Credit Bank of Moscow

Consolidated financial statements
for the year ended December 31, 2007

Contents

ZAO KPMG
Naberezhnaya Tower Complex, Block C
18 Krasnopresnenskaya Naberezhnaya
Moscow 123317
Russia

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report

To the Council of JSC "Credit Bank of Moscow"

We have audited the accompanying consolidated balance sheets of JSC "Credit Bank of Moscow" and its subsidiaries ("the Group") as of December 31, 2007 and 2006, and the related consolidated statements of income and other comprehensive income, stockholders' equity and other comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ZAO KPMG

ZAO KPMG
March 27, 2008

Credit Bank of Moscow
Consolidated balance sheets as at December 31, 2007 and 2006
(thousands of US Dollars)

	Notes	December 31, 2007	December 31, 2006
Assets			
Cash and due from Central Bank	4	193,890	118,663
Due from credit institutions, net	5	214,243	75,352
Trading securities	6	149,692	110,117
Loans to customers, net	7	1,081,568	741,340
Property and equipment	8	63,472	37,820
Other assets	9	19,079	11,907
Total assets		**1,721,944**	**1,095,199**
Liabilities			
Deposits by credit institutions	10	499,755	230,739
Deposits by customers	11	689,528	401,086
Debt securities issued	12	283,054	285,595
Income tax liability	22	9,422	12,755
Other liabilities	13	17,360	10,689
Total liabilities		**1,499,119**	**940,864**
Stockholders' equity			
Common stock	14	128,571	93,657
Additional paid-in capital		6,612	6,612
Retained earnings		55,797	35,821
Other comprehensive income - cumulative translation adjustment		31,845	18,245
Total stockholders' equity		**222,825**	**154,335**
Total liabilities and stockholders' equity		**1,721,944**	**1,095,199**
Commitments and contingencies	23	**100,245**	**49,632**

Signed on behalf of the Executive Management Board

Roman I. Avdeev — Chairman of the Board - President

Svetlana V. Tokareva — Acting Chief Accountant

The accompanying notes are an integral part of these consolidated financial statements.

Credit Bank of Moscow
Consolidated statements of income and other comprehensive income for the year ended December 31, 2007 and 2006
(thousands of US Dollars)

	Notes	2007	2006
Interest income	16	132,079	73,985
Interest expense	16	(71,649)	(36,744)
Net interest income		**60,430**	**37,241**
Provision for credit impairment	17	(5,738)	(3,149)
Net interest income after provision for credit impairment		**54,692**	**34,092**
Fees and commissions income	18	28,193	18,027
Foreign exchange gains, net		4,032	3,445
Equity securities trading profits, net	19	641	1,267
Other operating income		2,001	1,633
Non interest income		**34,867**	**24,372**
Salaries and employment benefits	20	35,799	24,234
Administrative expenses	20	20,468	14,566
Fees and commissions expense		2,140	2,040
Depreciation		1,633	1,266
State deposit insurance scheme contributions		1,291	605
Other operating expenses		1,704	1,051
Non interest expense		**63,035**	**43,762**
Income before income taxes		**26,524**	**14,702**
Income taxes	22	(6,548)	(3,465)
Net income		**19,976**	**11,237**
Foreign currency translation adjustments		13,600	10,661
Other comprehensive income		**13,600**	**10,661**
Comprehensive income		**33,576**	**21,898**

The accompanying notes are an integral part of these consolidated financial statements.

Credit Bank of Moscow
Consolidated statements of changes in stockholders' equity and other comprehensive income for the year ended December 31, 2007 and 2006
(thousands of US Dollars)

	Common stock	Additional paid-in capital	Retained earnings	Other comprehensive income - cumulative translation adjustment	Total stockholders' equity
December 31, 2005	**63,940**	**6,612**	**24,584**	**7,584**	**102,720**
Shares issued	29,717	-	-	-	29,717
Net income	-	-	11,237	-	11,237
Translation adjustment	-	-	-	10,661	10,661
December 31, 2006	**93,657**	**6,612**	**35,821**	**18,245**	**154,335**
Shares issued	34,914	-	-	-	34,914
Net income	-	-	19,976	-	19,976
Translation adjustment	-	-	-	13,600	13,600
December 31, 2007	**128,571**	**6,612**	**55,797**	**31,845**	**222,825**

The accompanying notes are an integral part of these consolidated financial statements.

Credit Bank of Moscow
Consolidated statements of cash flows for the year ended December 31, 2007 and 2006
(thousands of US Dollars)

