

# **Home Credit and Finance Bank**

**Condensed Consolidated Interim Financial Statements  
for the six month period ended 30 June 2007**

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## **Independent Auditors' Report**

To the Council of OOO Home Credit and Finance Bank

### **Report on Review of the Interim Financial Information**

#### *Introduction*

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

#### *Scope of Review*

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

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information as at 30 June 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*.

ZAO KPMG  
15 August 2007

**Home Credit and Finance Bank**  
*Condensed Consolidated Interim Income Statement*  
*for the six month period ended 30 June 2007*

	Note	6 months ended 30 Jun 2007 TRUB	6 months ended 30 Jun 2006 TRUB
Interest income	4	7,229,153	4,887,855
Interest expense	4	<u>(1,526,439)</u>	<u>(1,170,900)</u>
<b>Net interest income</b>		<b>5,702,714</b>	<b>3,716,955</b>
Fee and commission income	5	949,256	665,284
Fee and commission expense	6	<u>(446,552)</u>	<u>(372,901)</u>
<b>Net fee and commission income</b>		<b>502,704</b>	<b>292,383</b>
Other operating income/(expense), net	7	<u>487,102</u>	<u>(117,374)</u>
<b>Operating income</b>		<b>6,692,520</b>	<b>3,891,964</b>
Impairment losses	8	(3,391,107)	(2,234,022)
General administrative expenses	9	<u>(2,648,350)</u>	<u>(1,505,885)</u>
<b>Operating expenses</b>		<b><u>(6,039,457)</u></b>	<b><u>(3,739,907)</u></b>
<b>Profit before tax</b>		<b>653,063</b>	<b>152,057</b>
<b>Income tax expense</b>	10	<u>(197,255)</u>	<u>(41,173)</u>
<b>Net profit attributable to participants</b>		<b><u>455,808</u></b>	<b><u>110,884</u></b>

The condensed consolidated interim financial statements as set out on pages 4 to 19 were approved by the Board of Management on 15 August 2007.

Chairman of the Management Board



Lykov A.V.

Chief Financial Officer

Kolikova I.V.

**Home Credit and Finance Bank**  
*Condensed Consolidated Interim Balance Sheet*  
as at 30 June 2007

	<b>Note</b>	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
		<b>TRUB</b>	<b>TRUB</b>
<b>ASSETS</b>			
Cash and cash equivalents	11	3,161,065	5,699,391
Placements with banks and other financial institutions	12	271,645	1,055,806
Loans to customers	13	38,462,084	31,780,630
Financial assets at fair value through profit or loss	14	2,312,495	1,041,509
Financial assets available for sale	15	214,416	-
Property, equipment and intangible assets	16	5,595,861	4,390,821
Investment in associate		1,847	1,855
Deferred tax asset		218,376	423,880
Current income tax receivable		124,429	29,509
Other assets	17	<u>793,554</u>	<u>963,045</u>
<b>Total assets</b>		<b>51,155,772</b>	<b>45,386,446</b>
<b>LIABILITIES</b>			
Debt securities issued	18	(29,100,091)	(24,318,770)
Due to banks and other financial institutions	19	(7,604,786)	(6,803,288)
Current accounts and deposits from customers	20	(3,197,110)	(3,170,607)
Financial liabilities at fair value through profit or loss	21	(225,556)	(169,817)
Current income tax payable		-	(539,881)
Other liabilities	22	<u>(597,072)</u>	<u>(421,967)</u>
<b>Net assets attributable to participants</b>	23	<b><u>10,431,157</u></b>	<b><u>9,962,116</u></b>

**Home Credit and Finance Bank**  
*Condensed Consolidated Interim Statement of Cash Flows*  
*for the six month period ended 30 June 2007*

