Credit Bank of Moscow

Consolidated financial statements
for the year ended December 31, 2008

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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, 2008 and 2007, 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, 2008 and 2007, 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
April 30, 2009

Credit Bank of Moscow
Consolidated balance sheets as at December 31, 2008 and 2007
(thousands of US Dollars)

	Notes	December 31, 2008	December 31, 2007
Assets			
Cash and due from the Central Bank of Russia	4	209,544	193,890
Due from credit institutions, net	5	155,060	214,243
Trading securities	6	-	149,692
Available-for-sale securities	7	258,075	-
Loans to customers, net	8	1,343,976	1,081,568
Property and equipment	9	64,339	63,472
Other assets	10	24,571	19,079
Total assets		**2,055,565**	**1,721,944**
Liabilities			
Deposits by the Central Bank of Russia	11	342,473	-
Deposits by credit institutions	12	446,996	499,755
Deposits by customers	13	791,827	689,528
Debt securities issued	14	212,698	283,054
Income tax liability	24	7,878	9,422
Other liabilities	15	34,965	17,360
Total liabilities		**1,836,837**	**1,499,119**
Stockholders' equity			
Common stock	16	128,571	128,571
Additional paid-in capital		6,612	6,612
Unrealized losses on available-for-sale securities		(1,609)	-
Retained earnings		96,173	55,797
Cumulative translation adjustment		(11,019)	31,845
Total stockholders' equity		**218,728**	**222,825**
Total liabilities and stockholders' equity		**2,055,565**	**1,721,944**
Commitments and contingencies	25	**230,831**	**100,245**

Signed on behalf of the Executive Management Board

Alexander N. Nikolashin — Chairman of the Board

Svetlana V. Sass — 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, 2008 and 2007
(thousands of US Dollars)

	Notes	2008	2007
Interest income	18	211,344	132,079
Interest expense	18	(112,563)	(71,649)
Net interest income		**98,781**	**60,430**
Provision for credit impairment	19	(19,208)	(5,738)
Net interest income after provision for credit impairment		**79,573**	**54,692**
Fees and commissions income	20	41,696	28,193
Foreign exchange gains, net		16,307	4,032
Securities trading gains/(losses), net	21	(14,859)	641
Gain from sale of building		10,302	-
Other operating income		2,407	2,001
Non interest income		**55,853**	**34,867**
Salaries and employment benefits	22	(43,281)	(35,799)
Administrative expenses	22	(28,581)	(20,468)
Fees and commissions expense		(2,892)	(2,140)
Depreciation		(2,899)	(1,633)
State deposit insurance scheme contributions		(2,076)	(1,291)
Other operating expenses		(3,952)	(1,704)
Non interest expense		**(83,681)**	**(63,035)**
Income before income taxes		**51,745**	**26,524**
Income taxes	24	(11,369)	(6,548)
Net income		**40,376**	**19,976**
Foreign currency translation adjustments		(42,864)	13,600
Unrealized losses on securities		(1,609)	-
Other comprehensive income		**(44,473)**	**13,600**
Comprehensive income		**(4,097)**	**33,576**

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

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Credit Bank of Moscow
Consolidated statements of changes in stockholders' equity and other comprehensive income for the year ended December 31, 2008 and 2007
(thousands of US Dollars)

	Common stock	Additional paid-in capital	Retained earnings	Other comprehensive income - unrealized losses on securities	Other comprehensive income - cumulative translation adjustment	Total stockholders' equity
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**
Shares issued	-	-	-	-	-	-
Net income	-	-	40,376	-	-	40,376
Unrealized losses, net of tax effect of USD 508 thousand	-	-	-	(1,609)	-	(1,609)
Translation adjustment	-	-	-	-	(42,864)	(42,864)
December 31, 2008	**128,571**	**6,612**	**96,173**	**(1,609)**	**(11,019)**	**218,728**

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

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Credit Bank of Moscow

Consolidated statements of cash flows for the year ended December 31, 2008 and 2007

(thousands of US Dollars)

