

AK BARS BANK GROUP

**Interim Condensed Consolidated Financial
Information and Review Report**

30 June 2007

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REVIEW REPORT

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REVIEW REPORT

To the Board of Directors of Ak Bars Bank:

Introduction

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

Scope of Review

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

Conclusion

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

Emphasis of Matter

Without qualifying our report, we draw attention to Notes 1 and 13 to the accompanying consolidated condensed interim financial information. The Group had extensive transactions and relationships with related parties.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
12 October 2007

Ak Bars Bank Group
Interim Condensed Consolidated Income Statement

<i>In thousands of Russian Roubles</i>	Note	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)
Interest income		5 879 867	4 308 508
Interest expense		(2 865 099)	(2 499 899)
Net interest income		3 014 768	1 808 609
Provision for loan impairment		(901 681)	(414 902)
Net interest income after provision for loan impairment		2 113 087	1 393 707
Gains less losses from securities at fair value through profit or loss		95 119	275 418
Gains less losses from trading in foreign currencies		36 942	36 423
Foreign exchange translation gains less losses		130 955	36 565
Fee and commission income		314 446	212 140
Fee and commission expense		(31 107)	(24 027)
Other operating income		326 845	229 967
Administrative and other operating expenses		(2 004 722)	(1 019 483)
Profit before tax		981 565	1 140 710
Income tax expense		(217 158)	(204 650)
Profit for the period		764 407	936 060

Ak Bars Bank Group
Interim Condensed Consolidated Statement of Changes in Equity

	Note	Share capital	Additional paid-in capital	Accumulated deficit	Total equity
Balance at 1 January 2006		14 043 984	349 632	(3 789 242)	10 604 374
Profit for the period (unaudited)		-	-	936 060	936 060
Dividends declared (unaudited)	10	-	-	(75 783)	(75 783)
Balance at 30 June 2006 (unaudited)		14 043 984	349 632	(2 928 965)	11 464 651
Balance at 1 January 2007		25 243 984	349 632	(2 255 253)	23 338 363
Profit for the period (unaudited)		-	-	764 407	764 407
Dividends declared (unaudited)	10	-	-	(612 181)	(612 181)
Balance at 30 June 2007 (unaudited)		25 243 984	349 632	(2 103 027)	23 490 589

Ak Bars Bank Group
Interim Condensed Consolidated Statement of Cash Flows

<i>In thousands of Russian Roubles</i>	Note	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)
Cash flows from operating activities			
Interest received		5 315 485	3 948 516
Interest paid		(2 677 847)	(2 361 065)
Income received from trading in foreign currencies		13 964	36 423
Income received from securities at fair value through profit or loss		91 604	205 423
Fees and commissions received		314 446	212 140
Fees and commissions paid		(32 881)	(24 027)
Other operating income received		227 749	122 315
Administrative and other operating expenses paid		(1 870 285)	(836 871)
Income tax paid		(267 488)	(144 129)
Cash flows from operating activities before changes in operating assets and liabilities		1 114 747	1 158 725
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(472 017)	(148 727)
Net increase in securities at fair value through profit or loss		(31 350)	(2 043 745)
Net increase in due from other banks		(3 462 848)	(1 468 647)
Net increase in loans and advances to customers		(28 419 215)	(10 277 771)
Net increase in other assets		(2 081 831)	(2 634 202)
Net increase in due to other banks		9 232 659	977 556
Net increase in customer accounts		8 949 505	10 189 124
Net increase in debt securities in issue		5 052 642	1 716 192
Net increase/(decrease) in other liabilities		507 525	(61 036)
Net cash used in operating activities		(9 610 183)	(2 592 531)
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets		(199 217)	(278 418)
Proceeds from disposal of premises and equipment		3 798	2 870
Dividend income		3 397	4 639
Net cash used in investing activities		(192 022)	(270 909)
Cash flows from financing activities			
Issue of loan participation notes	9	6 454 051	-
Dividends paid	10	-	(75 783)
Net cash from/(used in) financing activities		6 454 051	(75 783)
Effect of exchange rate changes on cash and cash equivalents		(12 212)	24 332
Net increase in cash and cash equivalents		(3 360 366)	(2 914 891)
Subsidiaries consolidation		-	497 948
Cash and cash equivalents at the beginning of the period		8 193 678	7 178 650
Cash and cash equivalents at the end of the period		4 833 312	4 761 707

