

MDM Bank

Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007

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Independent Auditor's Report

To the Shareholders

Joint-Stock Commercial Bank "Moscow Business World" (joint-stock company) (MDM Bank)

Report on Review of the Interim Consolidated Financial Information

Introduction

We have reviewed the accompanying interim consolidated condensed balance sheet of MDM Bank and its subsidiaries (the "Group") as at 31 March 2007, and the related interim consolidated condensed statements of income, changes in equity and cash flows for the three-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 of the Group as at 31 March 2007 and for the three-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

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30 May 2007

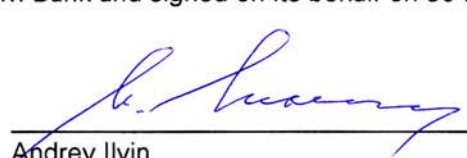
MDM Bank
Interim Consolidated Condensed Balance Sheet as at 31 March 2007
(expressed in millions of Russian Roubles – refer to Note 3)

	Note	31 March 2007 Unaudited	31 December 2006
Assets			
Cash and cash equivalents		50 410	32 642
Mandatory cash balances with central banks		4 594	4 030
Due from other banks		17 945	13 201
Trading securities			
- owned by the Group		15 111	13 510
- pledged under sale and repurchase agreements		3 548	3 624
Derivative financial instruments		244	255
Other financial instruments at fair value through profit or loss		-	1 404
Loans and advances to customers		174 120	166 875
Current income tax prepayments		649	377
Other assets		3 822	2 761
Premises and equipment		4 453	4 443
Total assets		274 896	243 122
Liabilities			
Due to other banks		70 215	60 872
Trading liabilities		1 003	229
Derivative financial instruments		517	667
Customer accounts		108 151	92 805
Debt securities in issue		56 951	52 870
Subordinated debt		5 251	5 452
Other liabilities		3 462	2 251
Deferred tax liability		604	652
Total liabilities		246 154	215 798
Equity			
Share capital		1 736	1 736
Share premium		9 588	9 588
Revaluation reserve for premises and equipment		1 942	1 942
Cumulative translation reserve		(13)	(21)
Retained earnings		15 489	14 079
Total equity		28 742	27 324
Total liabilities and equity		274 896	243 122

Approved for issue by the Management Board of MDM Bank and signed on its behalf on 30 May 2007.



Michel Perhirin
Chairman of the Management Board



Andrey Ilyin
Deputy Chairman of the Management Board

MDM Bank**Interim Consolidated Condensed Statement of Income for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

	Note	Three-Month Period Ended 31 March 2007 Unaudited	Three-Month Period Ended 31 March 2006 Unaudited
Interest income		6 128	3 320
Interest expense		(3 042)	(1 302)
Net interest income		3 086	2 018
Loan impairment	5	(600)	(107)
Net interest income after loan impairment		2 486	1 911
Gains less losses arising from trading in securities		471	23
Gains less losses arising from trading in precious metals		(1)	23
Gains less losses from foreign exchange		282	218
Other trading result		(98)	-
Fee and commission income		544	337
Fee and commission expense		(118)	(154)
Gains less losses from other financial instruments at fair value through profit or loss		-	(56)
Charge to provision for losses on credit related commitments		(22)	22
Other assets impairment losses		-	(23)
Other operating income		81	21
Operating income		3 625	2 322
Operating expenses		(1 850)	(1 319)
Profit before taxation		1 775	1 003
Income tax expense		(365)	(286)
Profit for the period		1 410	717
Attributable to:			
Equity holders of the parent		1 410	710
Minority interest		-	7

In addition to these interim consolidated condensed financial statements, supplementary interim consolidated condensed financial information comprising the interim consolidated condensed statement of income of MDM Financial Group for the three-month period ended 31 March 2006, is presented for the convenience of users of the financial statements. Refer to page 17.

The supplementary interim consolidated financial information does not form part of these interim consolidated condensed financial statements.