	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		40,376	19,976
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit impairment		19,208	5,738
Depreciation		2,899	1,633
Deferred taxes		3,040	1,898
Unrealized loss on securities		7,345	382
Net change in accrued interest income		(3,215)	(1,920)
Net change in accrued interest expense		6,905	4,807
Gain from sale of building		(10,340)	-
Other		(155)	(2,561)
Operating cash flow before changes in operating assets and liabilities		**66,063**	**29,953**
(Increase)/decrease in operating assets			
Obligatory reserve deposits with the Central Bank of the Russia		18,092	(3,901)
Due from credit institution		(9,611)	(600)
Trading securities		81,734	(39,957)
Loans to customers		(273,874)	(345,776)
Other assets		563	(5,424)
Increase/(decrease) in operating liabilities			
Deposits by credit institutions and the Central Bank of Russia		289,715	269,017
Deposits by customers		102,298	288,442
Debt securities issued		(70,357)	(2,538)
Other liabilities		9,020	(3,478)
Unrealized translation adjustment		(42,864)	13,600
Net cash from operations		**170,779**	**199,938**
CASH FLOWS FROM INVESTING ACTIVITIES			
Available-for-sale securities		(202,059)	-
Net purchase of property and equipment		(3,767)	(24,635)
Net cash from investing activities		**(205,826)**	**(24,635)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of common stock		-	34,914
Net cash from financing activities		**-**	**34,914**
Change in cash and cash equivalents		**(35,047)**	**210,217**
Cash and cash equivalents, beginning of the year		387,506	177,289
Cash and cash equivalents, end of the year	23	**352,459**	**387,506**
Supplemental information:			
Interest paid during the period		(105,658)	(66,796)
Income taxes paid during the period		(8,461)	(10,292)

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

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(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 55 largest banks in Russia by assets. The Bank's main office is in Moscow and as at 31 December 2008 it had 38 branches in Moscow and Moscow region and 8 regional branches in Tula, Ryazan, Vladimir, Kursk, Lipetsk, Voronezh, Tambov, Tver. 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	Date of incorporation	Country of incorporation	Principal Activities	Degree of control % December 31, 2008	December 31, 2007
CBOM Finance p.l.c.	17 Aug 2006	Ireland	Raising finance	100%	100%
MKB-Invest	4 June 2007	Russia	Operations with securities	100%	100%
MKB-Leasing	20 Sep 2005	Russia	Financial lease	100%	100%
M-leasing	28 May 2007	Russia	Financial lease	100%	100%
MK-leasing	07 May 2008	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. MKB-Invest, MKB-Leasing, M-leasing and MK-leasing are controlled by the Group through option agreements. MK-Leasing was not consolidated as the effect of consolidation is not material.

(b) Shareholders and management

The Group is wholly-owned by Concern Rossium (the "Shareholder Group"). The sole shareholder of Concern Rossium is Roman I. Avdeev, who is also the President and member of the Supervisory Board of the Bank. The members of the Supervisory Board are as follows:

Supervisory Board	
Sandy Vaci	Chairman
Richard Damien Glasspool	Member
Roman I. Avdeev	Member
Alexander N. Nikolashin	Member
Irina N. Nartova	Member

Related party transactions are detailed in Note 26.

(c) Operating environment

The Russian Federation has been experiencing political and economic 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. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. 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, 2008 and December 31, 2007 was 1 USD to 29.3804 Rubles and 1 USD to 24.55 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.

Investment Securities

Investment securities at December 31, 2008 and 2007 consist of publicly traded debt securities and equity securities. The Group classifies its debt securities in one of three categories: trading, available-for-sale, or held-to-maturity and its equity securities that have readily determinable fair values into trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity debt securities are those debt securities in which the Group has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity debt securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a first in-first out basis.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, the Group considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

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

Sales of real estate

Profit or loss on sales of real estate are recognized in accordance with Financial Accounting Standard ("FAS") No. 66 *Accounting for sales of real estate*.

Under this standard the amount of profit recognized on sales of real estate is dependent on whether a sale has been consummated, the extent of the buyer's investment in the property being sold, whether the seller's receivable is subject to future subordination, and the degree of the seller's continuing involvement with the property after the sale.

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, 2008	December 31, 2007
Cash on hand	69,416	101,902
Correspondent account with the CBR	138,194	71,961
Obligatory reserve deposits with the CBR	1,934	20,027
Cash and due from Central Bank	**209,544**	**193,890**

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 29 to these consolidated financial statements.

NOTE 5 – DUE FROM CREDIT INSTITUTIONS, NET

Due from credit institutions comprise:

	December 31, 2008	December 31, 2007
Current accounts	87,541	29,728
Time deposits	67,519	184,515
Due from credit institutions	**155,060**	**214,243**

Information about the currency and maturity profiles and effective interest rates on amounts due from credit institutions is presented in note 29 to these consolidated financial statements.