	Notes	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		19,976	11,237
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit impairment		5,738	3,149
Depreciation		1,633	1,266
Deferred taxes		1,898	(5,752)
Revaluation of securities		382	(4,117)
Accrued interest income		(1,920)	(2,786)
Accrued interest expense		4,807	5,724
Other		(2,561)	(20)
Operating cash flow before changes in operating assets and liabilities		**29,953**	**8,701**
Increase in operating assets			
Obligatory reserve deposits with the Central Bank of the Russian Federation		(3,901)	(6,106)
Trading securities		(39,957)	(18,789)
Loans to customers		(345,776)	(318,263)
Other assets		(5,424)	(2,631)
Increase/(decrease) in operating liabilities			
Deposits by credit institutions		269,017	85,285
Deposits by customers		288,442	171,926
Debt securities issued		(2,538)	121,401
Other liabilities		(3,478)	10,313
Unrealized translation adjustment		13,600	10,661
Net cash from operations		**199,938**	**62,498**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of property and equipment		(24,635)	(35,530)
Net cash from investing activities		**(24,635)**	**(35,530)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of common stock		34,914	29,717
Net cash from financing activities		**34,914**	**29,717**
Change in cash and cash equivalents		**210,217**	**56,685**
Cash and cash equivalents, beginning of the year		177,289	120,604
Cash and cash equivalents, end of the year	21	**387,506**	**177,289**
Supplemental information:			
Interest paid during the period		(66,796)	(31,020)
Income taxes paid during the period		(10,292)	(1,019)

The accompanying notes are an integral part of these consolidated financial statements.

(All amounts in thousands of US Dollars except otherwise stated)

NOTE 1 – BACKGROUND

(a) Organization and operations

These consolidated financial statements include the financial statements of Credit Bank of Moscow (the "Bank") and its subsidiaries (together referred to as the "Group").

Credit Bank of Moscow was formed on August 5, 1992 as an open joint stock company, then re-registered as a closed joint stock company under the laws of the Russian Federation. On August 18, 1999 the Bank was reorganized as an open joint stock company. The Bank's registered legal address is 2 (bldg. 1) Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central Bank of Russia (the "CBR"), granted on January 20, 2000. The Bank is among the 60 largest banks in Russia by assets. The Bank's main office is in Moscow and as at 31 December 2007 it had 38 branches in Moscow and Moscow region and 2 regional branches, one in Tula and one in Ryazan. The Bank was admitted to the Central Bank of Russia program for individual deposit insurance in December 2004.

The principal consolidated subsidiaries of the Banking Group are as follows:

Name	Date of incorporation	Country of incorporation	Principal Activities	Degree of control %	
				December 31, 2007	December 31, 2006
CBOM Finance p.l.c.	17 Aug 2006	Ireland	Raising finance	100%	100%
Relex Enterprise	8 Sep 2005	United Kingdom	Business introduction	-	100%
MKB-Invest	4 June 2007	Russia	Operations with securities	100%	-
MKB-Leasing	20 Sep 2005	Russia	Financial lease	100%	100%
M-leasing	28 May 2007	Russia	Financial lease	100%	-

The Bank does not have any direct or indirect shareholdings in the subsidiaries noted above. However CBOM Finance p.l.c. was established under the terms that impose strict limits on the decision-making powers of their management. Relex Enterprise, MKB-Invest, MKB-Leasing and M-leasing are controlled by the Group through option agreements.

In 2007 the Group disposed of Relex Enterprise as the company was dormant for the last two years. The disposal did not have any affect on the Group's financial position and results of operations.

Prior to 1 January 2007 the financial statements of the Group's subsidiary, MKB-Leasing, were not consolidated into those of the Group as the effect of consolidation was not material. During 2007 effect the financial position and results of operations of MKB-Leasing have on the consolidated financial statements became material. Thus, starting from 1 January 2007 the financial statements of MKB-Leasing were consolidated into the financial statements of the Group.

(b) Shareholders

The Group is wholly-owned by Concern Rossium (the "Shareholder Group"). Related party transactions are detailed in Note 24.

(c) Operating environment

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

NOTE 2 – BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

(b) Reporting currency and translation into US dollars

Prior to December 31, 2003 Russian economy was considered to be hyperinflationary and the Group used US Dollar as its functional and reporting currency. Starting from January 1, 2003 the Russian economy is no longer considered to be hyperinflationary under Statement of Financial Accounting Standard 52 *Foreign Currency Translation*. Accordingly the Group has conducted an assessment of its operations and determined the Russian Rouble to be its functional currency. Management of the Group has elected to use US Dollar as the reporting currency in these consolidated financial statements.

The carrying values of all non-monetary assets, liabilities and equity items were translated and fixed in Russian Rubles at the rates effective at the date of transition to the Russian Ruble as the functional currency, January 1, 2003. Translation from functional to reporting currency was conducted as follows:

- all assets and liabilities are translated from the functional to the reporting currency at the exchange rate, effective at the reporting date;
- equity items are translated from functional to reporting currency at the historical exchange rates. Translation adjustments arising from translation of equity are included in Other Comprehensive Income in accordance with SFAS 52;
- income statement transactions are translated from the functional to the reporting currency at the approximate rates ruling at the dates of the transactions. Translation adjustments arising from translation of income and expenses are included in Other Comprehensive Income in accordance with SFAS 52.

The closing rate of exchange effective at December 31, 2007 and December 31, 2006 was 1 USD to 24.55 Rubles and 1 USD to 26.33 Rubles, respectively.

(c) Convertibility of the Ruble

The Russian Ruble is not a convertible currency outside the Russian Federation and, accordingly, any conversion of Russian Ruble amounts to US dollars should not be construed as a representation that Russian Ruble amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rate shown, or at any other exchange rate.