		<b>6 months ended 30 Jun 2007 TRUB</b>	<b>6 months ended 30 Jun 2006 TRUB</b>
<b>Operating activities</b>			
Profit before tax		653,063	152,057
Adjustments for:			
Impairment losses	8	3,391,107	2,234,022
Net unrealised foreign exchange gain		(118,915)	(300,076)
Net accrued interest expense/(income)		132,706	(897,881)
Net accrued fee income		(335,637)	(91,762)
Depreciation and amortisation	9	154,889	84,854
Net loss on disposal of property, equipment and intangible assets		18,335	763
Net (gain)/loss on disposal of financial assets at fair value through profit or loss		(65,359)	9,688
Net (gain)/loss on revaluation of financial assets at fair value through profit or loss		(17,175)	22,338
Net accrued general administrative expenses		449,333	73,057
		<u>4,262,347</u>	<u>1,287,060</u>
<b>Net operating cash flow before changes in working capital</b>			
Increase in loans to customers		(9,845,426)	(379,974)
Decrease/(increase) in placements with banks and other financial institutions		752,167	(1,198,557)
Increase in financial assets at fair value through profit or loss		(1,196,863)	(391,767)
Increase in financial assets available for sale		(197,002)	(997,539)
Decrease in other assets		250,305	479,254
Increase/(decrease) in deposits from banks and other financial institutions		849,218	(464,149)
Increase/(decrease) in current accounts and deposits from customers		102,841	(1,601,785)
Increase/(decrease) in debt securities issued		4,947,645	(616,885)
Decrease in other liabilities		(425,074)	(187,568)
		<u>(499,842)</u>	<u>(4,071,910)</u>
<b>Cash flows from operations</b>			
Income taxes paid		(630,708)	(71,436)
		<u>(1,130,550)</u>	<u>(4,143,346)</u>
<b>Cash flows from operating activities</b>			
<b>Investing activities</b>			
Proceeds from sale of property and equipment		-	1,545
Additional contribution in the capital of associates		(1,000)	-
Acquisition of property, equipment and intangible assets		(1,378,264)	(1,752,374)
		<u>(1,379,264)</u>	<u>(1,750,829)</u>
<b>Cash flows from investing activities</b>			
<b>Financing activities</b>			
Proceeds from the issue of charter capital and other capital contributions		-	706,350
		<u>-</u>	<u>706,350</u>
<b>Cash flows from financing activities</b>			
Net decrease in cash and cash equivalents		(2,509,814)	(5,187,825)
Cash and cash equivalents at 1 January	11	5,699,391	9,466,203
Foreign exchange effect on cash and cash equivalents		(28,512)	(154,963)
		<u>(28,512)</u>	<u>(154,963)</u>
<b>Cash and cash equivalents at 30 June</b>	11	<u><u>3,161,065</u></u>	<u><u>4,123,415</u></u>

## 1. Description of the Group

Home Credit and Finance Bank (the “Bank”) was established in the Russian Federation as a Limited Liability Company and was granted its banking license in 1990.

### Registered office

317A Zelenograd  
 Moscow 124482  
 Russian Federation

Participants	Country of incorporation	Ownership interest (%)	
		30 Jun 2007	31 Dec 2006
Home Credit B.V.	The Netherlands	99.99	99.99
Chvatal Ladislav	-	0.01	0.01

The ultimate controlling entity is PPF Group N.V. registered in the Netherlands.

Consolidated subsidiaries	Country of incorporation	Ownership interest (%)	
		30 Jun 2007	31 Dec 2006
Infobos (LLC)	Russian Federation	100.00	100.00
Liko-Technopolis (LLC)	Russian Federation	100.00	100.00
Financial Innovations (LLC)	Russian Federation	100.00	100.00
Global Credit Bureau (LLC)	Russian Federation	100.00	100.00
Eurasia Capital S.A.	Luxemburg	see below	see below
Eurasia Structured Finance No.1 S.A.	Luxemburg	see below	see below

Eurasia Capital S.A. and Eurasia Structured Finance No.1 S.A. are special purpose entities established to facilitate the Group’s issues of debt securities (refer to Note 18).

Associates	Country of incorporation	Ownership interest (%)	
		30 Jun 2007	31 Dec 2006
Global Credit Payment Services (LLC)	Russian Federation	50.00	50.00

### Council

### Board of Management

Smejč Jiri	Chairman	Lykov Andrei	Chairman
Bernshtam Eugene	Deputy Chairman	Soukup Vaclav	First Deputy Chairman
Stanek Stanislav	Member	Mosolov Dmitri	Deputy Chairman
Dolezel Igor	Member	Stanek Stanislav	Deputy Chairman
Kolikova Irina	Member		

### Principal activities

The principal activity of the Bank and its subsidiaries (together referred to as the “Group”) is the provision of consumer financing to private individual customers in the Russian Federation. The activities of the Group are regulated by the Central Bank of the Russian Federation (“the CBR”).

