Credit Bank of Moscow

Consolidated financial statements
as of December 31, 2006 and 2005

Contents

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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 subsidiary ("the Group") as of December 31, 2006 and 2005, and the related consolidated statements of income and other comprehensive income/(loss), 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2006 and 2005, 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.

KPMG Limited

KPMG Limited
April 20, 2007

Credit Bank of Moscow
Consolidated balance sheets
December 31, 2006 and 2005
(thousands of US Dollars)

	Notes	December 31, 2006	December 31, 2005
Assets			
Cash and due from Central Bank	4	118,663	78,546
Due from credit institutions, net	5	75,352	52,078
Trading securities	6	110,117	87,211
Loans to customers, net	7	741,340	426,226
Property and equipment	8	37,820	3,556
Other assets	9	11,907	6,490
Total assets		**1,095,199**	**654,107**
Liabilities			
Deposits by credit institutions	10	230,739	144,854
Deposits by customers	11	401,086	229,160
Debt securities issued	12	285,595	164,195
Income tax liability	22	12,755	10,021
Provisions, accruals and other liabilities	13	10,689	3,157
Total liabilities		**940,864**	**551,387**
Stockholders' equity			
Common stock	14	93,657	63,940
Additional paid-in capital		6,612	6,612
Retained earnings		35,821	24,584
Other comprehensive income - cumulative translation adjustment		18,245	7,584
Total stockholders' equity		**154,335**	**102,720**
Total liabilities and stockholders' equity		**1,095,199**	**654,107**
Commitments and contingencies	23		

Signed on behalf of the Executive Management Board

Alexander L Khrilev — Chairman of the Board, President

Olga I. Melnikova — 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 (loss)/income
For the years ended December 31, 2006 and 2005
(thousands of US Dollars)

	Notes	2006	2005
Interest income	16	70,811	39,860
Interest expense	16	(36,744)	(16,268)
Net interest income		**34,067**	**23,592**
Provision for credit impairment	17	(3,149)	3,802
Net interest income after provision for credit impairment		**30,918**	**27,394**
Fees and commissions income	18	21,201	14,677
Foreign exchange gains, net		3,445	2,125
Securities trading profits, net	19	1,267	-
Other operating income		1,633	1,026
Non interest income		**27,546**	**17,828**
Salaries and employment benefits	20	24,234	18,858
Administrative expenses	20	14,566	8,839
Fees and commissions expense		2,040	1,272
Depreciation and amortization		1,266	1,037
Contribution to the state deposit insurance system		605	275
Other operating expenses		1,051	715
Non interest expense		**43,762**	**30,996**
Income before income taxes		**14,702**	**14,226**
Income taxes	22	(3,465)	(3,319)
Net income		**11,237**	**10,907**
Foreign currency translation adjustments		10,661	(3,637)
Other comprehensive income/(loss)		**10,661**	**(3,637)**
Comprehensive income		**21,898**	**7,270**

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 years ended December 31, 2006 and 2005
(thousands of US Dollars)

	Common stock	Additional paid-in capital	Retained earnings	Other comprehensive income - cumulative translation adjustment	Total stockholders’ equity
December 31, 2004	**23,340**	**47,212**	**13,677**	**11,221**	**95,450**
Capitalization of share premium	40,600	(40,600)	-	-	-
Net income	-	-	10,907	-	10,907
Translation adjustment	-	-	-	(3,637)	(3,637)
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**

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

Credit Bank of Moscow
Consolidated statements of cash flows
For the years ended December 31, 2006 and 2005
(thousands of US Dollars)