(d) Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying consolidated financial statements do not include any adjustments should the Group be unable to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of these consolidated financial statements. These accounting policies have been consistently applied.

Basis of consolidation

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All significant intercompany transactions have been eliminated in consolidation. In addition, the Group evaluates its relationships with other entities to identify whether they are variable interest entities as defined by FASB Interpretation No. 46 (R) *Consolidation of Variable Interest Entities* ("FIN 46R") and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Group is the primary beneficiary, then that entity is included in the consolidated financial statements in accordance with FIN 46(R).

Use of estimates

Management of the Group has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, in particular in respect of loan loss provisions. Actual results could differ from those estimates.

Loans to customers

The carrying amounts of the Group's loans are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the loans' recoverable amounts are estimated.

An impairment loss is recognized whenever the carrying amount of a loan exceeds its recoverable amount.

The recoverable amount of loans is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the loan.

The Group has established collective assessment of impairment loss for its loan portfolios with similar credit risk characteristics. This assessment is based on determination of historical pattern of overdue loans and expected losses for each type of the loan portfolio. The Group makes reassessments of loan loss provisions at each balance sheet date.

Due from credit institutions

In the normal course of business, the Group lends or deposits funds for various periods with other credit institutions. Impairment losses for placements with banks and other credit institutions are calculated in accordance with the policy similar to the one applied to loans to customers.

Trading securities

Trading securities are carried at market value with the gains and losses recognized in the statement of income.

Included in securities trading profits are realized gains and losses from recording the results of sales and unrealized gains and losses resulting from market value adjustments of trading equity securities.

Included in interest income is coupon income, amortization of premiums and discounts and realized and unrealized gains and losses related to trading debt securities.

Repurchase and reverse repurchase agreements

Repurchase and reverse repurchase agreements are utilized by the Group as an element of its treasury management and trading business. Repurchase agreements are accounted for as financing transactions. As financing transactions, the related securities are recorded in the Group's accounts and the related payable is included as an amount due to credit institutions or customers, as appropriate. Any related expense arising from the pricing spreads for the underlying securities is recognized as interest expense.

Reverse repurchase agreements are accounted for as loans and advances to banks or customers, as appropriate. Any related income arising from the pricing spreads for the underlying securities is recognized as interest income.

Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset. The economic lives are as follows:

	Years
Buildings	50
Furniture and other property	6
Computers and office equipment	4
Vehicles	5

Intangible assets

Intangible assets are recorded at historical cost less accumulated amortization and impairment losses. Amortization is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset. The majority of intangible assets is represented by accounting software. The economic life of intangible assets is 3 years.

Impairment of property and equipment

The Group accounts for long lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Under this standard the carrying value of the asset is considered to be impaired when the anticipated undiscounted future cash flow from such asset is separately identifiable, and is less than the carrying value.

In that event, an impairment loss is recognized based on the amount by which the carrying value exceeds the fair market value of the asset. Impairment losses are recognized in the income statement. Fair market value is determined primarily using anticipated cash flows discounted at a rate commensurate with the risk involved.

Interest bearing liabilities

Interest-bearing liabilities are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings.

Income and expense recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with any related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Taxes

Income taxes are accounted for under the asset and liability method in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109 *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Statement of cash flows

The Group considers cash on hand, the correspondent account with the CBR and due from credit institutions with original maturities of three months or less to be cash equivalents.

(All amounts in thousands of US Dollars except otherwise stated)

NOTE 4 – CASH AND DUE FROM CENTRAL BANK

Cash and due from Central Bank comprise:

	December 31, 2007	December 31, 2006
Cash on hand	101,902	76,475
Correspondent account with the CBR	71,961	26,062
Obligatory reserve deposits with the CBR	20,027	16,126
Cash and due from Central Bank	**193,890**	**118,663**

The obligatory reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by the CBR, the withdrawal of which is restricted. The correspondent account with CBR represents balances held with the CBR related to settlement activity, and was available for withdrawal at period end.

Information about the currency and maturity profiles of cash and due from Central Bank is presented in note 27 to these consolidated financial statements.

NOTE 5 – DUE FROM CREDIT INSTITUTIONS, NET

Due from credit institutions comprise:

	December 31, 2007	December 31, 2006
Current accounts	29,728	22,601
Time deposits	184,515	52,751
Due from credit institutions	**214,243**	**75,352**

Information about the currency and maturity profiles and effective interest rates on amounts due from credit institutions is presented in note 27 to these consolidated financial statements.

Concentration of balances due from credit institutions

As at 31 December 2007 there was one bank (31 December 2006: one bank) whose balances exceeded 10% of Group's equity. The gross value of these balances as at 31 December 2007 was USD 34,286 thousand (31 December 2006: USD 30,000 thousand).

(All amounts in thousands of US Dollars except otherwise stated)

NOTE 6 – TRADING SECURITIES

Trading securities, at fair value, consist of the following:

	December 31, 2007	December 31, 2006
Publicly traded debt securities		
Corporate notes	95,539	82,412
Russian Government debt securities	32,382	3,594
Municipal bonds	16,349	19,567
Publicly traded equity securities	5,422	4,544
Trading securities	**149,692**	**110,117**

As at 31 December 2007 debt instruments with the carrying value of USD 32,753 thousand (31 December 2006: nil) were pledged under repurchase agreements (refer to Note 10).

