estimates could effect the loan impairment provision.

The Group only commenced its mortgage lending in the fourth quarter of 2005 and thus has very limited own historical data on which to have a collective provision. Management consider that the Group`s mortgage portfolio is representative of that of the Russian mortgage market and on a portfolio basis would have the same interest impairment expense. Accordingly they have based their collective provision of 0.3% on the expected market losses. As the Group's portfolio develops, management will review this and adjust to the Group's individual characteristics if necessary. For all other categories of the loan portfolio the Group made its collection provision based on historical loss experience.

Changes in collection estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus one percent, the loan impairment as of 30 June 2007 would be RUR 469,574 thousand higher.

Should actual repayments be less than management estimates, the Group would be required to record additional loan impairment.

Included in loans are loans of RUR 20,211,689 thousand secured by publicly traded equity securities of Russian companies with a market value of RUR 19,857,431 thousand. RUR 15,645,555 thousand relates to loans secured by Lukoil shares and comprises 33.3% of the total loan portfolio. RUR 13,645,062 thousand of these loans secured by securities are to related parties.

(in thousands of Russian Roubles)

7 Net investment in finance lease

	30 June 2007 (unaudited)	31 December 2006
Gross investment in finance lease	17,857,584	19,484,231
Less: Unearned finance lease income	(4,807,107)	(5,535,177)
Net investment in finance leases	**13,050,477**	**13,949,054**

All of Leasing Company Magistral Finance (OAO) leases agreements are held with Russian Railways ("RZD") JSC for the provision of railway rolling stock. The period of these leases is up to a maximum of 6 years. Management believe that the credit risk related to the Company's leasing operations is minimal, there have been no material individually impaired finance lease receivables and have not created any collective provisions for impairment as no material "incurred but not reported" losses have been identified.

Future minimum lease payments fall due as follows:

	30 June 2007 (unaudited)		31 December 2006	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Not later than one year	3,808,257	2,319,812	3,844,755	2,268,718
Between one and five years	12,184,593	8,955,677	12,357,827	8,651,545
After more than five years	1,864,734	1,774,988	3,281,649	3,028,791
Total	**17,857,584**	**13,050,477**	**19,484,231**	**13,949,054**

(in thousands of Russian Roubles)

8 Available-for-sale assets

	30 June 2007 (unaudited)	31 December 2006
Corporate equity securities	3,822,519	57,100
Corporate debt securities	408,987	-
	4,231,506	**57,100**
Provision for impairment	(9,313)	(105)
	4,222,193	**56,995**

Analysis of movements in the provision for impairment:

	Six-month period ended 30 June 2007 (unaudited)	Six-month period ended 30 June 2006 (unaudited)
Balance at the beginning of the year	105	11,088
Net charge for the year	9,208	18,342
Balance at the end of the year	**9,313**	**29,430**

As at 30 June 2007 included in available-for-sale assets RUR 3,717,064 thousand represents an investment in Closed Unit Fund "Nevskiy Capital Partners". This investment was acquired close to 30 June 2007 and as such management believes the cost of the investment approximates its fair value. RUR 1,243,961 thousand of this investment is pledged under option agreements.

9 Other assets

	30 June 2007 (unaudited)	31 December 2006
Securities settlements balances	3,133,796	3,348,822
Prepaid taxes	1,831,707	2,176,792
Brokerage and asset management settlement balances	1,169,267	3,311,892
Prepaid administration expenses	365,395	299,601
Advances and settlements on finance lease	1,618	153,853
Accrued consulting income	-	68,121
Other	110,011	591
	6,611,794	**9,359,672**

(in thousands of Russian Roubles)

10 Deposits and balances from banks and other financial institutions

	30 June 2007 (unaudited)	31 December 2006
Term deposits	11,454,199	20,982,559
Vostro accounts	126,791	71,995
	11,580,990	21,054,554

As at 30 June 2007, the Group had two banks (31 December 2006: two), whose aggregated balances exceeded more than 10% of total deposits and balances from banks and other financial institutions. The gross value of these balances as at 30 June 2007 was RUR 3,039,081 thousand (31 December 2006: RUR 11,540,342 thousand).