Concentration of balances due from credit institutions

As at 31 December 2008 there was one bank (31 December 2007: one bank) whose balances exceeded 10% of Group’s equity. The gross value of these balances as at 31 December 2008 was USD 70,599 thousand (31 December 2007: USD 34,286 thousand).

NOTE 6 – TRADING SECURITIES

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

	December 31, 2008	December 31, 2007
Publicly traded debt securities		
Corporate notes	-	95,539
Russian Government debt securities	-	32,382
Municipal bonds	-	16,349
Publicly traded equity securities	-	5,422
Trading securities	**-**	**149,692**

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

As at 31 December 2007 debt instruments with the carrying value of USD 32,753 were pledged under repurchase agreements (refer to Note 12).

As at 31 December 2007 promissory notes with the carrying value of USD 14,205 thousand were pledged under interbank and other borrowing facilities.

NOTE 7 – AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities, at fair value, consist of the following:

	December 31, 2008	December 31, 2007
Publicly traded debt securities		
Corporate notes and bonds	202,340	-
Russian Government debt securities	31,505	-
Municipal state bonds	22,464	-
Publicly traded equity securities	1,766	-
	258,075	**-**

As at 31 December 2008 debt instruments with the carrying value of USD 92,068 thousand were pledged under repurchase agreements (refer to Notes 11 and 12).

As at 31 December 2008 promissory notes with the carrying value of USD 37,432 thousand were pledged under interbank and other borrowing facilities.

Proceeds from the sale of investment securities available for sale were USD 132,250 thousand in 2008 (2007: nil); gross realized gains included in "Securities trading gains/(losses), net" in 2008 were USD 1,347 thousand (2007: nil); and gross realized losses included in "Securities trading gains/(losses), net" in 2008 were USD 3,685 thousand (2007: nil).

The carrying amount, gross unrealized holding gains, gross unrealized holding losses, impairments and fair value of available for sale and held to maturity debt securities by major security type and class of security at December 31, 2008 were as follows:

	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses	Impair-ments	Fair value
At December 31, 2008					
Corporate bonds and notes	206,340	3,250	(4,464)	(2,750)	202,340
Russian Government debt securities	31,265	409	(169)	-	31,505
Municipal state bonds	22,837	2,182	(2,555)	-	22,464
Publicly traded equity securities	2,536	46	(816)	-	1,766
	262,942	**5,887**	**(8,004)**	**(2,750)**	**258,075**

Information about the currency and maturity profiles and effective interest rates on Group's trading securities is presented in note 29 to these consolidated financial statements.

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

Maturities of debt securities classified as available-for-sale were as follows at December 31, 2008:

	Carrying amount	Fair value
Available-for-sale securities		
Due through five years	257,753	254,697
Due after five years through ten years	2,653	1,612
	260,406	**256,309**

The Company also maintained USD 58,617 thousand portfolio of investment securities classified as trading till 30 June 2008. It was reclassified to investment securities available for sale at 14 October 2008.

The Bank evaluates whether unrealized losses on investment securities indicate other-than-temporary impairment. Based on this evaluation, the Bank recognized other-than-temporary impairment losses of USD 2,750 thousand on investments in corporate debt securities in 2008. No other-than-temporary impairment losses were recognized in 2007. The corporate debt securities for which an other-than-temporary impairment was recognized in 2008 are comprised of bonds of several companies that mature in 2009-2011. The unrealized losses on these corporate debt securities were caused by defaults of the issuers. Because the Bank does not have the ability to recover debts, they are considered to be other than temporary impaired. Other-than-temporary impairment losses are included in “Securities trading gains/(losses)” on the consolidated statement of income.

NOTE 8 – 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, 2008		December 31, 2007	
	Loans	Loss provisions	Loans	Loss provisions
Consumer loans				
Mortgage loans	170,124	(2,067)	85,255	(269)
Car loans	80,075	(2,091)	94,817	(4,364)
Other consumer loans	52,203	(4,847)	20,302	(433)
	302,402	**(9,005)**	**200,374**	**(5,066)**
Corporate loans	**991,143**	**(5,616)**	**873,838**	**(2,683)**
Small business loans	**67,658**	**(2,606)**	**16,322**	**(1,217)**
Total	**1,361,203**	**(17,227)**	**1,090,534**	**(8,966)**