As at 31 December 2007 promissory notes with the carrying value of USD 14,205 thousand (31 December 2006: nil) were pledged under standby overdraft facilities.

Information about the currency and maturity profiles and effective interest rates on Group's trading securities is presented in note 27 to these consolidated financial statements.

NOTE 7 – LOANS TO CUSTOMERS, NET

The Group's loan portfolio has been extended to private enterprises and individuals which are principally located within the Russian Federation. Loans to customers and respective provisions for loan losses are presented below:

	December 31, 2007		December 31, 2006	
	Loans	Loss provisions	Loans	Loss provisions
Consumer loans				
Car loans	94,817	(4,364)	125,161	(3,608)
Mortgage loans	85,255	(269)	35,320	(88)
Other consumer loans	20,302	(433)	7,318	(216)
	200,374	**(5,066)**	**167,799**	**(3,912)**
Corporate loans	**873,838**	**(2,683)**	**559,761**	**(1,624)**
Small business loans	**16,322**	**(1,217)**	**19,913**	**(597)**
Total	**1,090,534**	**(8,966)**	**747,473**	**(6,133)**

(All amounts in thousands of US Dollars except otherwise stated)

Corporate and small business loans by economic sector are as follows:

	Corporate loans		Small business loans	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Consumer electronics and computers	260,507	141,771	841	630
Light industry	119,597	68,948	2,635	4,041
Machinery	77,076	61,866	1,658	2,655
Construction materials	76,610	62,503	1,978	1,377
Services	72,605	30,890	1,441	2,056
Paper and stationery	56,851	20,931	317	715
Foods	52,607	33,549	1,598	2,641
Other consumer goods	48,051	33,605	3,108	1,802
Hygiene products and consumer chemicals	44,513	37,037	1,002	1,208
Furniture	25,815	24,163	656	1,006
Sports goods	17,840	21,014	22	287
Medical	9,285	4,349	257	221
Metallurgic	1,214	1,881	234	249
Other	11,267	17,254	575	1,025
	873,838	**559,761**	**16,322**	**19,913**

Overdue loans

As at 31 December 2007 the aggregate amount of loans with contractually overdue principal or interest was as follows:

	December 31, 2007		December 31, 2006	
	Overdue loans	Loss provisions	Overdue loans	Loss provisions
Consumer loans	5,861	(3,979)	5 856	(3 339)
Small business loans	1,103	(853)	377	(354)
Corporate loans	449	(449)	134	-

In 2007 the management of the Group performed a review of overdue loans and assessed that loans in the amount of USD 2,797 thousand (2006: USD 10,060 thousand) should be written off. Such loans were written-off against previously created provisions for loan impairment.

Information about the currency and maturity profiles and effective interest rates on Group's loan portfolio is presented in note 27 to these consolidated financial statements.

Finance lease

Loans to customers include finance lease receivables, which are analyzed as follows:

	December 31, 2007
Gross investment in finance lease	53,811
Unearned interest income	(930)
Net investment in finance lease	**52,881**

(All amounts in thousands of US Dollars except otherwise stated)

Significant credit exposures

As at December 31, 2007 the Group had three groups of borrowers (December 31, 2006: six) whose loans balances exceeded 10% of Group's equity. The gross value of these loans as at December 31, 2007 was USD 90,634 thousand (December 31, 2006: USD 108,686 thousand).

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment comprise:

	Buildings	Vehicles	Computers & office equipment	Furniture & other property	Construction in progress	Total
Net book value at December 31, 2006	**800**	**1 364**	**307**	**3,770**	**31,579**	**37,820**
Gross book value at December 31, 2006	970	2,135	1,367	7,194	31,579	**43,245**
Additions	-	853	1,083	2,202	20,497	**24,635**
Reclass	-	136	-	(136)	-	-
Disposals	-	(381)	(1)	(184)	-	**(566)**
Effect of foreign currency translation	70	407	92	577	2,296	**3,442**
Gross book value at December 31, 2007	**1,040**	**3,150**	**2,541**	**9,653**	**54,372**	**70,756**
Accumulated depreciation at December 31, 2006	170	771	1,060	3,424	-	**5,425**
Depreciation expense	19	497	152	962	-	**1,630**
Reclass	-	20	-	(20)	-	-
Disposals	-	(285)	(1)	(162)	-	**(448)**
Effect of foreign currency translation	14	154	42	467	-	677
Accumulated depreciation at December 31, 2007	**203**	**1,157**	**1,253**	**4,671**	-	**7,284**
Net book value at December 31, 2007	**837**	**1,993**	**1,288**	**4,982**	**54,372**	**63,472**

Construction in progress consists of an office building purchased in 2006, renovated by the Bank in 2006 and 2007 for future use as the head office and put in operation on 1 January 2008.

Interest expenses in the amount of USD 2,804 thousand (2006: nil) were capitalized in the carrying value of the construction in progress.