The notes set out on pages 5 to 15 form an integral part of these interim condensed consolidated financial information

1 Introduction

This condensed interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") for the six months ended 30 June 2007 for Ak Bars Bank (the "Bank") and its subsidiaries (together referred to as the "Group" or "Ak Bars Bank Group").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is an open joint stock company and was set up in accordance with Russian regulations.

The Bank's principal business activity is commercial and retail banking operations within the Russian Federation. The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation (the "CBRF") since 1993.

The Bank is an official agent of the Government of the Tatarstan Republic. At 30 June 2007, the Tatarstan Republic through ministries, government agencies and related companies ultimately controlled 96% of the Bank's share capital (31 December 2006: 96%). A substantial part of the Bank's business is connected with the Ministry of Finance of the Tatarstan Republic. If the Tatarstan Republic was to choose another bank as its official agent, the Bank's business, financial condition or results of operations could be materially adversely affected. The Bank has significant operations with other government related entities. Refer to Note 13.

At 30 June 2007 the Bank had 37 branches (31 December 2006: 37 branches) and 105 representative offices (31 December 2006: 87 representative offices) within the Tatarstan Republic and other regions of the Russian Federation. The Bank's registered office is located at the following address: Dekabristov St., bld.1, Kazan, Tatarstan Republic, Russia. The number of Bank employees at 30 June 2007 was 4 521 (31 December 2006: 4 004).

Below is the description of the main operations of the principal subsidiaries:

ОАО "Leasing Company of Ak Bars Bank "Finansovaya Ekonomicheskaya Gruppy" (hereinafter, "Ak Bars Leasing") is a company wholly owned by the Bank. The Company's principal business activity is leasing operations. The Company operates under the Russian Federation Legislation. The head office of Ak Bars Leasing is located at the following address: 420066, Dekabristov St., bld.1, Kazan, Tatarstan Republic, Russia. The Company was established in 2003.

ООО "Ak Bars Ipoteka" (hereinafter, "Ak Bars Ipoteka") is a company wholly owned by the Bank. The Company's principal business activity is mortgage financing. The Company operates under the Russian Federation Legislation. The head office of Ak Bars Ipoteka is located at the following address: 420066, Dekabristov St., bld.2, Kazan, Tatarstan Republic, Russia. The Company was established in 2005.

ЗАО "Ak Bars Finance" (hereinafter, "Ak Bars Finance") is a company wholly owned by the Bank. The Company's principal business activities are operations with securities, broker operations and trust management. The Company operates under a brokerage, dealing and trust management license since 2005 and depository operations license since 2006. The head office of Ak Bars Finance is located at the following address: 119021, Timura Frunze St., bld.11/15, Moscow, Russia. The Company was established in 2004.

ООО СБ "Naratbank" (hereinafter, "Naratbank") is a limited liability commercial bank. Its principal business activity is corporate and retail lending operations within the Russian Federation. Naratbank operates under a banking license issued by the CBRF since 1992. The head office of Naratbank is located at the following address: 410600, Moskovskaya St., bld.75, Saratov, Russia. The entity was established in 1992.

Presentation currency. This interim condensed consolidated 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 in practice not convertible in most countries outside of the Russian Federation, relatively high inflation and strong economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity. Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they 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 frequent changes. 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 challenges faced 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 Significant Accounting Policies

Basis of Preparation. This interim condensed consolidated financial information has been prepared in accordance with IAS 34. This interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2006. The principal accounting policies applied in the preparation of this interim condensed consolidated financial information are consistent with those disclosed in the consolidated financial statements of the Group for the year ended 31 December 2006. Also refer to Note 5.