	Notes	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		11,237	10,907
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit impairment		3,149	(3,802)
Depreciation and amortization		1,266	1,037
Deferred taxes		(5,752)	2,223
Revaluation of securities		(4,117)	-
Accrued interest income		(2,786)	(760)
Accrued interest expense		5,724	1,872
Accrued commissions		-	(1,784)
Operating cash flow before changes in operating assets and liabilities		**8,700**	**9,693**
(Increase)/decrease in operating assets			
Reserve deposits with the Central Bank of the Russian Federation		(6,106)	(3,504)
Trading securities		(18,789)	(54,500)
Loans to customers		(318,263)	(148,570)
Other assets		(2,631)	(84)
Increase/(decrease) in operating liabilities			
Deposits by credit institutions		85,285	95,250
Deposits by customers		171,926	103,596
Debt securities issued		121,401	44,384
Current tax liability		8,506	419
Provisions, accruals and other liabilities		1,805	(207)
Unrealised translation adjustment		10,661	(3,637)
Net cash from operations		**62,497**	**42,841**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of property and equipment and intangible assets		(35,530)	(1,137)
Net cash from investing activities		**(35,530)**	**(1,137)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Share capital issued		29,717	-
Net cash from financing activities		**29,717**	**-**
Change in cash and cash equivalents		**56,685**	**41,704**
Cash and cash equivalents, beginning of the year		120,604	78,900
Cash and cash equivalents, end of the year	21	**177,289**	**120,604**

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

(All amounts in thousands of US Dollars)

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 "Banking Group" and the "Group"). Along with the Bank the Group also includes subsidiaries listed below.

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 4, Marshala Rybalko Str., Moscow, Russia. The Bank possesses 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 it has 14 full service branches and 17 mini-branches in Moscow and Moscow region. The Bank was admitted to the Central Bank of Russia program for individual deposit insurance in December 2004.

The principal subsidiaries of the Banking Group are as follows:

Name	Country of incorporation	Principal Activities	Ownership %	
			2006	2005
Relex Enterprise	United Kingdom	Business Introduction	100%	100%
CBOM Finance p.l.c.	Ireland	Raising finance	100%	-

The Group does not have any direct or indirect shareholdings in these enterprises. However, these enterprises were established under the terms that impose strict limits on the decision-making powers of its management. In addition, the benefits related to their operations and net assets are presently attributable to the Group via a number of agreements.

(b) Shareholders

The Banking Group is wholly-owned by members of the Rossium Group (the "Shareholder Group"). The majority of the Banking Group's funding is from unrelated sources, and majority of credit exposures are to unrelated lenders. The ultimate beneficial owner of the Banking Group and the Rossium Group is Avdeev Roman Ivanovich. Related party transactions are detailed in Note 24.

At December 31, 2006 the shareholders of the Bank were as follows:

	2006 (voting and ownership rights)
Centre Garant	36.00%
Rossinform	19.93%
MKB Group	43.31%
Concern Rossium	0.76%
Total	**100.00%**

(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 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 have 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 functional to 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, 2006 and 2005 was 1 USD to 26.33 Rubles and 1 USD to 28.78 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

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.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

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. When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off all the necessary procedures have been completed and the amount of the loss has been determined.

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 retail loans portfolios and for Small loans portfolio. This assessment is based on determination of historical pattern of overdue loans and expected losses separately for each kind of the loan portfolios. The Group makes reassessments of loan loss provisions on 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 is 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, respectively. 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, respectively. 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 equipment	6
Computers	4
Vehicles	5
Other	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.

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
Income and expenses are recognized on an accrual basis. A loan is placed on non-accrual status when a contractual payment on the loan becomes more than 6 month overdue.

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.

Russia also has various other operating taxes, which are assessed on the Group's activities. These taxes are included as a component of non-interest expense.

(All amounts in thousands of US Dollars)

Statement of cash flows

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

NOTE 4 – CASH AND DUE FROM CENTRAL BANK

Cash and due from Central Bank comprise:

	December 31,2006	December 31,2005
Cash on hand	76,475	34,522
Correspondent account with CBR	26,062	34,004
Obligatory reserve deposits with CBR	16,126	10,020
Cash and due from Central Bank	**118,663**	**78,546**

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, based on either a reduction in the Group's deposit base or a reduction in the required level of reserves. 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 breakdown and maturity profile 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, 2006	December 31, 2005
Time deposits	52,751	46,238
Current accounts	22,601	5,840
Due from credit institutions	**75,352**	**52,078**

Information about the currency breakdown, maturity profile 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 2006 the Group had one counterparty (31 December 2005: two counterparties) whose balances exceeded 10% of Group's equity. The gross value of these balances as of 31 December 2006 was USD 30,000 thousand (2005 - USD 31,200 thousand).