(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, 2008	**December 31, 2007**	**December 31, 2008**	**December 31, 2007**
Consumer electronics and computers	257,236	260,507	6,467	841
Machinery	128,328	77,076	7,433	1,658
Paper and stationery	95,743	56,851	381	317
Foods	93,220	52,607	8,709	1,598
Construction materials	92,428	76,610	6,829	1,978
Light industry	83,120	119,597	6,656	2,635
Other consumer goods	67,889	48,051	13,100	3,108
Sports goods	52,517	17,840	60	22
Hygiene products and consumer chemicals	48,050	44,513	1,212	1,002
Services	31,530	72,605	6,356	1,441
Furniture	18,600	25,815	932	656
Oil	3,708	-	8	-
Medical	3,309	9,285	2,901	257
Finance	3,260	-	7	-
Metallurgic	497	1,214	995	234
Other	11,708	11,267	5,612	575
	991,143	**873,838**	**67,658**	**16,322**

Overdue loans

As at 31 December 2008 and 2007 the aggregate amount of loans with contractually overdue principal or interest was as follows:

	December 31, 2008		December 31, 2007	
	Overdue loans	**Loss provisions**	**Overdue loans**	**Loss provisions**
Consumer loans:				
Mortgage loans	20,231	(1,655)	826	(48)
Car loans	4,155	(1,490)	7,458	(3,878)
Other consumer loans	6,242	(3,766)	1,144	(393)
Corporate loans	13,639	(2,049)	449	(449)
Small business loans	3,097	(1,789)	1,494	(1,005)
	47,364	(10,749)	11,371	(5,773)

Overdue corporate loans at 31 December 2008 of USD 6,334 thousand were repaid subsequent to year end.

As at December 31, 2008 the recorded investment in the loans for which impairment has been recognized in accordance with SFAS 114 was USD 4,898 thousand (2007: USD 449 thousand) and the total provision for credit losses related to those impaired loans was USD 3,148 thousand (2007: USD 449 thousand). The Bank does not recognize interest income on any loans identified as impaired.

In 2008 average recorded investment in impaired corporate loans was USD 983 thousand (2007: USD 554 thousand).

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

In 2008 the management of the Group performed a review of overdue loans and assessed that loans in the amount of USD 7,312 thousand (2007: USD 3,339 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 29 to these consolidated financial statements.

Finance lease

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

	December 31, 2008	December 31, 2007
Gross investment in finance lease	84,966	53,811
Unearned interest income	(21,540)	(930)
Net investment in finance lease	**63,426**	**52,881**

Significant credit exposures

As at December 31, 2008 the Group had six groups of borrowers (December 31, 2007: three) whose loans balances exceeded 10% of the Group's equity. The gross value of these loans as at December 31, 2008 was USD 189,155 thousand (December 31, 2007: USD 90,634 thousand).

NOTE 9 – 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, 2007	**837**	**1,993**	**1,288**	**4,982**	**54,372**	**63,472**
Gross book value at December 31, 2007	1,040	3,150	2,541	9,653	54,372	**70,756**
Additions	-	1,057	123	3,745	9,998	**14,923**
Transfers	53,296	-	-	-	(53,296)	-
Disposals	-	(893)	(456)	(340)	-	**(1,689)**
Effect of foreign currency translation	(171)	(371)	(343)	(1,532)	(9,614)	**(12,031)**
Gross book value at December 31, 2008	**54,165**	**2,943**	**1,865**	**11,526**	**1,460**	**71,959**
Accumulated depreciation at December 31, 2007	203	1,157	1,253	4,671	-	**7,284**
Depreciation expense	626	555	336	1,382	-	**2,899**
Disposals	-	(349)	(456)	(295)	-	**(1,100)**
Effect of foreign currency translation	(130)	(219)	(183)	(931)	-	**(1,463)**
Accumulated depreciation at December 31, 2008	**699**	**1,144**	**950**	**4,827**	**-**	**7,620**
Net book value at December 31, 2008	**53,466**	**1,799**	**915**	**6,699**	**1,460**	**64,339**

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

The opening balance of construction in progress includes an office building purchased in 2007, renovated by the Bank in 2007 and 2008 for future use as the head office and put in operation during 2008.

In 2008, no interest expense was capitalized in the carrying value of the building (2007: USD 2,804 thousand).