## **2. Basis of preparation**

The condensed consolidated interim financial statements follow, in the context of measurement, all requirements of International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The disclosures in these condensed consolidated interim financial statements have been presented in accordance with IAS 34 *Interim Financial Reporting*, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the period ended 31 December 2006, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

## **3. Significant accounting policies**

The significant accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

As at 1 January 2007, the Group adopted IFRS 7 "Financial Instruments: Disclosures" and the amendment to International Financial Reporting Standard IAS 1 "Presentation of Financial Statements".

Application of the Standard and the amendment results in increased disclosure in respect of the Group's financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of the Group's capital. The Group will present such increased disclosures in the next full set of the consolidated financial statements of the Group.

#### 4. Interest income and interest expense

	<b>6 months ended 30 Jun 2007 TRUB</b>	<b>6 months ended 30 Jun 2006 TRUB</b>
<b>Interest income</b>		
Loans to individuals	7,011,659	4,579,222
Placements with banks and other financial institutions	138,617	210,390
Securities	47,930	75,519
Loans to corporations	30,947	22,724
	<u><b>7,229,153</b></u>	<u><b>4,887,855</b></u>
<b>Interest expense</b>		
Debt securities issued	1,184,555	916,227
Due to banks and other financial institutions	341,454	253,237
Current accounts and deposits from customers	430	1,436
	<u><b>1,526,439</b></u>	<u><b>1,170,900</b></u>

#### 5. Fee and commission income

	<b>6 months ended 30 Jun 2007 TRUB</b>	<b>6 months ended 30 Jun 2006 TRUB</b>
Fees from retailers	321,010	430,983
Insurance agent commissions	287,184	54,473
Cash operations	270,745	171,506
Customer payments processing and account maintenance	46,941	1,093
Other	23,376	7,229
	<u><b>949,256</b></u>	<u><b>665,284</b></u>

#### 6. Fee and commission expense

	<b>6 months ended 30 Jun 2007 TRUB</b>	<b>6 months ended 30 Jun 2006 TRUB</b>
Customer payments processing and account maintenance	274,339	289,432
Enforcement fees	89,531	18,334
Product delivery fees	70,274	61,280
Other	12,408	3,855
	<u><b>446,552</b></u>	<u><b>372,901</b></u>

## 7. Other operating income/(expense), net

	<b>6 months ended 30 Jun 2007 TRUB</b>	<b>6 months ended 30 Jun 2006 TRUB</b>
Net foreign exchange expense	(114,300)	(182,428)
Contractual penalties from customers	495,003	82,466
Net gains/(losses) from operations with securities	82,534	(32,026)
Other	<u>23,865</u>	<u>14,614</u>
	<b><u>487,102</u></b>	<b><u>(117,374)</u></b>

## 8. Impairment losses

	<b>6 months ended 30 Jun 2007 TRUB</b>	<b>6 months ended 30 Jun 2006 TRUB</b>
Loans to customers	3,393,278	2,227,159
Other assets	<u>(2,171)</u>	<u>6,863</u>
	<b><u>3,391,107</u></b>	<b><u>2,234,022</u></b>

## 9. General administrative expenses

	<b>6 months ended 30 Jun 2007 TRUB</b>	<b>6 months ended 30 Jun 2006 TRUB</b>
Employee compensation	1,152,069	586,576
Communications and information services	294,937	201,823
Payroll related taxes	240,128	148,530
Occupancy	216,294	108,698
Taxes other than income tax	181,187	144,492
Depreciation and amortisation	154,889	84,854
Advertising and marketing	130,844	57,721
Professional services	74,455	39,102
Travel expenses	52,860	32,512
Repairs and maintenance	39,416	30,793
Other	<u>111,271</u>	<u>70,784</u>
	<b><u>2,648,350</u></b>	<b><u>1,505,885</u></b>