(All amounts in thousands of US Dollars except otherwise stated)

NOTE 9 – OTHER ASSETS

Other assets comprise:

	December 31, 2007	December 31, 2006
Accrued interest receivable	6,793	4,873
Trade recievable and prepayments	6,205	792
Prepaid expenses	5,092	5,077
Intangibles	167	255
Other	822	910
Other assets	**19,079**	**11,907**

NOTE 10 – DEPOSITS BY CREDIT INSTITUTIONS

Deposits by credit institutions comprise:

	December 31, 2007	December 31, 2006
Demand deposits	280	768
Time deposits	456,050	229,971
Payables under repurchase agreements	43,425	-
Deposits by credit institutions	**499,755**	**230,739**

Information about the currency and maturity profiles and effective interest rates on deposits by credit institutions is presented in note 27 to these consolidated financial statements.

Concentration of deposits from credit institutions

As at Decemder 31, 2007 the Group had three syndicated facilities (December 31, 2006: two syndicated facilities) each exceeding 10% of the Group's equity. The gross value of these facilities as at December 31, 2007 was USD 160 000 thousand (December 31, 2006: USD 73,000 thousand).

As at Decemder 31, 2007 the Group had balances of two counterparties (December 31, 2006: two counterparties) whose deposits' balances exceeded 10% of the Group's equity. The gross value of these balances as at December 31, 2007 was USD 55,569 thousand (December 31, 2006: USD 55,000 thousand).

(All amounts in thousands of US Dollars except otherwise stated)

NOTE 11 – DEPOSITS BY CUSTOMERS

Deposits by customers comprise:

		December 31, 2007	December 31, 2006
Corporate customers	Demand	280,499	192,769
	Time	109,257	55,435
Total corporate customers		**389,756**	**248,204**
Individuals	Demand	38,001	21,455
	Time	261,771	131,427
Total individuals		**299,772**	**152,882**
Total deposits by customers		**689,528**	**401,086**

Information about the currency and maturity profiles and effective interest rates on deposits by customers is presented in note 27 to these consolidated financial statements.

Concentrations of current accounts and customer deposits

As at December 31, 2007 and December 31, 2006, there were no demand or time deposits from customers, which individually exceeded 10% of the Group's equity.

NOTE 12 – DEBT SECURITIES ISSUED

Debt securities issued comprise:

	December 31, 2007	December 31, 2006
Promissory notes issued - nominal value	140,285	136,768
Unamortized discount on promissory notes	(6,465)	(3,140)
	133,820	**133,628**
Bonds issued	149,234	151,967
	283,054	**285,595**

Information about the currency and maturity profiles and effective interest rates on debt securities issued is presented in note 27 to these consolidated financial statements.

(All amounts in thousands of US Dollars except otherwise stated)

NOTE 13 –OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2007	December 31, 2006
Accrued interest payable	12,475	7,622
Payables to suppliers	1,854	1,652
Deferred income	878	922
Operating taxes payable	260	168
Other	1,893	325
Other liabilities	**17,360**	**10,689**

NOTE 14 – COMMON STOCK

The stockholders' equity of the Bank has been contributed by stockholders in Rubles. Stockholders are entitled to dividends and capital distributions.

Issued, outstanding and paid stock comprised 3,276,158,008 shares (December 31, 2006: 2,376,158,008 shares) with par value of 1 RUR per share. For the purposes of these consolidated financial statements stockholders' equity was translated into US dollars using the exchange rates ruling at the dates of its contribution.

NOTE 15 – EARNINGS PER SHARE

The following table presents the computation of earnings per share based on the provisions of SFAS No. 128 as at December 31, 2007 and December 31, 2006:

Basic and fully diluted earnings per share (thousands of US Dollars except for weighted-average shares and net income per share data)	December 31, 2007	December 31, 2006
Net income applicable to common shares	19,976	11,237
Weighted-average basic shares outstanding	2,837,253,898	2,032,958,008
Net income per share	$0.007	$0.006

(All amounts in thousands of US Dollars except otherwise stated)

NOTE 16 – NET INTEREST INCOME

Net interest income comprises:

	2007	2006
Interest income		
Loans to customers	118,521	64,439
Debt securities	10,084	7,721
Due from credit institutions	3,474	1,825
	132,079	**73,985**
Interest expense		
Debt securities issued	(27,017)	(14,322)
Deposits by customers	(21,266)	(11,751)
Deposits by credit institutions	(23,366)	(10,671)
	(71,649)	**(36,744)**
Net interest income	**60,430**	**37,241**

NOTE 17 – PROVISION FOR CREDIT IMPAIRMENT

A provision for impairment in the income statement represents the charge required in the current year to establish the total provision for impairment.