NOTE 10 – OTHER ASSETS

Other assets comprise:

	December 31, 2008	December 31, 2007
Accrued interest receivable	10,008	6,793
Receivables	7,797	6,205
Prepaid expenses	3,511	5,092
Intangibles	113	167
Other	3,142	822
Other assets	**24,571**	**19,079**

NOTE 11 – DEPOSITS BY THE CENTRAL BANK OF RUSSIA

Deposits by Central Bank comprise:

	December 31, 2008	December 31, 2007
Time deposits	269,142	-
Payables under repurchase agreements	73,331	-
Deposits by Central Bank	**342,473**	**-**

NOTE 12 – DEPOSITS BY CREDIT INSTITUTIONS

Deposits by credit institutions comprise:

	December 31, 2008	December 31, 2007
Demand deposits	5,073	280
Time deposits	434,868	456,050
Payables under repurchase agreements	7,055	43,425
Deposits by credit institutions	**446,996**	**499,755**

Information about the currency and maturity profiles and effective interest rates on deposits by credit institutions is presented in note 29 to these consolidated financial statements.

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

Concentration of deposits from credit institutions

As at December 31, 2008 the Group had two syndicated facilities (December 31, 2007: three syndicated facilities) each exceeding 10% of the Group's equity. The gross value of these facilities as at December 31, 2008 was USD 130,000 thousand (December 31, 2007: USD 160 000 thousand).

As at December 31, 2008 the Group had one counterparty (December 31, 2007: two counterparties) whose deposits' balance exceeded 10% of the Group's equity. The gross value of these balances as at December 31, 2008 was USD 68,561 thousand (December 31, 2007: USD 55,569 thousand).

NOTE 13 – DEPOSITS BY CUSTOMERS

Deposits by customers comprise:

		December 31, 2008	December 31, 2007
Corporate customers	Demand	202,340	280,499
	Time	147,669	109,257
Total corporate customers		**350,009**	**389,756**
Individuals	Demand	32,109	38,001
	Time	409,709	261,771
Total individuals		**441,818**	**299,772**
Total deposits by customers		**791,827**	**689,528**

Information about the currency and maturity profiles and effective interest rates on deposits by customers is presented in note 29 to these consolidated financial statements.

Concentrations of current accounts and customer deposits

As at December 31, 2008 and December 31, 2007, there were no demand or time deposits from customers, which individually exceeded 10% of the Group's equity.

NOTE 14 – DEBT SECURITIES ISSUED

Debt securities issued comprise:

	December 31, 2008	December 31, 2007
Promissory notes issued - nominal value	50,052	140,285
Unamortized discount on promissory notes	(1,880)	(6,465)
	48,172	**133,820**
Bonds issued	164,526	149,234
	212,698	**283,054**

Information about the currency and maturity profiles and effective interest rates on debt securities issued is presented in note 29 to these consolidated financial statements.

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

NOTE 15 –OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2008	December 31, 2007
Accrued interest payable	19,380	12,475
Payables to suppliers	9,025	1,854
Deferred income	3,007	878
Operating taxes payable	1,648	260
Other	1,905	1,893
Other liabilities	**34,965**	**17,360**

NOTE 16 – 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, 2007: 3,276,158,008 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 17 – 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, 2008 and December 31, 2007:

Basic and fully diluted earnings per share (thousands of US Dollars except for weighted-average shares and net income per share data)	December 31, 2008	December 31, 2007
Net income applicable to common shares	40,376	19,976
Weighted-average basic shares outstanding	3,276,158,008	2,837,253,898
Net income per share	$0.012	$0.007

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

NOTE 18 – NET INTEREST INCOME

Net interest income comprises:

	2008	2007
Interest income		
Loans to customers	190,722	118,521
Debt securities	15,548	10,084
Due from credit institutions and the Central Bank of Russia	5,074	3,474
	211,344	**132,079**
Interest expense		
Deposits by customers	(44,850)	(21,266)
Deposits by credit institutions and Central Bank of Russia	(34,711)	(23,366)
Debt securities issued	(33,002)	(27,017)
	(112,563)	**(71,649)**
Net interest income	**98,781**	**60,430**

NOTE 19 – 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, 2006	**6,133**	**95**	**6,228**
Provisions charged	5,630	104	5,734
Loans written off	(3,339)	-	(3,339)
Foreign currency translation adjustment	542	4	546
	8,966	**203**	**9,169**
December 31, 2007	**8,966**	**203**	**9,169**
Provisions charged	18,821	387	19,208
Loans written off	(7,312)	-	(7,312)
Foreign currency translation adjustment	(3,248)	(93)	(3,341)
December 31, 2008	**17,227**	**497**	**17,724**

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

NOTE 20 – FEES AND COMMISSIONS INCOME

	2008	2007
Cash collection/delivery	15,299	11,834
Settlements and wire transfers	12,122	6,839
Loans	4,444	4,184
Guarantees and letters of credit	4,003	1,474
Other cash operations	2,752	1,738
Plastic cards	2,227	1,698
Other	849	426
Fees and commissions income	**41,696**	**28,193**