MDM Bank**Interim Consolidated Condensed Statement of Cash Flows for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

	Three-Month Period Ended 31 March 2007 Unaudited	Three-Month Period Ended 31 March 2006 Unaudited
Net cash from/(used in) operating activities	14 903	(24 259)
Net cash used in investing activities	(83)	(52)
Net cash from financing activities	3 234	8 430
Effect of exchange rate changes on cash and cash equivalents	(286)	(498)
Net increase/(decrease) in cash and cash equivalents	17 768	(16 379)
Cash and cash equivalents at the beginning of the period	32 642	31 346
Cash and cash equivalents at the end of the period	50 410	14 967

The notes set out on pages 5 to 16 form an integral part of these interim consolidated condensed financial statements.

MDM Bank**Interim Consolidated Condensed Statement of Changes in Equity for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

	Attributable to equity holders of the parent					Total	Minority interest	Total equity
	Share capital	Share premium	Revaluation reserve for premises and equipment	Cumulative translation reserve	Retained earnings			
Balance as at 1 January 2006	1 736	9 588	1 944	(41)	10 936	24 163	336	24 499
Profit for the three-month period ended 31 March 2006 (Unaudited)	-	-	-	-	710	710	7	717
Currency translation differences (Unaudited)	-	-	-	(15)	-	(15)	(3)	(18)
Total income and expense for the three-month period ended 31 March 2006 (Unaudited)	-	-	-	(15)	710	695	4	699
Acquisitions of minority interest of subsidiary (Unaudited)	-	-	-	-	(280)	(280)	(340)	(620)
Balance as at 31 March 2006 (Unaudited)	1 736	9 588	1 944	(56)	11 366	24 578	-	24 578
Balance as at 1 January 2007	1 736	9 588	1 942	(21)	14 079	27 324	-	27 324
Profit for the three-month period ended 31 March 2007 (Unaudited)	-	-	-	-	1 410	1 410	-	1 410
Currency translation differences (Unaudited)	-	-	-	8	-	8	-	8
Total income and expense for the three-month period ended 31 March 2007 (Unaudited)	-	-	-	8	1 410	1 418	-	1 418
Balance as at 31 March 2007 (Unaudited)	1 736	9 588	1 942	(13)	15 489	28 742	-	28 742

MDM Bank**Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

1 Organisation of the Group and its Principal Activities**(a) Principal Activities of the Group**

These interim consolidated condensed financial statements include the financial statements of “MDM Bank” (the “Bank”, or “MDM Bank”) and its subsidiaries. MDM Bank and its subsidiaries are hereinafter collectively referred to as the “Group”.

The activities of the Group are conducted principally in Russia, although the Group also conducts operations on international markets.

For the purposes of these interim consolidated condensed financial statements, the management of the Group, collectively, is referred to as “Management”.

MDM Bank, the parent company and the lead operating entity of the Group, has been registered in the Russian Federation to carry out banking and foreign exchange activities since 1993. The Bank operates under a general banking license issued by the Central Bank of the Russian Federation. The Bank also has broker and dealer licenses issued by the Russian Federal Financial Markets Service. MDM Bank is a member of the state deposit insurance scheme in the Russian Federation.

The Group operates in three main business areas: Corporate banking, Retail banking, and Investment banking and financial markets. Refer to Note 7.

As at 31 March 2007, the Bank’s parent company is ZAO Banking Holding MDM (Russia). ZAO Banking Holding MDM is a 100% subsidiary of MDM Holding SE (Austria). MDM Holding SE is a parent company of MDM Financial Group.

As at 31 March 2007, the Group operates a total of two banks, one bank in the Russian Federation and one in Latvia. The Group also owns and operates securities trading and asset management companies, a leasing company and a real estate company which owns and maintains the majority of the Group’s premises used in operating activities.

The table below summarises information about the banking branch network of the Group and the number of employees.