## 10. Income tax expense

	<b>6 months ended 30 Jun 2007 TRUB</b>	<b>6 months ended 30 Jun 2006 TRUB</b>
Current income tax overprovided in previous periods	4,093	3,480
Deferred tax expense	<u>(201,348)</u>	<u>(44,653)</u>
	<b><u>(197,255)</u></b>	<b><u>(41,173)</u></b>
<b>Reconciliation of effective tax rate</b>	<b>6 months ended 30 Jun 2007 TRUB</b>	<b>6 months ended 30 Jun 2006 TRUB</b>
<b>Profit before tax</b>	<b><u>653,063</u></b>	<b><u>152,057</u></b>
Income tax using the applicable tax rate (24%)	(156,735)	(36,494)
Net non-deductible costs	(45,355)	(16,743)
Effect of income taxed at lower tax rates	742	8,584
Overprovided in previous periods	<u>4,093</u>	<u>3,480</u>
	<b><u>(197,255)</u></b>	<b><u>(41,173)</u></b>

## 11. Cash and cash equivalents

	<b>30 Jun 2007 TRUB</b>	<b>31 Dec 2006 TRUB</b>
Placements with banks and other financial institutions due within one month	2,738,223	4,341,146
Cash	325,949	357,383
Nostro accounts with the CBR	<u>96,893</u>	<u>1,000,862</u>
	<b><u>3,161,065</u></b>	<b><u>5,699,391</u></b>

## 12. Placements with banks and other financial institutions

	<b>30 Jun 2007 TRUB</b>	<b>31 Dec 2006 TRUB</b>
Term deposits with banks and other financial institutions due after one month	153,339	962,418
Minimum reserve deposit with the CBR	<u>118,306</u>	<u>93,388</u>
	<b><u>271,645</u></b>	<b><u>1,055,806</u></b>

The minimum reserve deposit is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the CBR and whose withdrawability is restricted.

### 13. Loans to customers

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Consumer loans	19,846,271	23,125,856
Credit card loans	17,765,482	11,736,509
Cash loans	4,799,455	1,821,494
Mortgage loans	1,185,197	38,780
Loans to corporations	616,807	28,723
Car loans	80,789	-
Accumulated impairment losses	<u>(5,831,917)</u>	<u>(4,970,732)</u>
	<b><u>38,462,084</u></b>	<b><u>31,780,630</u></b>

The Group considers loans which are contractually overdue for more than 90 days to be non-performing. As of 30 June 2007 total non-performing loans amounted to TRUB 5,965,501 (31 December 2006: TRUB 5,203,158). The Group created provisions for non-performing loans of 74.7% (31 December 2006: 69.4%). Performing loans are provided for at a rate 4.6% (31 December 2006: 4.3%).

#### Analysis of movements in accumulated impairment losses

	<b>6 months</b>	<b>6 months</b>
	<b>ended</b>	<b>ended</b>
	<b>30 Jun 2007</b>	<b>30 Jun 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Balance at 1 January	4,970,732	3,811,725
Impairment losses recognised in the income statement	3,393,278	2,227,159
Amount related to loans written off	<u>(2,532,093)</u>	<u>(1,464,088)</u>
<b>Balance at 30 June</b>	<b><u>5,831,917</u></b>	<b><u>4,574,796</u></b>

Loan and receivables overdue over one year where further collection procedures are economically unfeasible are written off. The amount of loans written off during the six month period ended 30 June 2007 totalled to TRUB 2,532,093 (six months period ended 30 June 2006: TRUB 1,464,088).

The Group has estimated the impairment on loans to customers in accordance with the accounting policy as set out in the consolidated financials statements as of 31 December 2006. Changes in collection estimates could affect the impairment losses recognised. For example, to the extent that estimated future cash flows of loans differs by plus/minus one per cent., the loan impairment as of 30 June 2007 would be approximately TRUB 384,621 higher/lower (31 December 2006: TRUB 317,806).