(All amounts in thousands of US Dollars)

NOTE 6 – TRADING SECURITIES

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

	December 31, 2006	December 31, 2005
Debt instruments		
Corporate promissory notes and bonds	82,411	71,507
Municipal bonds	19,567	6,035
Fixed income Russian Government debt securities	3,594	9,669
Marketable equity securities	4,544	-
Trading securities	**110,117**	**87,211**

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

NOTE 7 – LOANS TO CUSTOMERS

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, 2006		**December 31, 2005**	
	Loans	**Loss provisions**	**Loans**	**Loss provisions**
Consumer loans				
Car loans	125,161	(3,608)	76,695	(1,917)
Mortgage loans	35,320	(88)	1,431	(4)
Other consumer loans	7,318	(216)	4,070	(1,027)
	167,799	**(3,912)**	**82,196**	**(2,948)**
Corporate loans	**559,761**	**(1,624)**	**346,817**	**(9,845)**
Small business loans	**19,913**	**(597)**	**10,315**	**(309)**
Total	**747,473**	**(6,133)**	**439,328**	**(13,102)**

(All amounts in thousands of US Dollars)

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

	Corporate loans		Small business loans	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
Consumer electronics and computers	141,771	82,671	630	457
Light industry	68,948	39,266	4,041	1,865
Construction materials	62,503	47,854	1,377	808
Machinery	61,866	29,046	2,655	1,411
Hygiene products and consumer chemicals	37,037	15,326	1,208	978
Other consumer goods	33,605	18,787	1,802	1,344
Foods	33,549	34,757	2,641	536
Services	30,890	19,860	2,056	970
Furniture	24,163	12,715	1,006	690
Sports goods	21,014	23,157	287	238
Paper and stationery	20,931	13,763	715	122
Medical	4,349	4,469	221	58
Metallurgic	1,881	587	249	444
Oil	358	893	-	-
Other	16,896	3,666	1,025	394
	559,761	**346,817**	**19,913**	**10,315**

Overdue loans

Overdue loans are as follows:

	December 31, 2006		December 31, 2005	
	Overdue loans	Loss provisions	Overdue loans	Loss provisions
Retail loans	5,856	3,339	2,044	840
Corporate loans	134	0	7,677	7,677
SME loans	377	354	203	158

In 2006 the management of the Group performed a review of overdue loans and assessed that loans in the amount of USD 5,814 thousand should be written off. Such loans were written-off against previously created provisions for loan impairment.

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

Significant credit exposures

As at December 31, 2006 the Group had six groups of borrowers (December 31, 2005: two) whose loans balances exceeded 10% of the Group’s equity. The gross value of these loans as of December 31, 2006 was USD 108,686 thousand (December 31, 2005: USD 27,970 thousand).

(All amounts in thousands of US Dollars)

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment comprise:

	December 31, 2006	December 31, 2005
Construction in progress	31,579	-
Fixtures and fittings	10,696	6,731
Land and buildings	970	887
	43,245	**7,618**
Less - accumulated depreciation	(5,425)	(4,062)
Property and equipment	**37,820**	**3,556**

NOTE 9 – OTHER ASSETS

Other assets comprise:

	December 31, 2006	December 31, 2005
Prepaid expenses	5,077	1,003
Accrued interest receivable	4,873	2,087
Trade debtors and prepayments	792	807
Intangibles	255	190
Other	910	2,403
Other assets	**11,907**	**6,490**

NOTE 10 – DEPOSITS BY CREDIT INSTITUTIONS

Deposits by credit institutions comprise:

	December 31, 2006	December 31, 2005
Time deposits	229,971	143,393
Demand deposits	768	1,461
Deposits by credit institutions	**230,739**	**144,854**

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

(All amounts in thousands of US Dollars)

Concentration of deposits from credit institutions

As at December 31, 2006 the Group had balances of two counterparties (December 31, 2005: two counterparties) whose deposits' balances exceeded 10% of the Group's equity. The gross value of these balances as of December 31, 2006 was USD 55,000 thousand – all in respect of time deposits (December 31, 2005: USD 30,403 thousand – all in respect of time deposits).