Name of the Bank	Registered office	31 March 2007		31 March 2006	
		Number of branches	Number of employees	Number of branches	Number of employees
MDM Bank	Kotelnicheskaya nab., 33, Moscow, Russia	34	4 727	34	4 289
Latvian Trade Bank	Grecinieku iela, 4, Riga, LV-1048, Latvia	-	58	-	62
Total		34	4 785	34	4 351

All branches are located within the Russian Federation. The Group also operates a number of sub-branches in the Russian Federation and cash exchange offices and a network of retail micro offices in Moscow.

MDM Bank**Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

1 Organisation of the Group and its Principal Activities (Continued)**(b) Changes in the Group Structure**

During 2006, MDM Financial Group, of which the MDM Bank Group is a part, was restructured. As a result of this restructuring, MDM Bank in February 2006 increased its stake in Latvian Trade Bank from 63.3% to 100% by the acquisition of shares from its parent company. MDM Bank acquired from the same parent company a 100% stake in MDM Investments Limited (Cyprus), a company licensed by the Cyprus Securities and Exchange Commission specializing in securities brokerage, trading on its own account and asset management, in June 2006 and a 100% stake in MCM Russian Investments Limited (Cyprus), a company that specializes in trading in securities on its own account and providing margin loans to customers of MDM Investments Limited, in July 2007. These companies were previously fellow subsidiaries of the Bank within MDM Financial Group.

In June 2006, the MDM Financial Group disposed of its 85.9% share in MDM Bank St. Petersburg. In November 2006, the MDM Financial Group disposed of its 94.2% share in MDM Bank Urals.

As a result of the above-described restructurings, as of December 31, 2006, all operating entities of the MDM Financial Group were wholly-controlled by MDM Bank. As of 31 December 2006, the MDM Financial Group thus included only the MDM Bank Group and two holding companies.

Consolidated financial statements of MDM Financial Group for the year ended 31 December 2006 are publicly available. MDM Financial Group has discontinued preparation of publicly available consolidated financial statements from 1 January 2007.

(c) Changes in Ownership

As at 31 March 2007, MDM Holding SE was owned 50% each by two companies, the ultimate beneficiaries of which are, respectively, Messrs. Andrey Melnichenko and Sergey Popov.

In December 2006, the Group announced that, subject to all relevant regulatory approvals being obtained, an agreement had been reached between the ultimate beneficiaries whereby Mr. Sergey Popov will become the majority beneficial shareholder in the Group, owing a 90% interest, the remaining 10% interest will be owned by Mr. Martin Andersson.

As at the date these financial statements were approved for issue, the company, the ultimate beneficiary of which is Mr. Andrey Melnichenko, has transferred its 50% stake in MDM Holding SE to a company, controlled by the beneficial interests of Messrs. Sergey Popov and Mr. Martin Andersson.

Refer to Note 9 for information on related party transactions.

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

The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

3 Basis of Preparation

(d) Statement of Compliance

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

These interim consolidated condensed financial statements present the interim consolidated condensed balance sheet as at 31 March 2007, corresponding figures as at 31 December 2006, the interim consolidated condensed statement of income and interim consolidated condensed statements of changes in equity and cash flows for the three-month period ended 31 March 2007, corresponding figures for the three-month period ended 31 March 2006, and selected explanatory notes.

(e) Basis of Measurement

These interim consolidated condensed financial statements are prepared on the historical cost basis except that financial instruments held for trading, other financial instruments held at fair value through profit or loss and available for sale financial instruments are stated at fair value, and certain classes of premises and equipment are stated at revalued amounts.

(f) Presentation Currency

These interim consolidated condensed financial statements are presented in Russian Roubles (“RUR”). Amounts in Russian Roubles have been rounded to the nearest million.

3 Basis of Preparation (Continued)**(g) Use of Estimates and Judgements**

The preparation of financial statements in conformity with International Financial Reporting Standards (“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.

In preparing these interim consolidated condensed financial statements the significant judgements made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2006.

4 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 the amendments to IFRSs.

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.