At 30 June 2007 the principal rate of exchange used for translating foreign currency monetary balances was USD 1 = RR 25.8162 (31 December 2006: USD 1 = RR 26.3311).

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

Interim period measurement. Income tax expense is recognised in this interim condensed consolidated financial information based on management's best estimates of the effective annual income tax rate expected for the full financial year. Costs that occur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Critical estimates, as disclosed in the annual financial statements for the year ended 31 December 2006, have not resulted in a material adjustment to the Bank's assets, income or profit during the six month period ended 30 June 2007.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to the retained earnings at 1 January 2006, unless otherwise described below.

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments, including information about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced 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*.

5 Adoption of New or Revised Standards and Interpretations (Continued)

The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. As this interim report contains only consolidated condensed financial information in accordance with IAS 34, the new disclosures will be made to the full extent in the annual consolidated financial statements of the Group for the year ended 31 December 2007.

Other new standards or interpretations. The Group has adopted the following other new standards or interpretations which became effective from 1 January 2007:

- IFRIC 7, *Applying the Restatement Approach under IAS 29* (effective for periods beginning on or after 1 March 2006);
- IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006);
- IFRIC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006).

The new IFRIC interpretations 7 to 10 did not significantly affect the Group's interim condensed consolidated financial information.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group is currently assessing the impact of the amended Standard on its financial statements.

Other new standards or interpretations. The Group has not early adopted the following other new standards or interpretations:

- IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's interim condensed consolidated financial information.

7 Loans and Advances to Customers

<i>In thousands of Russian Roubles</i>	30 June 2007 (unaudited)	31 December 2006
Current loans	94 272 194	69 287 520
Reverse sale and repurchase agreements	3 743 859	517 466
Overdue loans	1 807 692	1 201 446
Less: Provision for loan impairment	(4 732 728)	(3 855 023)
Total loans and advances to customers	95 091 017	67 151 409

At 30 June 2007 the Bank has 11 borrowers (31 December 2006: 8) with total amount of loans issued to each borrower, in excess of RR 1 000 000 thousand (31 December 2006: in excess of RR 1 000 000 thousand). At 30 June 2007 total amount of these loans was RR 19 494 036 thousand (31 December 2006: RR 11 637 196 thousand) or 20% of total gross loans and advances to customers (31 December 2006: 16%).

Overdue loans represent the amount of loans with delay in payment of interest or principal on 1 day and include the principal amount of the loan together with any overdue payments.

At 30 June 2007 loans and advances to customers in the amount of RR 3 743 859 thousand (31 December 2006: RR 517 466 thousand) are effectively collateralised by securities purchased under reverse sale and repurchase agreements with a fair value of RR 5 418 047 thousand (31 December 2006: RR 534 672 thousand).

Movements in the provision for loan impairment are as follows:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)
Provision for loan impairment at 1 January	3 855 023	2 858 187
Provision for loan impairment during the period	908 557	447 062
Loans and advances to customers written off during the period as uncollectible	(30 852)	-
Provision for loan impairment at 30 June (unaudited)	4 732 728	3 305 249

At 30 June 2007 the estimated fair value of loans and advances to customers was RR 95 091 017 thousand (31 December 2006: RR 67 151 409 thousand).

The information on related party balances is disclosed in Note 13.

8 Debt Securities in Issue

<i>In thousands of Russian Roubles</i>	30 June 2007 (unaudited)	31 December 2006
Promissory notes	12 946 457	7 778 381
Bonds	1 549 173	1 548 502
Total debt securities in issue	14 495 630	9 326 883

8 Debt Securities in Issue (Continued)

Promissory notes are Russian Rouble and US Dollar denominated debt securities. At 30 June 2007 these promissory notes had maturity dates from on demand to October 2014 (31 December 2006: from on demand to August 2014). Effective interest rate for promissory notes with on demand maturity was 0% p.a. (31 December 2006: 0% p.a.). Effective interest rates for term promissory notes varied from 0% to 12% p.a. (31 December 2006: from 4% to 12% p.a.).