NOTE 21 – SECURITIES TRADING GAINS/(LOSSES), NET

	2008	2007
Net gains/(losses) from operations with trading securities	(9,771)	641
Net losses from operations with available-for-sale securities	(5,088)	-
Securities trading gains/(losses), net	**(14,859)**	**641**

NOTE 22 – SALARIES, EMPLOYMENT BENEFITS AND ADMINISTRATIVE EXPENSES

	2008	2007
Salaries	35,687	29,621
Social security costs	6,387	5,201
Other	1,207	977
Salaries and employment benefits	**43,281**	**35,799**
Occupancy	8,636	7,203
Advertising and business development	6,279	3,425
Operating taxes	4,073	3,019
Security	4,003	2,440
Communications	1,756	1,538
Transport	1,377	1,500
Other	2,457	1,343
Administrative expenses	**28,581**	**20,468**

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 23 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	December 31, 2008	December 31, 2007
Cash on hand	69,416	101,902
Due from credit institutions with an original maturity of less than 3 months	144,849	213,643
Correspondent account with the CBR	138,194	71,961
Cash and cash equivalents	**352,459**	**387,506**

NOTE 24 – INCOME TAXES

The income tax expense comprises:

	2008	2007
Current tax charge	8,329	4,650
Deferred taxation	3,040	1,898
Income tax expense	**11,369**	**6,548**

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% (2007: 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:

	2008	2007
Income before income taxes	51,745	26,524
Applicable statutory tax rate	24%	24%
Income tax using the applicable tax rate	12,419	6,366
Income taxed at lower rate	(226)	(184)
Net non-deductible costs	909	366
Adjustment to deferred tax assets and liabilities for enacted changes in tax rates	(1,733)	-
Income tax expense	**11,369**	**6,548**

Income tax liabilities comprise:

	December 31, 2008	December 31, 2007
Current tax liability	78	2,556
Deferred tax liability	7,800	6,866
Income tax liability	**7,878**	**9,422**

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

As at December 31, 2008 the net deferred tax liability was USD 7,800 thousand (December 31, 2007: USD 6,866 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, 2008	December 31, 2007
Provision for credit impairment	7,717	5,026
Premises and equipment	1,426	1,224
Accrued interest	77	504
Unrealized gain on securities	-	307
Other	1,055	65
Deferred tax liabilities	**10,275**	**7,126**
Unrealized loss on securities	(1,842)	-
Other	(633)	(260)
Deferred tax assets	**(2,475)**	**(260)**
Net deferred tax liability	**7,800**	**6,866**

The applicable deferred tax rate for the Bank is 20% (2007: 24%).

Movement in deferred tax liabilities was as follows:

	2008	2007
Balance as at 1 January	6,866	4,557
Recognized in income	3,040	1,898
Recognized in equity	(508)	-
Foreign currency translation effect	(1,598)	411
Balance as at 31 December	**7,800**	**6,866**

The adjustment to deferred tax assets and liabilities for the enacted change in the tax rates of USD 1,733 thousand relates to the 2008 enactment of Russian tax reform legislation. This legislation changed the tax rate from 24% to 20% effective from January 1, 2009.

NOTE 25 – COMMITMENTS AND CONTINGENCIES

a) Financial commitments

Undrawn loan commitments, letters of credit and guarantees at December 31, 2008 and December 31, 2007 comprise:

	December 31, 2008	December 31, 2007
Undrawn loan commitments	26,614	15,491
Letters of credit	46,357	64,688
Guarantees	157,860	20,066
	230,831	**100,245**

At December 31, 2008 the Group provided for potential losses on guarantees and letters of credit in the amount of USD 497 thousand (December 31, 2007: USD 203 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.

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

NOTE 26 – RELATED PARTIES

The outstanding balances and related average interest rates as at December 31, 2008 and December 31, 2007 with related parties are as follows:

	December 31, 2008		December 31, 2007	
	Amount	Average effective interest rate	Amount	Average effective interest rate
Assets				
Loans to customers, gross	10,341	16.4%	36,679	12.3%
Liabilities				
Deposits by customers	7,850	10.1%	5,202	10.0%

Amounts included in the income statements as at December 31, 2008 and 2007 in relation to transactions with related parties are as follows:

	Year ended December 31, 2008	Year ended December 31, 2007
Interest income on loans to customers	3,955	2,100
Interest expense on deposits by customers and promissory notes	324	166

NOTE 27 – CAPITAL ADEQUACY

The Group’s risk based capital adequacy ratio was 12.4 % for December 31, 2008 and 16.7% for December 31, 2007, 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, commonly known as Basel I.