As at 30 June 2007 consumer loans with the total carrying amount of TRUB 4,689,557 (31 December 2006: TRUB 4,527,318) were collateralised in relation to the notes issued by the Eurasia Structured Finance No.1 S.A. as a part of consumer loan securitisation transaction (refer to Note 18). Eurasia Structured Finance No.1 S.A. can not sell or repledge these consumer loans to other parties save for the obligation of the Bank to repurchase ineligible consumer loans.

## 14. Financial assets at fair value through profit or loss

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Debt securities	2,215,072	1,017,558
Equity securities	73,051	-
Positive fair value of derivative instruments	24,372	23,951
	<u>2,312,495</u>	<u>1,041,509</u>

## 15. Financial assets available for sale

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Equity securities	214,416	-
	<u>214,416</u>	<u>-</u>

## 16. Property, equipment and intangible assets

### (a) Intangible assets

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Cost	316,300	296,753
Accumulated amortisation	(26,683)	(21,557)
Net book value	<u>289,617</u>	<u>275,196</u>

### (b) Property and equipment

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Cost	6,024,908	4,920,228
Accumulated depreciation	(718,664)	(804,603)
Net book value	<u>5,306,244</u>	<u>4,115,625</u>

## 17. Other assets

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Settlements with suppliers	398,354	736,554
Accrued income	182,523	55,423
Prepaid expenses	73,684	86,747
Materials, supplies and inventories	52,506	43,253
Taxes other than income tax	7,942	10,025
Other	78,545	33,214
Accumulated impairment losses	-	(2,171)
	<b><u>793,554</u></b>	<b><u>963,045</u></b>

## 18. Debt securities issued

	<b>Maturity</b>	<b>Interest rate</b>	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
			<b>TRUB</b>	<b>TRUB</b>
Loan participation notes issue 3 of TRUSD 200,000	April 2010	Fixed, 9.500%	5,195,802	-
Loan participation notes issue 2 of TRUSD 275,000	June 2008	Fixed, 8.625%	7,069,546	7,516,817
Loan participation notes issue 1 of TRUSD 150,000	February 2008	Fixed, 9.125%	3,992,464	4,062,347
Class A1 consumer loans receivables backed notes of TEUR 100,000	May 2012	Floating, 1M Euribor plus 2.500%	3,383,728	3,366,872
Class A2 consumer loans receivables backed notes of TEUR 13,500	May 2012	Floating, 1M Euribor plus 5.250%	457,507	455,365
Class B consumer loans receivables backed notes of TEUR 13,000	May 2012	Floating, 1M Euribor plus 5.000%	440,502	438,436
Unsecured RUB bond issue 4 of TRUB 3,000,000	October 2011	Variable, 9.950%	3,047,174	3,043,881
Unsecured RUB bond issue 3 of TRUB 3,000,000	September 2010	Variable, 9.450%	3,006,765	3,002,039
Unsecured RUB bond issue 2 of TRUB 3,000,000	May 2010	Variable, 9.250%	<u>2,506,602</u>	<u>2,433,013</u>
			<b><u>29,100,091</u></b>	<b><u>24,318,770</u></b>

The USD denominated loan participation notes 3 were issued by the Group in April 2007 through Eurasia Capital S.A. (refer to Note 1). The proceeds from the issue were used to grant an unsecured loan to the Bank.

The USD denominated loan participation notes 2 were issued by the Group in June 2005 through Eurasia Capital S.A. (refer to Note 1). The proceeds from the issue were used to grant an unsecured loan to the Bank.

## 18. Debt securities issued (continued)

The USD denominated loan participation notes 1 were issued by the Group in February 2005 through Eurasia Capital S.A. (refer to Note 1). The proceeds from the issue were deposited with a fiduciary bank which used the amount to grant an unsecured loan to the Bank.

The EUR denominated consumer loan receivables backed notes were issued by the Group in December 2005 through Eurasia Structured Finance No.1 S.A. (refer to Note 1). Coupon rates are set on a monthly basis based on the EURIBOR rate. The notes can be redeemed in full at the option of Eurasia Structured Finance No.1 S.A. at par in May 2010.