NOTE 11 – DEPOSITS BY CUSTOMERS

Deposits by customers comprise:

		December 31, 2006	December 31, 2005
Corporate customers	Demand	192,769	126,127
	Time	55,435	17,431
Total corporate customers		**248,204**	**143,558**
Individuals	Demand	21,455	13,936
	Time	131,427	71,666
Total individuals		**152,882**	**85,602**
Total deposits by customers		**401,086**	**229,160**

Information about the currency breakdown, maturity profile 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, 2006 and 2005, there were no demand or time deposits from the group of related customers, which individually exceeded 10% of the Group's equity.

NOTE 12 – DEBT SECURITIES ISSUED

Debt securities issued comprise:

	December 31, 2006	December 31, 2005
Promissory notes issued–nominal value	136,769	150,543
Unamortized discount on promissory notes	(3,140)	(3,734)
	133,628	**146,809**
Bonds issued	151,967	17,372
Certificates of deposit	-	14
	285,595	**164,195**

Information about the currency breakdown, maturity profile and effective interest rates on promissory notes and certificates of deposit is presented in note 27 to these consolidated financial statements.

(All amounts in thousands of US Dollars)

NOTE 13 – OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2006	December 31, 2005
Accruals and deferred income	8,544	2,820
Operating taxes payable	168	103
Other	1,977	234
Other liabilities	**10,689**	**3,157**

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 2,376,158,008 shares (December 31, 2005: 1,573,158,008 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 for the year ended December 31, 2006 and 2005:

Basic and fully diluted earnings per share (thousands of US Dollars except for weighted-average shares and net income per share data)	December 31, 2006	December 31, 2005
Net income applicable to common shares	12,137	10,907
Weighted-average basic shares outstanding	2,032,958,008	1,573,158,008
Net income per share	$0.006	$0.007

(All amounts in thousands of US Dollars)

NOTE 16 – NET INTEREST INCOME

Net interest income comprises:

	December 31, 2006	December 31, 2005
Interest income		
Loans to customers	59,746	34,931
Debt securities	7,721	4,132
Due from credit institutions	1,825	741
Factoring	1,519	56
	70,811	**39,860**
Interest expense		
Debt securities issued	14,322	5,976
Deposits by customers	11,751	5,540
Deposits by credit institutions	10,671	4,752
	36,744	**16,268**
Net interest income	**34,067**	**23,592**

NOTE 17 – PROVISION FOR CREDIT IMPAIRMENT

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

The breakdown of the credit loss provisions by type is presented in the following table:

	Loans to customers	Off balance sheet items	Total allowance
December 31, 2004	**16,241**	**700**	**16,941**
Provisions recovered	(3,139)	(663)	(3,802)
December 31, 2005	**13,102**	**37**	**13,139**
Provisions charged	6,757	58	6,815
Loans write-off	(10,060)	-	(10,060)
Recovery of provisions previously written off	(3,666)		(3,666)
December 31, 2006	**6,133**	**95**	**6,228**

(All amounts in thousands of US Dollars)

NOTE 18 – FEES AND COMMISSIONS INCOME

	2006	2005
Cash collection/delivery	7,839	1,013
Guarantees and LCs issued	4,702	3,203
Settlements and wire transfers	4,173	6,831
Loans	2,785	1,193
Plastic cards	832	76
Other cash operations	810	536
Business introduction	-	1,784
Other	60	41
Fees and commissions income	**21,201**	**14,677**