NOTE 28 – 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.

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

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

	December 31, 2008		December 31, 2007	
	Carrying value	Fair value	Carrying value	Fair value
Financial Assets				
Cash and due from Central Bank	209,544	209,544	193,890	193,890
Due from credit institutions, net	155,060	155,060	214,243	214,243
Trading securities	-	-	149,692	149,692
Securities available for sale	258,075	258,075	-	-
Loans to customers, net	1,343,976	1,306,555	1,081,568	1,079,352
Financial Liabilities				
Deposits by the Central Bank of Russia	342,473	342,473	-	-
Deposits by credit institutions	446,996	446,996	499,755	499,755
Deposits by customers	791,827	789,924	689,528	689,014
Debt securities issued	212,698	208,894	283,054	281,304

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

Available-for-sale securities: the fair values are primarily based on quoted market prices for these or similar instruments. For USD 65,808 thousand of promissory notes and USD 173,020 thousand of other available-for-sale securities (bonds and shares) in the available-for-sale portfolio market price quotations are unavailable. The fair value of such securities was measured based on observable yield curves, as shown in the table below.

		Fair Value Measurements at Reporting Date Using		
Description	**December 31, 2008**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Available-for-sale securities	258,075	19,247	238,828	-

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.

The 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.

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

NOTE 29 – 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.

The geographical concentration of banking assets and liabilities follows:

	December 31, 2008				December 31, 2007			
	Russia	OECD	Other non-OECD	Total	Russia	OECD	Other non-OECD	Total
Assets								
Cash and due from Central Bank	180,410	29,134	-	**209,544**	190,049	3,841	-	**193,890**
Due from credit institutions	133,529	21,407	124	**155,060**	177,388	36,796	59	**214,243**
Trading securities	-	-	-	-	149,692	-	-	**149,692**
Securities available for sale	258,075	-	-	**258,075**	-	-	-	-
Loans to customers, gross	1,361,199	-	4	**1,361,203**	1,090,477	-	57	**1,090,534**
	1,933,213	**50,541**	**128**	**1,983,882**	**1,607,606**	**40,637**	**116**	**1,648,359**
Liabilities								
Due to Central Bank	342,473	-	-	**342,473**	-	-	-	-
Due to credit institutions	130,567	306,779	9,650	**446,996**	111,206	378,879	9,670	**499,755**
Deposits by customers	782,154	401	9,272	**791,827**	679,625	1,213	8,690	**689,528**
Debt securities issued	168,402	43,374	922	**212,698**	231,800	47,177	4,077	**283,054**
	1,423,596	**350,554**	**19,844**	**1,793,994**	**1,022,631**	**427,269**	**22,437**	**1,472,337**
Net position	509,617	(300,013)	(19,716)	189,888	584,975	(386,632)	(22,321)	176,022

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

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, 2008				December 31, 2007			
	USD	Rubles	Other currencies	Total	USD	Rubles	Other currencies	Total
Assets								
Cash and due from Central Bank	25,983	180,410	3,151	**209,544**	3,018	190,049	823	**193,890**
Due from credit institutions	62,262	62,097	30,701	**155,060**	47,428	148,159	18,656	**214,243**
Trading securities	-	-	-	-	62	149,630	-	**149,692**
Securities available for sale	41,642	195,669	20,764	**258,075**	-	-	-	-
Loans to customers, gross	323,365	974,899	62,939	**1,361,203**	281,395	717,882	91,257	**1,090,534**
	453,252	**1,413,075**	**117,555**	**1,983,882**	**331,903**	**1,205,720**	**110,736**	**1,648,359**
Liabilities								
Deposits by the Central Bank of Russia	-	342,473	-	**342,473**	-	-	-	-
Deposits by credit institutions	273,203	126,218	47,575	**446,996**	293,285	101,931	104,539	**499,755**
Deposits by customers	109,890	600,078	81,859	**791,827**	33,340	628,170	28,018	**689,528**
Debt securities issued	43,427	168,297	974	**212,698**	49,720	229,431	3,903	**283,054**
	426,520	**1,237,066**	**130,408**	**1,793,994**	**376,345**	**959,532**	**136,460**	**1,472,337**
Net balance sheet position	**26,732**	**176,009**	**(12,853)**	**189,888**	**(44,442)**	**246,188**	**(25,724)**	**176,022**
Spot contracts	(24,204)	11,519	12,685	-	43,496	(70,540)	27,044	-
Total	**2,528**	**187,528**	**(168)**	**189,888**	**(946)**	**175,648**	**1,320**	**176,022**