5 Loan Impairment

Movements in impairment of loans and advances to customers are as follows:

	Three-Month Period Ended 31 March 2007 Unaudited	Three-Month Period Ended 31 March 2006 Unaudited
Loan impairment at the beginning of the period	4 499	2 849
Loans written off during the period as uncollectible	(6)	(1)
Charge to loan impairment during the period	600	107
Effect of foreign currency translation	(17)	(37)
Loan impairment as at 31 March	5 076	2 918

6 Significant Exposures and Concentrations

As at 31 March 2007, the Group has four counterparties with aggregated balances on correspondent accounts and overnight deposits, which are part of cash and cash equivalents, greater than 10% of equity (31 December 2006: one counterparty). As at 31 March 2007, the aggregate amount of these balances is RUR 22 425 million or 44% of total cash and cash equivalents (31 December 2006: RUR 8 010 million or 25% of total cash and cash equivalents).

As at 31 March 2007, the Group has balances due from one bank which are greater than 10% of equity (31 December 2006: one bank). As at 31 March 2007, the total aggregate amount of these balances is RUR 7 477 million or 42% of due from other banks balances (31 December 2006: RUR 4 072 million or 31% of due from other banks balances).

As at 31 March 2007, credit exposure to the ten largest borrowers (or groups of borrowers), excluding claims under reverse repurchase agreements fully secured by traded securities, total RUR 23 271 million or 13% of the gross loan portfolio of the Group (31 December 2006: RUR 23 381 million or 14% of the gross loan portfolio).

As at 31 March 2007, the Group has two borrowers with aggregated loan amounts, excluding claims under reverse repurchase agreements fully secured by traded securities, greater than 10% of equity (31 December 2006: one borrower). The total aggregate amount of these loans is RUR 6 226 million or 3% of the gross loan portfolio (31 December 2006: RUR 4 652 million or 3% of the gross loan portfolio).

As at 31 March 2007, included in due to other banks are balances due to three counterparties, each of which are greater than 10% of equity (31 December 2006: three counterparties). The total aggregate amount of these balances is RUR 24 584 million or 35% of due to other banks balances (31 December 2006: RUR 15 237 million or 25% of due to other banks balances).

As at 31 March 2007, aggregate balances of the ten largest customers (or groups of customers) total RUR 53 214 million or 49% of customer accounts balances (31 December 2006: RUR 44 336 million or 48% of customer accounts balances).

As at 31 March 2007, the Group has six customers (or groups of customers) with aggregated balances on customer accounts greater than 10% of equity (31 December 2006: five customers). The total aggregate amount of these balances is RUR 44 271 million or 41% of customer accounts balances (31 December 2006: RUR 35 643 million or 38% of customer accounts balances).

MDM Bank**Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

7 Analysis by Segment

The Group is organised into four main reportable business segments:

- Corporate banking – includes deposit taking and lending to corporate clients and small and medium enterprises, leasing, factoring, settlements, cash management, cash collection, trade finance, syndications, *a forfait* financing, and export credit agency financing.
- Retail banking – includes deposit taking and lending to individuals, money transfer and foreign exchange services, and a range of banking card products provided to individual customers.
- Investment banking and financial markets – includes corporate finance, debt and equity capital markets, money markets, trading and brokerage in securities, foreign exchange and precious metals, repo transactions, banknote trading, and trading in derivatives.
- Central treasury – includes treasury, which undertakes the Group's funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management and investing in liquid assets such as short-term placements.

The Group also has a central administrative function that manages its premises and certain corporate costs. Cost sharing agreements are used to allocate central costs to business segments on a reasonable basis.

Business segments pay and receive interest to and from the Central treasury at internal rates to reflect the allocation of capital and funding costs.