NOTE 19 – SECURITIES TRADING PROFITS, NET

	2006	2005
Gains from operations with equity securities	1,267	-
Securities trading profits, net	**1,267**	**-**

NOTE 20 – SALARIES, EMPLOYMENT BENEFITS AND ADMINISTRATIVE EXPENSES

	2006	2005
Salaries	20,569	17,091
Social security costs	3,634	1,755
Other	31	12
Salaries and employment benefits	**24,234**	**18,858**
Occupancy	5,171	3,184
Operating taxes	2,301	1,826
Advertising and business development	2,464	1,348
Communications	1,012	730
Transport	1,097	629
Security	1,664	408
Other	857	714
Administrative expenses	**14,566**	**8,839**

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)

NOTE 21 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	December 31, 2006	December 31, 2005
Cash on hand	76,475	34,004
Due from credit institutions with the original maturity of less then 3 months	74,752	52,078
Correspondent account with the CBR	26,062	34,522
Cash and cash equivalents	**177,289**	**120,604**

NOTE 22 – INCOME TAXES

The provision for income taxes comprises:

	2006	2005
Current tax charge	9,217	1,057
Deferred taxation	(5,752)	2,262
Taxation	**3,465**	**3,319**

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% (2005: 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:

	2006	2005
Income before tax	14,702	14,226
Applicable statutory tax rate	24%	24%
Income tax using the applicable tax rate	3,528	3,414
Income taxed at lower rate	(226)	(156)
Net non-deductible costs	163	61
Taxation	**3,465**	**3,319**

Income tax liabilities comprise:

	2006	2005
Current tax liability	8,198	419
Deferred tax liability	4,557	9,602
Income tax liability	**12,755**	**10,021**

A current tax liability is recognized for the estimated taxes payable or refundable on tax returns for the reporting year. A deferred tax liability is recognized for the estimated future tax effects attributable to temporary differences.

(All amounts in thousands of US Dollars)

As at December 31, 2006 net deferred tax liability was USD 4,557 thousand (2005: USD 9,602 thousand). This deferred tax liability is attributable to the following items, listed below at their tax effected values:

	December 31, 2006	**December 31, 2005**
Provisions	3,397	9,168
Accrued interest	1,509	434
Other	(349)	-
Net deferred tax liability	**4,557**	**9,602**

The applicable deferred tax rate for the Bank is 24% (2005: 24%).

Movement in deferred tax liabilities was as follows:

	2006	**2005**
Balance as of 1 January	9,602	7,379
Recognised in income	(5,752)	2,262
Foreign currency translation effect	707	(39)
Balance as of 31 December	**4,557**	**9,602**

NOTE 23 – COMMITMENTS AND CONTINGENCIES

a) Financial commitments
Undrawn loan commitments and guarantees at December 31, 2006 and 2005 comprise:

	December 31, 2006	**December 31, 2005**
Commitments given		
Undrawn loan commitments	18,371	11,933
Letters of credit	20,140	7,358
Guarantees	11,121	7,319
	49,632	**26,610**

At December 31, 2006 the Group provided for potential losses on guarantees in the amount of USD 95 thousand (December 31, 2005: USD 37 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.

(All amounts in thousands of US Dollars)

d) Tax

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. In addition certain transactions could be treated as inappropriately reducing taxes by the tax authorities. 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 of December 31, 2006 and 2005 with related parties are as follows:

	December 31, 2006		December 31, 2005	
	Amount	Average effective interest rate	Amount	Average effective interest rate
Assets				
Loans to customers, gross	6,970	12.2%	7,196	10.1%
Liabilities				
Deposits by customers	12,827	1.0%	735	1.5%

As at December 31, 2006 the guarantees issued to related parties amounted to USD 131 thousand (December 31, 2005: USD 2,000 thousand).