Eurasia Capital S.A. and Eurasia Structured Finance No.1 S.A. are SPEs established by the Group with the primary objective of raising finance through the issuance of debt securities and securitising part of Group's consumer loan portfolio. These SPEs are controlled by the Group through the predetermination of the activities of SPEs, having rights to obtain the majority of benefits of the SPEs, and retaining the majority of the residual risks related to the SPEs.

The RUB denominated bonds 4 were issued by the Group in October 2006 with a fixed coupon rate valid for the subsequent twenty four months. Coupon rates for the subsequent period (or periods) and the maturity of the period (or periods) will be set by the Group in October 2008. Bondholders are entitled to require early redemption of the bond issue at par in October 2008.

The RUB denominated bonds 3 were issued by the Group in September 2005 with a fixed coupon rate valid for the subsequent eighteen months. Coupon rates for the subsequent eighteen month period were reset by the Group in March 2007. A portion of the RUB bonds 2 were repurchased at par in March 2007. Some of repurchased bonds were subsequently sold by the Group on the open market.

The RUB denominated bonds 2 were issued by the Group in May 2005 with a fixed coupon rate valid for the subsequent twelve months. Coupon rates were reset for the subsequent twelve month periods by the Group in May 2006 and in May 2007 respectively. A portion of the RUB bonds 2 were repurchased at par in May 2007. Some of repurchased bonds were subsequently sold by the Group on the open market.

## 19. Due to banks and other financial institutions

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Unsecured loans	5,779,531	5,438,025
Subordinated loans	910,045	928,424
Term deposits	405,000	399,000
Other balances	510,210	37,839
	<u><b>7,604,786</b></u>	<u><b>6,803,288</b></u>

Included in unsecured loans above is exposure to two counterparties exceeding 10% of net assets attributable to participants totalling 4,003,560 TRUB (31 December 2006: exposure to three counterparties totalling TRUB 5,415,098).

## 20. Current accounts and deposits from customers

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Current accounts and demand deposits	3,188,037	3,162,392
Term deposits	9,073	8,215
	<u><b>3,197,110</b></u>	<u><b>3,170,607</b></u>

## 21. Financial liabilities at fair value through profit or loss

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Negative fair value of derivative instruments	225,556	169,817
	<u><b>225,556</b></u>	<u><b>169,817</b></u>

## 22. Other liabilities

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Accrued employee compensation	281,100	51,181
Settlements with suppliers	174,520	296,120
Other taxes payable	43,719	39,589
Other	97,733	35,077
	<u><b>597,072</b></u>	<u><b>421,967</b></u>

## 23. Net assets attributable to participants

	<b>Charter capital</b>	<b>Other capital</b>	<b>Revaluation</b>	<b>Retained</b>	<b>Total</b>
	<b>TRUB</b>	<b>contributions</b>	<b>reserve</b>	<b>earnings</b>	<b>TRUB</b>
	<b>TRUB</b>	<b>TRUB</b>	<b>TRUB</b>	<b>TRUB</b>	<b>TRUB</b>
Balance as of 31 December 2006	4,405,707	4,630,585	-	925,824	9,962,116
Revaluation of financial assets available for sale	-	-	13,233	-	13,233
Net profit attributable to participants	-	-	-	455,808	455,808
<b>Balance as of 30 June 2007</b>	<u><b>4,405,707</b></u>	<u><b>4,630,585</b></u>	<u><b>13,233</b></u>	<u><b>1,381,632</b></u>	<u><b>10,431,157</b></u>

Revaluation of financial assets available for sale above is shown net of deferred tax effect of TRUB 4,179.

## 24. Commitments

The Group has outstanding commitments to extend credit. These commitments take the form of approved credit limits related to customer's credit card accounts, approved consumer loans and approved overdraft facilities.

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Credit card commitments	12,062,143	9,040,338
Consumer loan commitments	816,360	1,351,113
Undrawn overdraft facilities	-	1,222,827
	<u><b>12,878,503</b></u>	<u><b>11,614,278</b></u>

The total outstanding contractual commitments to extend credit indicated above represents future cash requirements, though some of these commitments may expire or terminate without being funded.