As at 30 June 2007 the largest ten deposits by value in banks and financial institutions comprised the amount of RUR 8,147,806 or 70.36% of total deposits and balances from banks and other financial institutions (31 December 2006: RUR 18,184,801 and 86.37% respectively).

11 Current accounts and deposits from customers

	30 June 2007 (unaudited)	31 December 2006
Current accounts	18,953,520	11,549,142
Term deposits	41,314,059	19,851,758
	60,267,579	31,400,900

As at 30 June 2007, the Group had one customer (31 December 2006: two customers), respectively, whose balance exceeded 10% of total current accounts and deposits from customers. This balance as of 30 June 2007 was RUR 8,000,000 thousand (31 December 2006: RUR 8,516,877 thousand).

As at 30 June 2007 the largest ten customers deposits by value comprised the amount of RUR 38,700,118 or 64.21% of total current accounts and deposits from customers (31 December 2006: RUR 22,091,302 and 70.35% respectively).

(in thousands of Russian Roubles)

12 Debt securities issued

	30 June 2007 (unaudited)	31 December 2006
Promissory notes issued	20,288,841	4,875,849
Bonds issued	4,064,538	2,220,734
	24,353,379	**7,096,583**

Bonds issued comprises two issues of Rouble bonds of the Group traded on Micex. The first issue of 2,000,000 bonds with a par value of RUR 1,000 each was placed on 16 December 2005. The issue maturity was three years up to 18 December 2008. The issue coupon rate was 10.5% payable every six months up to 17 December 2006 and 10% rate payable thereafter every 6 months up to the bonds maturity. The second issue of 2,000,000 bonds with par value of RUR 1,000 each was placed on 15 March 2007. The issue maturity was three years up to 23 March 2010. The issue coupon rate was 10% payable every six months up to 17 September 2008. Further coupon payments on the issue will be set at the discretion of the Group and the Group is required to make a public offer to buy the bonds back at a nominal value after the first three coupon periods.

13 Other liabilities

	30 June 2007 (unaudited)	31 December 2006
Settlement balances on securities and currency operations	921,682	595,541
Taxes payable	447,292	99,878
Accrued administration expenses and advances received	150,985	159,056
Payables to suppliers of equipment in lease	1,618	256,291
Other	68,058	76,714
	1,589,635	**1,187,480**

(in thousands of Russian Roubles)

14 Share capital

Issued capital and share premium

All ordinary shares have a nominal value of RUR 10 per share, rank equally and carry one vote.

On 14 March 2006 the shareholders elected to increase the authorized, issued and fully paid share capital of the Group by RUR 900,000 thousand to RUR 3,000,000 thousand by issuing 90,000,000 ordinary shares of nominal value RUR 10. The issue of share capital occurred in September 2006.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to legislation in the Russian Federation. In accordance with the legislation of the Russian Federation, as of 31 December 2006, reserves available for distribution amount to RUR 6,043,656 thousand.

15 Impairment losses

The movements in the provision for impairment of assets were as follows:

	Six-month period ended 30 June 2007 (unaudited)	**Six-month period ended 30 June 2006 (unaudited)**
	(Charge)/recovery of provision for impairment	**(Charge)/recovery of provision for impairment**
Placements with banks and other financial institutions	(11,069)	(5,298)
Loans to customers	(29,517)	95,567
Available-for-sale assets	(9,208)	(18,342)
Other assets	-	7,079
Net impairment recovery/(loss)	**(49,794)**	**79,006**

(in thousands of Russian Roubles)

16 Income taxes

Income tax expenses include the following:

	Six-month period ended 30 June 2007 (unaudited)	Six-month period ended 30 June 2006 (unaudited)
Current tax expense	2,018,218	828,965
Deferred tax (recovery)/expense	(697,262)	136,395
Total income tax expense	**1,320,956**	**965,360**

The current income tax rate applicable to the majority of the Group's income is 24%. Reconciliation between the expected and the actual taxation charge is provided below.

	Six-month period ended 30 June 2007 (unaudited)	Six-month period ended 30 June 2006 (unaudited)
Income before taxes	**5,099,530**	**3,731,955**
Income tax at the applicable tax rate	1,223,887	895,669
- Expenses not deductible for tax purposes, not taxable income, income taxable at lower rate	97,069	69,691
Income tax expense	**1,320,956**	**965,360**

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets and liabilities as at 30 June 2007 and 31 December 2006.