Bonds are Russian Rouble denominated debt securities freely traded at Russian stock exchange. At 30 June 2007 these bonds had maturity date in January 2009 (31 December 2006: January 2009) and effective interest rate of 9% p.a. (31 December 2006: 9% p.a.).

At 30 June 2007 the estimated fair value of debt securities in issue was RR 14 498 942 thousand (31 December 2006: RR 9 330 176 thousand).

The information on related party balances is disclosed in Note 13.

9 Syndicated Loans and Loan Participation Notes

<i>In thousands of Russian Roubles</i>	30 June 2007 (unaudited)	31 December 2006
Loan participation notes	10 966 857	4 695 919
Syndicated loans	5 811 507	5 884 572
Total syndicated loans and loan participation notes	16 778 364	10 580 491

Loan participation notes include medium term notes with a par value of USD 175 000 thousand issued in October 2005, maturing in October 2008, with an effective interest rate of 8.6% p.a. (this transaction was structured as an issue of notes by Ak Bars Finance S.A.) and medium term notes with a par value of USD 250 000 thousand issued in June 2007 maturing in June 2010 with an effective interest rate of 8.8% p.a. (this transaction was structured as an issue of notes by Ak Bars Luxemburg S.A.). These loan participation notes carry a 6 semi-annual coupon of 8.0% p.a. and 8.25% p.a. respectively.

At 30 June 2007 the loan participation notes were accounted for at amortised cost of RR 10 966 857 thousand (31 December 2006: RR 4 695 919 thousand).

At 30 June 2007 the Group had syndicated loans in the amount of USD 140 000 thousand and USD 85 000 thousand which were received by the Group in December 2006 and August 2006 from a consortium of Russian and foreign banks. At 30 June 2007 these loans were accounted for at amortised cost of RR 5 811 507 thousand (31 December 2006: RR 5 884 572 thousand). These loans have maturity in December 2007 and February 2008 respectively. At 30 June 2007 the effective interest rate on these loans was 8.1% p.a. (31 December 2006: 8.1% p.a.).

At 30 June 2007 the estimated fair value of syndicated loans and loan participation notes was RR 16 875 451 thousand (31 December 2006: RR 10 580 491 thousand).

10 Dividends

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2007 (unaudited) Ordinary	Six months ended 30 June 2006 (unaudited) Ordinary
Dividends payable at 1 January	64	325
Dividends declared during the period	612 181	75 783
Dividends paid during the period	-	(75 783)
Dividends payable at 30 June	612 245	325
Dividends per share declared during the period, in Russian Roubles per share	0.03	0.01

All dividends are declared and paid in Russian Roubles.

11 Segment Analysis

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

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

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

The Group does not have an internal management accounting system for reallocation of funds and/or operating expenses between the segments.

Segment information for the main reportable business segments of the Group for the six months ended 30 June 2007 and 30 June 2006 is set out below:

<i>In thousands of Russian Roubles</i>	Retail banking	Corporate banking	Total
Six months ended 30 June 2007 (unaudited)			
External revenues	1 195 100	5 326 057	6 521 157
Segment result	435 154	2 551 133	2 986 287
Unallocated costs			(2 004 722)
Profit before tax			981 565
Income tax expense			(217 158)
Profit for the period			764 407

11 Segment Analysis (Continued)

<i>In thousands of Russian Roubles</i>	Retail banking	Corporate banking	Total
Six months ended 30 June 2006 (unaudited)			
External revenues	537 701	4 212 914	4 750 615
Segment results			
Unallocated costs	(49 816)	2 210 009	2 160 193 (1 019 483)
Profit before tax	-	-	1 140 710
Income tax expense			(204 650)
Profit for the period	-	-	936 060

External revenues comprise interest income, fee and commission income, other operating income.