Segment breakdown of assets and liabilities of the Group is set out below:

	31 March 2007 Unaudited	31 December 2006
Assets		
Corporate banking	150 074	120 388
Retail banking	29 057	26 867
Investment banking and financial markets	76 570	75 494
Central treasury	17 555	19 176
Unallocated assets	1 640	1 197
Total assets	274 896	243 122
Liabilities		
Corporate banking	111 821	91 066
Retail banking	7 637	9 073
Investment banking and financial markets	36 815	44 515
Central treasury	78 762	62 443
Unallocated liabilities	11 119	8 701
Total liabilities	246 154	215 798

MDM Bank**Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

7 Analysis by Segment (Continued)

Segment information for the main reportable business segments of the Group for the three-month period ended 31 March 2007 is set out below:

	Three-Month Period Ended 31 March 2007 (Unaudited)					
	Corporate banking	Retail banking	Investment banking and financial markets	Central treasury	Unallocated	Consolidated Group
External revenue	4 293	1 167	1 916	12	19	7 407
Net result from other segments	(816)	(499)	(500)	1 695	120	-
Impairment and provisions losses	(171)	(458)	7	-	-	(622)
Interest expense	(1 193)	(68)	(335)	(1 394)	(52)	(3 042)
Fee and commission expense	(36)	(45)	(37)	-	-	(118)
Direct operating expenses	(439)	(263)	(303)	(14)	-	(1 019)
Segment result before allocation of indirect operating expenses	1 638	(166)	748	299	87	2 606
Allocation of indirect operating expenses	(336)	(322)	(173)	-	-	(831)
Segment result	1 302	(488)	575	299	87	1 775
Income tax expense						(365)
Profit for the period						1 410
Other segment items						
Capital expenditure	42	39	17	-	-	98
Depreciation charge	31	29	13	-	-	73
Credit-related commitments	53 018	-	-	-	-	53 018

Net result from other segments represents income and expense from funding transactions between the segments, based on internally calculated rates.

MDM Bank**Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

7 Analysis by Segment (Continued)

Segment information for the main reportable business segments of the Group for the three-month period ended 31 March 2006 is set out below:

	Three-Month Period Ended 31 March 2006 (Unaudited)					
	Corporate banking	Retail banking	Investment banking and financial markets	Central treasury	Unallocated	Consolidated Group
External revenue	2 334	682	854	12	4	3 886
Net result from other segments	(545)	(158)	(34)	496	241	-
Impairment and provisions losses	(13)	(72)	(23)	-	-	(108)
Interest expense	(334)	(65)	(544)	(359)	-	(1 302)
Fee and commission expense	(50)	(34)	(83)	-	13	(154)
Direct operating expenses	(325)	(171)	(206)	(9)	-	(711)
Segment result before allocation of indirect operating expenses	1 067	182	(36)	140	258	1 611
Allocation of indirect operating expenses	(221)	(269)	(117)	(1)	-	(608)
Segment result	846	(87)	(153)	139	258	1 003
Income tax expense						(286)
Profit for the period						717
Other segment items						
Capital expenditure	21	2	17	14	-	54
Depreciation charge	28	2	23	18	-	71
Credit-related commitments	18 365	-	-	-	-	18 365

Segment information for the three-month period ended 31 March 2006 has been restated to conform to current period presentation.

8 Contingent Liabilities in Respect of Taxation

The Group operates in a number of tax jurisdictions. In the normal course of business, management must interpret and apply existing legislation to transactions with third parties and its own activities. Current Russian tax legislation is principally based on the form in which transactions are documented and the underlying accounting treatment as prescribed by Russian Accounting Rules. The interpretation of Russian tax legislation by the tax authorities and court practice, which are subject to frequent changes, in the future may focus less on the form rather than on the substance of a transaction. 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. Tax years remain open to normal audit by the Russian tax authorities for three years; during such time any change in interpretation or practice, even if there is no change in Russian tax legislation, could be applied retroactively. The interpretation and practice in other jurisdictions in which the Group operates is also changing, sometimes with retroactive effect.

MDM Bank**Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

8 Contingent Liabilities in Respect of Taxation (Continued)

In Management's opinion, the Group is in substantial compliance with the tax and other laws governing its operations in Russia and in other tax jurisdictions. However, a risk remains that the relevant authorities could take different positions with regard to interpretative issues or that court practice could develop adversely to positions taken by the Group and the effect on these interim consolidated condensed financial statements, should the authorities succeed in asserting their positions, could be significant.