The changes in provision for credit impairment are as follows:

	Loans to customers	Off balance sheet items	Total provision for impairment
December 31, 2005	**13,102**	37	**13,139**
Provisions charged	6,757	58	6,815
Loans written off	(10,060)	-	(10,060)
Recovery of provisions previously written off	(3,666)	-	(3,666)
December 31, 2006	**6,133**	95	**6,228**
December 31, 2006	**6,133**	95	**6,228**
Provisions charged	5,630	108	5,738
Loans written off	(2,797)	-	(2,797)
December 31, 2007	**8,966**	203	**9,169**

(All amounts in thousands of US Dollars except otherwise stated)

NOTE 18 – FEES AND COMMISSIONS INCOME

	2007	2006
Cash collection/delivery	11,834	7,839
Settlements and wire transfers	6,839	4,173
Loans	4,184	2,785
Other cash operations	1,738	810
Plastic cards	1,698	832
Guarantees and LCs issued	1,474	1,528
Other	426	60
Fees and commissions income	**28,193**	**18,027**

NOTE 19 – EQUITY SECURITIES TRADING PROFITS, NET

	2007	2006
Net gains from operations with equity securities	641	1,267
Equity securities trading profits, net	**641**	**1,267**

NOTE 20 – SALARIES, EMPLOYMENT BENEFITS AND ADMINISTRATIVE EXPENSES

	2007	2006
Salaries	29,621	20,569
Social security costs	5,201	3,634
Other	977	31
Salaries and employment benefits	**35,799**	**24,234**
Occupancy	7,203	5,171
Advertising and business development	3,425	2,464
Operating taxes	3,019	2,301
Security	2,440	1,664
Communications	1,538	1,012
Transport	1,500	1,097
Other	1,343	857
Administrative expenses	**20,468**	**14,566**

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to the income statement in the period the related compensation is earned by the employee. The Group does not have any stock option plans.

(All amounts in thousands of US Dollars except otherwise stated)

NOTE 21 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	December 31, 2007	December 31, 2006
Cash on hand	101,902	76,475
Due from credit institutions with the original maturity of less then 3 months	213,643	74,752
Correspondent account with the CBR	71,961	26,062
Cash and cash equivalents	**387,506**	**177,289**

NOTE 22 – INCOME TAXES

The income tax expense comprises:

	2007	2006
Current tax charge	4,650	9,217
Deferred taxation	1,898	(5,752)
Income tax expense	**6,548**	**3,465**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The current year income tax rate for the Bank is 24% (2006: 24%).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the provision for income taxes based on statutory rates with the actual provision for income taxes follows:

	2007	2006
Income before income taxes	26,524	14,702
Applicable statutory tax rate	24%	24%
Income tax using the applicable tax rate	6,366	3,528
Income taxed at lower rate	(184)	(226)
Net non-deductible costs	366	163
Income tax expense	**6,548**	**3,465**

Income tax liabilities comprise:

	December 31, 2007	December 31, 2006
Current tax liability	2,556	8,198
Deferred tax liability	6,866	4,557
Income tax liability	**9,422**	**12,755**

(All amounts in thousands of US Dollars except otherwise stated)

As at December 31, 2007 the net deferred tax liability was USD 6,866 thousand (December 31, 2006: USD 4,557 thousand). This deferred tax liability is attributable to the following items, listed below at their tax effected values, which have no expiry dates:

	December 31, 2007	December 31, 2006
Provision for credit impairment	5,026	3,397
Premises and equipment	1,224	95
Accrued interest	504	1,414
Other	372	-
Deferred tax liabilities	**7,126**	**4,906**
Other	(260)	(349)
Deferred tax assets	**(260)**	**(349)**
Net deferred tax liability	**6,866**	**4,557**

The applicable deferred tax rate for the Bank is 24% (2006: 24%).

A temporary difference of USD 954 thousand (2006: nil) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future. The amount of the related unrecognised deferred tax liability is USD 229 thousand (2006: nil).

Movement in deferred tax liabilities was as follows:

	2007	2006
Balance as at 1 January	4,557	9,602
Recognized in income	1,898	(5,752)
Foreign currency translation effect	411	707
Balance as at 31 December	**6,866**	**4,557**

NOTE 23 – COMMITMENTS AND CONTINGENCIES

a) Financial commitments

Undrawn loan commitments, letters of credit and guarantees at December 31, 2007 and December 31, 2006 comprise:

	December 31, 2007	December 31, 2006
Undrawn loan commitments	15,491	18,371
Letters of credit	64,688	20,140
Guarantees	20,066	11,121
	100,245	**49,632**

(All amounts in thousands of US Dollars except otherwise stated)

At December 31, 2007 the Group provided for potential losses on guarantees and letters of credit in the amount of USD 203 thousand (December 31, 2006: USD 95 thousand).

b) Legal

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

c) Insurance

The Group has arranged comprehensive crime, computer crime, property and liability insurance.

d) Tax

The taxation system in the Russian Federation is relatively new and is characterized 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. However, the relevant tax authorities could take a different position and the effect on these consolidated financial statements, if the authorities were successful in enforcing their position, could be significant.