Material amounts included in the income statements for years ended December 31, 2006 and 2005 in relation to transactions with related parties are as follows:

	Year ended December 31, 2006	Year ended December 31, 2005
Interest income on loans to customers	402	1,995

(All amounts in thousands of US Dollars)

NOTE 25 – CAPITAL ADEQUACY

The Group's risk based capital adequacy ratio was 17.7% for December 31, 2006 and 19% for December 31, 2005, which exceeds the minimum ratio of 8% recommended by the Basle Accord.

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 financial assets and financial liabilities are as follows:

	December 31, 2006		**December 31, 2005**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial Assets				
Cash and correspondent account with CBR	102,537	102,537	68,526	68,526
Due from credit institutions, net	75,352	75,352	52,078	52,078
Trading securities	110,117	110,117	87,211	87,211
Loans to customers, net	741,340	741,340	426,226	426,226
Financial Liabilities				
Deposits by credit institutions	230,739	230,739	144,854	144,854
Deposits by customers	401,086	401,086	229,160	229,160
Debt securities issued	285,595	285,595	164,195	164,195

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

Trading securities: the fair values are based on quoted market prices for these or similar instruments.

The estimated fair values of all other financial assets and liabilities is calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for a 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 revolving 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)

The geographical concentration of monetary assets and liabilities follows:

	December 31, 2006				December 31, 2005			
	Russia	**OECD**	**Other non-OECD**	**Total**	**Russia**	**OECD**	**Other non-OECD**	**Total**
Assets								
Cash and due from CBR	112,652	6,011	-	**118,663**	75,496	3,050	-	**78,546**
Due from credit institutions, gross	58,007	17,329	16	**75,352**	38,560	13,503	15	**52,078**
Trading securities	110,117	-	-	**110,117**	87,211	-	-	**87,211**
Loans to customers, gross	717,517	16,765	13,191	**747,473**	415,342	18,237	5,749	**439,328**
	998,293	**40,105**	**13,207**	**1,051,605**	**616,609**	**34,790**	**5,764**	**657,163**
Liabilities								
Deposits by credit institutions	58,382	169,452	2,905	**230,739**	43,708	92,696	8,450	**144,854**
Deposits by customers	372,319	20,370	8,397	**401,086**	217,550	910	10,700	**229,160**
Debt securities issued	266,126	3,392	16,077	**285,595**	150,833	10,152	3,210	**164,195**
	696,827	**193,214**	**27,379**	**917,420**	**412,091**	**103,758**	**22,360**	**538,208**
Net position	301,466	(153,109)	(14,172)	**134,185**	204,518	(68,968)	(16,596)	**118,954**

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 Group's exposure to foreign currency exchange rate risk is as follows:

	December 31, 2006				December 31, 2005			
	USD	**Rubles**	**Other currencies**	**Total**	**USD**	**Rubles**	**Other currencies**	**Total**
Assets								
Cash and due from CBR	4,967	112,652	1,044	**118,663**	2,441	75,496	609	**78,546**
Due from credit institutions, gross	45,693	26,871	2,788	**75,352**	11,231	37,631	3,216	**52,078**
Trading securities	57	110,060	-	**110,117**	57	87,154	-	**87,211**
Loans to customers, gross	232,574	477,658	37,241	**747,473**	87,100	316,621	35,607	**439,328**
	283,291	**727,241**	**41,073**	**1,051,605**	**100,829**	**516,902**	**39,432**	**657,163**
Liabilities								
Deposits by credit institutions	143,951	48,371	38,417	**230,739**	72,631	36,940	35,283	**144,854**
Deposits by customers	50,668	338,732	11,686	**401,086**	32,059	187,950	9,151	**229,160**
Debt securities issued	97,055	186,221	2,319	**285,595**	21,211	138,398	4,586	**164,195**
	291,674	**573,324**	**52,422**	**917,420**	**125,901**	**363,288**	**49,020**	**538,209**
Net position	(8,383)	153,917	(11,349)	**134,185**	(25,072)	153,614	(9,588)	**118,954**
Off-balance sheet position	12,633	(25,151)	12,518	**0**	25,763	(34,611)	8,848	**0**
Total	4,250	128,766	1,169	**134,185**	(691)	119,003	(740)	**118,954**

(All amounts in thousands of US Dollars)

Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs and guarantees. The Group 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 Group'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.