(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, 2008 and December 31, 2007 are as follows:

December 31, 2008

	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	207,610	-	-	-	1,934	-	**209,544**
Due from credit institutions	144,848	10,212	-	-	-	-	**155,060**
Securities available for sale	23,296	127,088	46,742	59,183	1,766	-	**258,075**
Loans to customers, net	157,974	642,200	139,484	367,703	-	36,615	**1,343,976**
Property and equipment	-	-	-	-	64,339	-	**64,339**
Other assets	12,659	6,783	1,664	1,812	780	873	**24,571**
	546,387	**786,283**	**187,890**	**428,698**	**68,819**	**37,488**	**2,055,565**
Liabilities							
Deposits by the Central Bank of Russia	300,115	42,358	-	-	-	-	**342,473**
Deposits by credit institutions	95,418	145,604	77,665	128,309	-	-	**446,996**
Deposits by customers	356,169	224,051	173,200	38,407	-	-	**791,827**
Debt securities issued	3,652	68,301	48,784	91,961	-	-	**212,698**
Income tax liability	78	-	-	-	7,800	-	**7,878**
Other liabilities	18,270	14,985	313	859	526	12	**34,965**
	773,702	**495,299**	**299,962**	**259,536**	**8,326**	**12**	**1,836,837**
Net balance sheet position	**(227,315)**	**290,984**	**(112,072)**	**169,162**	**60,493**	**37,476**	**218,728**
Available credit lines	**300,115**	**-**	**-**	**(300,115)**	**-**	**-**	**-**
Net position	**72,800**	**290,984**	**(112,072)**	**(130,953)**	**60,493**	**37,476**	**218,728**
Accumulated gap	**72,800**	**363,784**	**251,712**	**120,759**	**181,252**	**218,728**	

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

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, net	213,643	-	-	600	-	-	**214,243**
Trading securities	149,692	-	-	-	-	-	**149,692**
Loans to customers, net	113,964	497,311	161,505	303,190	-	5,598	**1,081,568**
Property and equipment	-	-	-	-	63,472	-	**63,472**
Other assets	11,736	-	-	-	7,343	-	**19,079**
	662,898	**497,311**	**161,505**	**303,790**	**90,842**	**5,598**	**1,721,944**
Liabilities							
Due to Central Bank	-	-	-	-	-	-	-
Due to 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	**105,080**	**118,793**	**(208,454)**	**118,035**	**83,773**	**5,598**	**222,825**
Accumulated gap	**105,080**	**223,873**	**15,419**	**133,454**	**217,227**	**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 realized within this period. Information about the contractual maturity of these securities is provided later in this Note.

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.

	December 31, 2007
Less than 1 month	4,260
1 – 6 months	42,714
6 months to 1 year	19,230
Over 1 year	78,066
No maturity	5,422
	149,692

(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 except due to credit institutions, whose repricing dates are disclosed in the tables below:

	December 31, 2008	December 31, 2007
Less than 1 month	111,703	125,898
1 – 6 months	193,588	198,202
6 months to 1 year	62,205	107,808
Over 1 year	79,500	67,847
	446,996	**499,755**

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, 2008 and 2007 for interest bearing financial instruments are as follows:

	December 31, 2008			December 31, 2007		
	US Dollars	Rubles	Other foreign currencies	US Dollars	Rubles	Other foreign currencies
Interest earning assets						
Due from credit institutions	3.5%	16.0%	2.6%	3.1%	5.2%	0.5%
Trading securities – government bonds	-	-	-	5.8%	6.4%	-
Trading securities – corporate notes and municipal bonds	-	-	-	-	10.0%	-
Available-for-sale securities – government bonds	8.1%	9.3%	-	-	-	-
Available-for-sale securities – corporate notes and municipal bonds	6.3%	19.9%	8.9%	-	-	-
Loans to customers	14.2%	17.9%	11.9%	12.4%	15.1%	9.7%
Interest bearing liabilities						
Due to the Central Bank of Russia	-	11.7%	-	-	-	-
Due to credit institutions	6.0%	10.5%	5.5%	7.5%	5.0%	5.4%
Deposits by customers	7.0%	8.4%	8.6%	5.9%	4.9%	5.6%
Debt securities issued	8.9%	12.8%	7.9%	9.7%	10.1%	7.8%