NOTE 24 – RELATED PARTIES

The outstanding balances and related average interest rates as at December 31, 2007 and December 31, 2006 with related parties are as follows:

	December 31, 2007		December 31, 2006	
	Amount	**Average effective interest rate**	**Amount**	**Average effective interest rate**
Assets				
Loans to customers, gross	36,679	12.3%	6,970	12.2%
Liabilities				
Deposits by customers	5,202	10.0%	12,827	4.9%

(All amounts in thousands of US Dollars except otherwise stated)

Amounts included in the income statements as at December 31, 2007 and 2006 in relation to transactions with related parties are as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
Interest income on loans to customers	2,100	402
Interest expense on deposits by customers and promissory notes	166	7

NOTE 25 – CAPITAL ADEQUACY

The Group's risk based capital adequacy ratio was 16.7% for December 31, 2007 and 17.7% for December 31, 2006, which exceeds the minimum ratio of 8% recommended by the Report on International Convergence of Capital Measurement and Capital Standards dated July 1988 of the Basle Committee on banking regulations and supervisory practices, as amended from time to time.

NOTE 26 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No.107. The Group has performed an assessment of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The fair values of the financial assets and financial liabilities are as follows:

	December 31, 2007		December 31, 2006	
	Carrying value	Fair value	Carrying value	Fair value
Financial Assets				
Cash and due from Central Bank	193,890	193,890	118,663	118,663
Due from credit institutions, net	214,243	214,243	75,352	75,352
Trading securities	149,692	149,692	110,117	110,117
Loans to customers, net	1,081,568	1,079,352	741,340	741,340
Financial Liabilities				
Deposits by credit institutions	499,755	499,755	230,739	230,739
Deposits by customers	689,528	689,014	401,086	401,086
Debt securities issued	283,054	281,304	285,595	285,432

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Trading securities and publicly traded debt securities issued: the fair values are based on quoted market prices for these or similar instruments.

Other financial instruments: the fair values are calculated using discounting cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the balance sheet date.

This estimate of fair value is intended to approximate the amount at which the above listed assets could be exchanged in a current transaction between willing parties. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate settlement of the instruments.

NOTE 27 – RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows:

Credit risk

The Group is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Such risks are monitored on a periodic basis and subject to an annual or more frequent review.

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

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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are frequently fully or partially covered by the funds deposited by customers and therefore usually bear limited credit risk.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

(All amounts in thousands of US Dollars except otherwise stated)

The geographical concentration of banking assets and liabilities follows:

	December 31, 2007 Russia	OECD	Other non-OECD	Total	December 31, 2006 Russia	OECD	Other non-OECD	Total
Assets								
Cash and due from Central Bank	190,049	3,841	-	**193,890**	112,652	6,011	-	**118,663**
Due from credit institutions	177,388	36,796	59	**214,243**	58,007	17,329	16	**75,352**
Trading securities	149,692	-	-	**149,692**	110,117	-	-	**110,117**
Loans to customers, gross	1,090,477	-	57	**1,090,534**	746,864	594	15	**747,473**
	1,607,606	**40,637**	**116**	**1,648,359**	**1,027,640**	**23,934**	**31**	**1,051,605**
Liabilities								
Deposits by credit institutions	111,206	378,879	9,670	**499,755**	58,382	169,452	2,905	**230,739**
Deposits by customers	679,625	1,213	8,690	**689,528**	372,319	20,370	8,397	**401,086**
Debt securities issued	231,800	47,177	4,077	**283,054**	266,126	3,392	16,077	**285,595**
	1,022,631	**427,269**	**22,437**	**1,472,337**	**696,827**	**193,214**	**27,379**	**917,420**
Net position	584,975	(386,632)	(22,321)	176,022	330,813	(169,280)	(27,348)	134,185

Currency risk

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the Central Bank of Russia.

The exposure of the Group's banking assets to foreign currency exchange rate risk is as follows:

	December 31, 2007 USD	Rubles	Other currencies	Total	December 31, 2006 USD	Rubles	Other currencies	Total
Assets								
Cash and due from Central Bank	3,018	190,049	823	**193,890**	4,967	112,652	1,044	**118,663**
Due from credit institutions	47,428	148,159	18,656	**214,243**	45,693	26,871	2,788	**75,352**
Trading securities	62	149,630	-	**149,692**	57	110,060	-	**110,117**
Loans to customers, gross	281,395	717,882	91,257	**1,090,534**	232,574	477,658	37,241	**747,473**
	331,903	**1,205,720**	**110,736**	**1,648,359**	**283,291**	**727,241**	**41,073**	**1,051,605**
Liabilities								
Deposits by credit institutions	293,285	101,931	104,539	**499,755**	143,951	48,371	38,417	**230,739**
Deposits by customers	33,340	628,170	28,018	**689,528**	50,668	338,732	11,686	**401,086**
Debt securities issued	49,720	229,431	3,903	**283,054**	97,055	186,221	2,319	**285,595**
	376,345	**959,532**	**136,460**	**1,472,337**	**291,674**	**573,324**	**52,422**	**917,420**
Net balance sheet position	**(44,442)**	**246,188**	**(25,724)**	**176,022**	**(8,383)**	**153,917**	**(11,349)**	**134,185**
Spot contracts	43,496	(70,540)	27,044	-	12,633	(25,151)	12,518	-
Total	**(946)**	**175,648**	**1,320**	**176,022**	**4,250**	**128,766**	**1,169**	**134,185**

(All amounts in thousands of US Dollars except otherwise stated)

Liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs and guarantees. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Bank's Asset and Liability Management Committee sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Except for trading securities, the contractual maturities of assets and liabilities as at December 31, 2007 and December 31, 2006 are as follows:

December 31, 2007

	Less than 1 month	1 – 6 months	6 months to 1 year	Over 1 year	No maturity	Overdue	Total
Assets							
Cash and due from Central Bank	173,863	-	-	-	20,027	-	**193,890**
Due from credit institutions	213,643	-	-	600	-	-	**214,243**
Trading securities	149,692	-	-		-	-	**149,692**
Loans to customers, net	114,331	498,913	162,025	306,007	-	292	**1,081,568**
Property and equipment	-	-	-	-	63,472	-	**63,472**
Other assets	11,736	-	-	-	7,343	-	**19,079**
	663,265	**498,913**	**162,025**	**306,607**	**90,842**	**292**	**1,721,944**
Liabilities							
Deposits by credit institutions	116,326	162,082	117,117	104,230	-	-	**499,755**
Deposits by customers	406,789	143,531	133,478	5,730	-	-	**689,528**
Debt securities issued	14,990	72,905	119,364	75,795	-	-	**283,054**
Income tax liability	2,556	-	-	-	6,866	-	**9,422**
Other liabilities	17,157	-	-	-	203	-	**17,360**
	557,818	**378,518**	**369,959**	**185,755**	**7,069**	**-**	**1,499,119**
Net position	**105,447**	**120,395**	**(207,934)**	**120,852**	**83,773**	**292**	**222,825**
Accumulated gap	**105,447**	**225,842**	**17,908**	**138,760**	**222,533**	**222,825**	

The portfolio of trading securities is classified within less than one month in the table above as the Management of the Group believes, that such financial assets can be realised within this period. Information about the contractual maturity of these securities is provided later in this Note.

(All amounts in thousands of US Dollars except otherwise stated)

December 31, 2006

	Less than 1 month	1 – 6 months	6 months to 1 year	Over 1 year	No maturity	Overdue	Total
Assets							
Cash and due from Central Bank	102,537	-	-	-	16,126	-	**118,663**
Due from credit institutions	44,752	30,000	600	-	-	-	**75,352**
Trading securities	110,117	-	-	-	-	-	**110,117**
Loans to customers, net	43,613	379,622	131,634	186,143	-	328	**741,340**
Property and equipment	-	-	-	-	37,820	-	**37,820**
Other assets	4,873	-	-	-	7,034	-	**11,907**
	305,892	**409,622**	**132,234**	**186,143**	**60,980**	**328**	**1,095,199**
Liabilities							
Deposits by credit institutions	50,386	23,436	79,495	77,422	-	-	**230,739**
Deposits by customers	247,204	86,428	63,180	4,274	-	-	**401,086**
Debt securities issued	27,948	84,335	40,334	132,978	-	-	**285,595**
Income tax liability	8,198	-	-	-	4,557	-	**12,755**
Other liabilities	10,594	-	-	-	95	-	**10,689**
	344,330	**194,199**	**183,009**	**214,674**	**4,652**	-	**940,864**
Net position	**(38,438)**	**215,423**	**(50,775)**	**(28,531)**	**56,328**	**328**	**154,335**
Accumulated gap	**(38,438)**	**176,985**	**126,210**	**97,679**	**154,007**	**154,335**	

The maturity gap analysis does not reflect the historical stability of current accounts, whose liquidation has historically taken place over a longer period than that indicated in the table above. The table is based upon these accounts' entitlement to withdraw on demand.

The following table shows trading securities by their contractual maturities (maturity of the instrument stipulated by the issuer) as at December 31, 2007 and December 31, 2006.

	December 31, 2007	December 31, 2006
Less than 1 month	4,260	1,888
1 – 6 months	42,714	19,048
6 months to 1 year	19,230	10,388
Over 1 year	78,066	74,249
No maturity	5,422	4,544
	149,692	**110,117**

(All amounts in thousands of US Dollars except otherwise stated)

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. The Group's expected repricing dates do not differ from the contractual maturity dates, which are disclosed in the tables above.

Interest rate risk is managed by increasing or decreasing positions within limits specified by the Group's management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest-sensitive assets and liabilities.

The Group's interest rate policy is reviewed and approved by the Group's Assets and Liabilities Management Committee. The Group's average effective interest rates as at December 31, 2007 and December 31, 2006 for interest bearing financial instruments are as follows:

	December 31, 2007			December 31, 2006		
	US Dollars	Rubles	Other foreign currencies	US Dollars	Rubles	Other foreign currencies
Interest earning assets						
Due from credit institutions	3.1%	5.2%	0.5%	6.5%	3.3%	-
Trading securities – government bonds	5.8%	6.4%	-	5.9%	6.1%	-
Trading securities – corporate notes and municipal bonds	-	10.0%	-	-	9.3%	-
Loans to customers	12.4%	15.1%	9.7%	11.4%	12.7%	9.1%
Interest bearing liabilities						
Deposits by credit institutions	7.5%	5.0%	5.4%	8.8%	5.6%	4.7%
Deposits by customers	5.9%	4.9%	5.6%	3.0%	4.0%	4.9%
Debt securities issued	9.7%	10.1%	7.8%	9.9%	8.5%	4.0%