Unallocated costs in the tables above totalling RR 1 793 111 thousand for the six months ended 30 June 2007 (six months ended 30 June 2006: RR 1 019 483 thousand) represent administrative and other operating expenses of the Group.

12 Contingencies and Commitments

Tax legislation. Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

12 Contingencies and Commitments (Continued)

In addition to the above transfer pricing matters, Management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 327 933 thousand (2006: RR 174 289 thousand). However, the Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Therefore, at 30 June 2007 the Group has not recorded any provision for potential tax liabilities (2006: no reserve).

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding non-cancellable credit related commitments are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2007 (unaudited)	31 December 2006
Guarantees issued	3 509 846	1 521 701
Import letters of credit	1 553 554	321 425
Import letters of credit for settlements within Russian Federation	18 298	183 038
Total credit related commitments	5 081 698	2 026 164

At 30 June 2007 the Group also had cancellable commitments in relation to unused credit lines totalling RR 9 511 330 thousand (2006: RR 7 168 082 thousand).

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

13 Related Party Transactions

For the purposes of this interim condensed consolidated financial information, parties are considered to be related if one party has the ability to control the other party, is under common control, or can 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.

At 30 June 2007 and 31 December 2006 the outstanding balances with related parties were as follows:

13 Related Party Transactions (Continued)

	30 June 2007 (unaudited)				31 December 2006			
	Tatarstan Republic Govern- ment bodies and state organi- sations	Russian Federation Govern- ment bodies and state organi- sations	Sharehol- ders	Other related parties	Tatarstan Republic Govern- ment bodies and state organi- sations	Russian Federation Govern- ment bodies and state organi- sations	Sharehol- ders	Other related parties
<i>In thousands of Russian Roubles</i>								
Cash and cash equivalents	1	214 832	-	-	75 000	5 632 638	-	-
Mandatory cash balances with the Central Bank of the Russian Federation	-	2 261 440	-	-	-	1 789 423	-	-
Securities at fair value through profit or loss								
Corporate shares	90 000	819 409	2 596 997	417 844	96 972	300 030	2 655 532	1 102 731
Corporate bonds	-	339 072	68 623	-	-	939 769	68 821	166 835
Federal loan bonds	-	772 591	-	-	-	1 400 792	-	-
Investments in mutual funds	-	-	-	4 625 842	-	-	-	3 047 170
Municipal bonds	26 343	988 056	-	-	-	1 095 298	-	-
Promissory notes	498	-	-	-	35 374	1 798	-	-
Investments in associated company	-	-	-	36 274	-	-	-	36 400
Due from other banks (contractual interest rate: 30 June 2007: 5%–10% p.a.; 31 December 2006: 4%–12% p.a.)	103 265	-	-	-	180 366	-	-	130 000
Gross amount of loans and advances to customers (contractual interest rate: 30 June 2007: 3%-18% p.a.; 31 December 2006: 5%-14% p.a.)	1 266 120	165 556	906 232	4 493 082	2 721 552	669 325	2 090 120	4 187 628
Impairment provision for loans and advances to customers	(40 545)	(2 446)	(35 470)	(305 077)	(161 908)	(39 819)	(69 780)	(406 877)
Other assets	25 293	26 936	-	-	45 638	25 536	15 169	-
Due to other banks (contractual interest rate: 30 June 2007: 5% p.a.; 31 December 2006: 5% p.a.)	100 009	-	-	-	33	216 706	-	-
Customer accounts Current/settlement accounts	1 480 312	685 313	1 561 144	1 663 415	2 272 779	97 157	819 307	1 896 986