The future tax benefits will only be realized if profits will be available against which the unused tax losses can be utilized and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods.

17 Commitments and contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group has full coverage for its premises and equipment and cash in transit. The Group does not have coverage for other assets, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Court litigations

Group management is unaware of any significant actual, pending or threatened claims against the group.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(in thousands of Russian Roubles)

Credit related commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

Credit related commitments comprise:

	30 June 2007 (unaudited)	**31 December 2006**
Undrawn loan commitments	600,908	907,316
Total credit related commitments	**600,908**	**907,316**

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as many of these commitments may expire or terminate without being funded.

18 Related party transactions

The Group's ultimate controlling party is Vinokurov A.I. who holds 62.01% of the voting share capital of the Group.

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

(in thousands of Russian Roubles)

The outstanding balances and the related average interest rates as of 30 June 2007 and the related income and expense transactions for the six-month period ended 30 June 2007 with related parties are as follows:

	Entities with significant influence over the Group		Key management personnel		Other related parties	
	RUR' 000	Average Interest Rate	RUR' 000	Average Interest Rate	RUR'000	Average Interest Rate
Balance Sheet						
Assets						
Financial instruments at fair value through profit or loss	-	-	-	-	420,345	-
Loans to customers	2,286,522	9.75%	39,980	13.68%	12,238,373	13.11%
Amounts receivable under reverse repurchase agreements	-	-	-	-	1,500,172	4%
Available-for-sale assets	-	-	-	-	6,346	-
Other assets	-	-	-	-	50,739	-
Liabilities						
Current accounts and deposits from customers	5,090,991	-	51,386	8.3%	3,645,486	7.5%
Debt securities issued	3,495,304	10.00%	-	-	14,839,817	14.54%
Other liabilities	23,575	-	1,106	-	450,923	-
Off balance sheet items						
Guarantees received for customer loans	3,000	-	4,014	-	5,000	-
Income statement						
Interest income	169,727		5,162		485,026	
Interest expense	55,374		233		274,460	
Fee and commission income	47,759		214		3,424	
Other income	344		-		566	
Management compensation	-		75,173		-	

(in thousands of Russian Roubles)

The outstanding balances and the related average interest rates as of 31 December 2006 and the related income and expense transactions for the six-month period ended 30 June 2006 with related parties are as follows:

	Entities with joint control over the Group		**Key management personnel**		**Other related parties**	
	RUR' 000	**Average Interest Rate**	**RUR' 000**	**Average Interest Rate**	**RUR'000**	**Average Interest Rate**
Balance Sheet						
Assets						
Financial instruments at fair value through profit or loss	-	-	-	-	202,603	-
Loans to customers	3,150,823	9.5%	73,614	12.20%	7,589,601	9.64%
Available-for-sale assets	-	-	-	-	31,049	-
Other assets	-	-	-	-	1,078,949	-
Liabilities						
Current accounts and deposits from customers	459,706	-	29,353	6.19%	5,948,721	3%
Debt securities issued	-	-	-	-	1,855,420	10.71%
Other liabilities	82	-	29	-	-	-
Off balance sheet items						
Guarantees received for customer loans	-	-	9,295	-	12,290	-
Income statement						
Interest income	25,207		9,618		159,419	
Interest expense	-		375		37,010	
Fee and commission income	1,301		69		1,813	
Other income	313		-		725	
Management compensation	-		48,610		-	

(in thousands of Russian Roubles)

19 Earnings per share

Basic earnings per share are calculated by dividing the net loss or profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

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

	Six-month period ended 30 June 2007 (unaudited)	**Six-month period ended 30 June 2006 (unaudited)**
Net profit attributable to shareholders	3,778,574	2,766,595
Weighted average number of ordinary shares in issue (thousands)	245,507	210,000
	15.4	**13.2**

20 Subsequent events

In July 2007 the Group disposed of all of its leasing portfolio that was held by the subsidiary, Magistral Finance (OAO) to OAO "VTB-leasing".

On 27 August 2007 Central Bank of the Russian Federation registered amendments to the Bank's charter. According to the amendments the Bank's official English title was changed to KIT Finance Investment bank.