9 Related Party Transactions

For the purposes of these interim consolidated condensed 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 International Financial Reporting Standard 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.

Related parties comprise ultimate beneficiaries of the Group, which have joint control over the Group, parent companies of the Bank, directors and key management personnel, and other related parties. Other related parties are entities, which are under common control with the Group, and entities, which are significantly influenced by the Group's beneficiaries, directors and key management personnel. These include mainly Joint Stock Company Mineral and Chemical Company EuroChem (mineral fertilizers), Joint Stock Company Siberian Coal Energy Company (SUEK) (coal and energy), holding companies for these companies, and companies controlled by the Bank's parent companies. For the three-month period ended 31 March 2006, related parties also included TMK (pipes) and its holding company. TMK ceased to be a related party in October 2006.

Key management personnel comprise members of the Management Board of MDM Bank, heads of core business units and the Chief accountant of MDM Bank.

Banking transactions are entered into in the normal course of business with the related parties. These include settlements, loans, deposit taking, trade finance and foreign currency transactions.

The following table shows exposure of the Group to related parties as at 31 March 2007 and 31 December 2006:

	31 March 2007		31 December 2006	
	Amount	% of Total assets	Amount	% of Total assets
Total balance sheet exposure (net of impairment)	894	0.3	1 483	0.6
Total (on and off balance sheet) exposure (net of impairment)	894	0.3	1 490	0.6

The total remuneration of the members of the Board of Directors of MDM Bank, including discretionary compensation, amounts to RUR 37 million for the three-month period ended 31 March 2007 (2006: RUR 11 million).

The total remuneration of key management personnel, including discretionary compensation, amounts to RUR 182 million for the three-month period ended 31 March 2007 (2006: RUR 148 million).

The Group does not provide post-employment, share-based or other long-term benefits to the directors and key management personnel.

MDM Bank**Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

9 Related Party Transactions (Continued)

The outstanding balances as at 31 March 2007 with related parties are as follows:

	Beneficiaries	Parent companies of the Bank	Directors and key management	Other related parties			Total	Total
				EuroChem	SUEK	Other		
Unaudited								
Assets								
Trading securities								
- Corporate bonds	-	-	-	7	25	-	32	32
- Corporate shares	-	-	-	-	336	-	336	336
Loans and advances to customers (gross)	-	-	2	1	529	-	530	532
Loan impairment	-	-	-	-	(6)	-	(6)	(6)
Total assets	-	-	2	8	884	-	892	894
Liabilities								
Customer accounts								
- Current accounts	262	9	9	230	164	113	507	787
- Term deposits	200	2 580	87	-	-	7 818	7 818	10 685
Total liabilities	462	2 589	96	230	164	7 931	8 325	11 472

The results of transactions with related parties for the three-month period ended 31 March 2007 are as follows:

	Beneficiaries	Parent companies of the Bank	Directors and key management	Other related parties			Total	Total
				EuroChem	SUEK	Other		
Unaudited								
Interest income on loans and advances to customers	-	-	-	-	17	-	17	17
Interest income received from securities issued by related parties	-	-	-	-	2	-	2	2
Interest expense on customer accounts	(4)	(45)	(1)	-	-	(153)	(153)	(203)
Net trading gain from trading in securities issued by related parties	-	-	-	-	7	-	7	7
Results from dealing in foreign currencies	-	-	-	-	-	1	1	1
Net fee and commission income	-	-	-	-	2	-	2	2
Operating expenses	-	-	(219)	-	(27)	-	(27)	(246)

MDM Bank**Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

9 Related Party Transactions (Continued)

The outstanding balances as at 31 December 2006 with related parties are as follows:

	Beneficiaries	Parent companies of the Bank	Directors and key management	Other related parties			Total	Total
				EuroChem	SUEK	Other		
Assets								
Trading securities								
- Corporate bonds	-	-	-	-	9	-	9	9
- Corporate shares	-	-	-	-	771	-	771	771
Loans and advances to customers (gross)	-	-	38	-	522	-	522	560
Loan impairment	-	-	-	-	(6)	-	(6)	(6)
Derivatives	-	-	-	-	149	-	149	149
Total assets	-	-	38	-	1 445	-	1 445	1 483
Liabilities								
Customer accounts								
- Current accounts	1 196	208	7	50	91	22	163	1 574
- Term deposits	310	2 388	59	-	-	7 906	7 906	10 663
Derivatives	-	-	-	-	5	-	5	5
Total liabilities	1 506	2 596	66	50	96	7 928	8 074	12 242
Credit related commitments								
Credit related commitments	-	-	-	-	7	-	7	7

MDM Bank**Notes to the Interim Consolidated Condensed Financial Statements for the Three-Month Period Ended 31 March 2007**

(expressed in millions of Russian Roubles – refer to Note 3)

9 Related Party Transactions (Continued)

The results of transactions with related parties for the three-month period ended 31 March 2006 are as follows:

	Beneficiaries	Parent companies of the Bank	Directors and key management	Other related parties					Total	Total
				EuroChem	SUEK	TMK	Controlled by parent companies of the Bank	Other		
Unaudited										
Interest income on due from other banks	-	-	-	-	-	-	12	-	12	12
Interest income on loans and advances to customers	-	52	2	-	36	20	-	25	81	135
Interest income received from securities issued by related parties	-	-	-	-	-	1	-	-	1	1
Interest expense on due to other banks	-	-	-	-	-	-	(12)	-	(12)	(12)
Interest expense on customer accounts	(6)	(24)	-	-	-	-	-	(3)	(3)	(33)
Loan impairment reversal/(losses)	-	(85)	-	-	19	6	-	(57)	(32)	(117)
Net fee and commission income	-	1	-	-	2	-	9	-	11	12
Other income	-	2	-	-	-	-	-	-	-	2
Operating expenses	-	-	(159)	-	(11)	-	-	-	(11)	(170)

10 Subsequent Events

In May 2007, MDM Bank issued USD 350 million of notes maturing in 2012 under its future flow diversified payment rights ("DPR") securitization program.

Supplementary Interim Consolidated Condensed Financial Information

As described in Note 1 (b) to the interim consolidated condensed financial statements of MDM Bank for the three-month period ended 31 March 2007, the structure of the MDM Bank Group changed during 2006 due to acquisition of subsidiaries which were previously fellow subsidiaries of MDM Bank within MDM Financial Group. The table below presents the interim consolidated statement of income of MDM Bank for the three-month period ended 31 March 2007 and the interim consolidated statement of income of MDM Financial Group for the three-month period ended 31 March 2006. The management believes that such information will be useful for analysis of the performance of MDM Bank for the three-month period ended 31 March 2007.

Interim Consolidated Statement of Income

	MDM Bank	MDM Financial Group
	Three-Month Period Ended 31 March 2007 Unaudited	Three-Month Period Ended 31 March 2006 Unaudited
Interest income	6 128	3 636
Interest expense	(3 042)	(1 404)
Net interest income	3 086	2 232
Reversal of loan impairment	(600)	85
Net interest income after loan impairment	2 486	2 317
Gains less losses arising from trading in securities	471	140
Gains less losses arising from trading in precious metals	(1)	24
Gains less losses from foreign exchange	282	220
Other trading result	(98)	-
Fee and commission income	544	590
Fee and commission expense	(118)	(189)
Gains less losses from other financial instruments at fair value through profit or loss	-	(56)
Reversal of provision for losses on credit related commitments	(22)	22
Impairment of other assets	-	(25)
Other operating results	81	22
Operating income	3 625	3 065
Operating expenses	(1 850)	(1 527)
Profit before taxation	1 775	1 538
Income tax expense	(365)	(339)
Profit for the period	1 410	1 199
Attributable to:		
Equity holders of the parent	1 410	1 181
Minority interest	-	18

The supplementary interim consolidated financial information is provided for information purposes only and does not form part of these interim consolidated condensed financial statements.