The contractual maturities of monetary assets and liabilities as of December 31, 2006 and 2005 are as follows:

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 CBR	102,537	-	-	-	16,126	-	**118,663**
Due from credit institutions, gross	44,752	30,000	600	-	-	-	**75,352**
Trading securities	110,117	-	-	-	-	-	**110,117**
Loans to customers, gross	43,865	381,814	132,394	187,218	-	2,182	**747,473**
	301,271	**411,814**	**132,994**	**187,218**	**16,126**	**2,182**	**1,051,605**
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**
	325,538	**194,199**	**183,009**	**214,674**	**-**	**-**	**917,420**
Net position	**(24,267)**	**217,615**	**(50,015)**	**(27,456)**	**16,126**	**2,182**	**134,185**
Accumulated gap	**(24,267)**	**193,348**	**143,333**	**115,877**	**132,003**	**134,185**	**-**

December 31, 2005

	Less than 1 month	1 – 6 months	6 months to 1 year	Over 1 year	No maturity	Overdue	Total
Assets							
Cash and due from CBR	68,526	-	-	-	10,020	-	**78,546**
Due from credit institutions, gross	52,078	-	-	-	-	-	**52,078**
Trading securities	87,211	-	-	-	-	-	**87,211**
Loans to customers, gross	143,867	174,824	44,426	66,651	-	9,560	**439,328**
	351,682	**174,824**	**44,426**	**66,651**	**10,020**	**9,560**	**657,163**
Liabilities							
Deposits by credit institutions	46,593	34,280	47,309	16,672	-	-	**144,854**
Deposits by customers	147,409	53,169	27,339	1,244	-	-	**229,161**
Debt securities issued	35,755	97,673	27,613	3,153	-	-	**164,194**
	229,757	**185,122**	**102,261**	**21,069**	**-**	**-**	**538,209**
Net position	121,925	(10,298)	(57,835)	45,582	10,020	9,560	**118,954**
Accumulated gap	**121,925**	**111,627**	**53,792**	**99,374**	**109,394**	**118,954**	

(All amounts in thousands of US Dollars)

The maturities of trading securities are shown as less then 1 month due to its liquidity. The contractual maturity of trading securities as of December 31, 2006 and 2005 are as follows:

	Less than 1 month	1 – 6 months	6 months to 1 year	Over 1 year	No maturity	Overdue	Total
December 31, 2006							
Contractual							
Trading securities	1,887	19,048	10,388	74,249	4,544	-	**110,117**
December 31, 2005							
Contractual							
Trading securities	2,250	28,195	21,203	35,563	-	-	**87,211**

The maturity gap analysis does not reflect the historical stability of the resources provided by current accounts, whose withdrawal 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.

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 and maturity dates do not differ significantly from the contract dates, which are disclosed in the liquidity risk table 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, 2006 and 2005 for interest bearing financial instruments follow:

	December 31, 2006			December 31, 2005		
	US Dollars	Rubles	Other foreign currencies	US Dollars	Rubles	Other foreign currencies
Interest earning assets						
Due from credit institutions	6.5%	3.3%	-	3.3%	7.1%	-
Trading securities – government bonds	5.9%	6.1%	-	5.6%	6.1%	-
Trading securities – corporate notes and municipal bonds	-	9.3%	-	-	7.7%	-
Loans to customers	12.3%	11.3%	8.9%	10.5%	10.0%	4.1%
Interest bearing liabilities						
Deposits by credit institutions	8.1%	5.6%	4.7%	7.1%	7.0%	3.8%
Deposits by customers	3.0%	4.0%	4.9%	6.1%	3.2%	5.2%
Debt securities issued	9.4%	8.5%	4.0%	6.7%	6.2%	3.5%