13 Related Party Transactions (Continued)

	30 June 2007 (unaudited)				31 December 2006			
	Tatarstan Republic Government bodies and state organisations	Russian Federation Government bodies and state organisations	Share- holders	Other related parties	Tatarstan Republic Government bodies and state organisations	Russian Federation Government bodies and state organisations	Share- holders	Other related parties
<i>In thousands of Russian Roubles</i>								
Term deposits (contractual interest rate: 30 June 2007: 1%-9% p.a.; 31 December 2006:6%- 9% p.a.)	17 199 887	-	264 794	410 269	13 376 785	-	268 470	120 172
Debt securities in issue (contractual interest rate: 30 June 2007: 3%-12% p.a.; 31 December 2006: 5%-13% p.a.)	3 659 580	-	107 365	-	1 971 331	-	333 439	53 832
Subordinated debt (contractual interest rate: 30 June 2007: 9% p.a.; 2006: 9% p.a.)	-	-	6 488 725	-	-	-	6 526 643	-
Deferred tax liability	32 817	12 189	-	-	46 320	17 205	-	-
Other liabilities	56 029	30 992	-	-	58 709	33 034	-	-

Off-balance sheet items at 30 June 2007 and at 31 December 2006 are as follows:

	30 June 2007 (unaudited)				31 December 2006			
	Tatarstan Republic Government bodies and state organisations	Russian Federation Government bodies and state organisations	Share- holders	Other related parties	Tatarstan Republic Government bodies and state organisations	Russian Federation Government bodies and state organisations	Share- holders	Other related parties
<i>In thousands of Russian Roubles</i>								
Letters of credit	16 298	-	9 122	12 503	183 038	-	12 888	29 332
Guarantees	55 835	-	545 225	-	-	-	593 161	19 697

13 Related Party Transactions (Continued)

Income and expense items for the six months ended 30 June 2007 and six months ended 30 June 2006 are as follows:

	Six months ended 30 June 2007 (unaudited)				Six months ended 30 June 2006 (unaudited)			
	Tatarstan Republic Govern- ment bodies and state organi- sations	Russian Federation Govern- ment bodies and state organi- sations	Share- holders	Other related parties	Tatarstan Republic Govern- ment bodies and state organi- sations	Russian Federation Govern- ment bodies and state organi- sations	Share- holders	Other related parties
<i>In thousands of Russian Roubles</i>								
Interest income								
Due from other banks	282	-	-	-	4 253	876	-	3 238
Loans and advances to customers	47 451	10 324	34 212	11 457	109 201	3 654	58 859	94 114
Debt securities at fair value through profit and loss	-	85 022	4 489	5 972	74 634	58 679	-	185 032
Interest expense								
Due to other banks	-	(9)	-	-	(1 421)	(669)	-	(1 704)
Customer accounts	(839 543)	(35)	(10 608)	(1 767)	(765 472)	(4 741)	(740)	(67 971)
Debt securities in issue	(117 740)	-	-	-	(365 542)	-	-	(6 000)
Subordinated loans	-	-	(301 301)	-	-	-	(291 670)	-
Fee and commission income	3 182	390	20 988	4 060	2 668	879	18 446	4 810
Gains less losses from operations with securities at fair value through profit or loss	-	165 071	39 976	10 911	19 044	58 165	538 004	63 939
Administrative and other operating expenses	(212 990)	(882)	-	(3 883)	(1 410)	-	(37)	(178)
Taxes other than on income	(19 731)	(25 251)	-	-	(8 109)	(59 300)	-	-
Income tax expense	(158 344)	(58 814)	-	-	(149 224)	(55 426)	-	-

Other related parties in the tables above are represented mainly by entities with which the Group has significant shareholders in common.

For six months ended 30 June 2007 the total remuneration of key management, including discretionary compensation amounted to RR 78 057 thousand (six months ended 30 June 2006: RR 52 714 thousand).

14 Subsequent Events

On 10 September 2007 the Group attracted a syndicated loan in the amount of USD 100 000 thousand maturing in September 2008 from a consortium of foreign banks, including The Bank of Tokyo-Mitsubishi UFJ, LTD and Calyon, at the interest rate LIBOR+0,7%.