## 25. Contingencies

### (a) Litigation

#### (i) *Consumer protection laws*

The Russian Federation does not have legislation specifically regulating consumer lending or loan collection. In a recent court dispute between the Bank and the Russian Consumer Protection Service, the Federal Arbitration Court of the Urals Region held that a bank may not: (a) charge a fee to a borrower for the opening of loan accounts with the lending bank as a pre requisite for providing the loan; or (b) charge any prepayment or late payment penalties. This decision was not yet considered by the Russian Supreme Arbitration Court, to whom the Bank appealed, which, if upheld, may affect the validity of account opening commissions, late payment and prepayment penalties or may lead to the Bank's customers to make claims to have refunded such commissions or penalties previously paid to the Bank, which would adversely affect the Bank's business, financial condition, results of operations or prospects. The Bank amended its standard form consumer lending loan agreements to comply with this decision.

The Group's management have made an assessment of the situation above and consider that in the Russian environment the costs of making claims to have previous commission and penalties refunded for individuals and the potential uncertainty of the legal outcome would outweigh the benefits of making the claims. Consequently management consider the likelihood of a future material outflow of funds is remote and accordingly no provision has been made in these financial statements in respect of the above.

#### (ii) *Labour disputes*

Under Russian labour law, the company shall provide its employees in Far Northern regions of Russia with additional benefits, in particular, each salary payment shall be adjusted by governmentally determined factors. When the Bank calculated salaries to its employees of regional representative offices located in Far Northern regions of Russia such as Archangelsk, Irkutsk and Murmansk, it did not fully comply with the application of this law requirements: the Bank only included these factors increase in base salary compensation, whereas they should have been applied to the overall compensation package.

As of 30 June 2007 HCFB had claims from its employees totalling TRUB 4,629 pending resolution in the court. The Group's management created a provision for the full amount of such claims in these financial statements.

## 25. Contingencies (continued)

In November 2006, the Bank fully complied with the labour legislation. However, in the future new claims may arise in respect of the past periods of non-compliance. The Group's management assesses the likelihood of new claims to be remote as many of potential plaintiffs are still the Bank's employees and the management believes that it was paying compensation at market levels. No provisions were created in respect of these potential claims.

### (b) 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 consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## 26. Operating leases

The Group leases a number of premises and equipment under operating lease. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

Non-cancellable operating lease rentals are payable as follows:

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Less than one year	441,862	272,024
Between one and five years	804,319	300,362
More than five years	<u>127,494</u>	<u>40,365</u>
	<b><u>1,373,675</u></b>	<b><u>612,751</u></b>

During the six month period ended 30 June 2007 TRUB 216,294 (six month period ended 30 June 2006: TRUB 108,698) was recognised as an expense in the income statement in respect of operating leases.

## 27. Capital management

The Group's lead regulator Central Bank of Russia sets and monitors capital requirements for both the Bank and the Group as a whole.

In implementing current capital requirements CBR requires the Group to maintain the ratio of total capital to total risk-weighted assets at or above the minimum level of 10%. The ratio is calculated based on financial statements prepared in accordance with Russian Banking Accounting Standards (RBAS) and the risk weighting is determined in accordance with CBR's credit risk ratios specific for individual classes of assets.

## 27. Capital management (continued)

The Group also operates its capital adequacy in compliance with the methodology set out by the BIS, using the definition of capital adopted by the CBR. Tier I capital is represented by the Group's net assets attributable to participants, Tier II capital is represented by subordinated loans, up to the limit of 50% of Tier I capital as presented in these IFRS financial statements. In connection with the USD denominated loan participation notes described in Note 18 the Group covenants to maintain its Tier I capital adequacy ratio at or above the minimum level of 15%.

During the reporting period the Group was fully in compliance with the capital regulation described above.

	<b>30 Jun 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
<b>Risk weighted assets</b>	<b>54,640,024</b>	<b>45,935,918</b>
Tier I capital	10,431,157	9,962,116
Tier II capital	<u>903,567</u>	<u>921,589</u>
<b>Total capital</b>	<b><u>11,334,724</u></b>	<b><u>10,883,705</u></b>
Tier I ratio	19.1%	21.7%
Capital Adequacy Ratio	20.7%	23.7%