ROSBANK Group

Independent Auditors' Report

Consolidated Financial Statements
Year Ended 31 December 2006

ROSBANK GROUP

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of ROSBANK Group (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group at 31 December 2006, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2006 were authorized for issue on 24 April 2007 by the Board of Directors of ROSBANK.

On behalf of the Board of Directors:

Chairman of the Management Board	**Chief Financial Officer**
24 April 2007	24 April 2007
Moscow	Moscow

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of the Directors of Joint Stock Bank ROSBANK:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Joint Stock Bank ROSBANK and subsidiaries (hereinafter – the "Group"), which comprise the consolidated balance sheet as of 31 December 2006, and the consolidated income statement, consolidated statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards.
This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as of 31 December 2006, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 3 to the consolidated financial statements. The consolidated financial statements as of 31 December 2005 and for the year then ended were restated.

24 April 2007
Moscow

ROSBANK GROUP

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	31 December 2006 RUR'000	31 December 2005 RUR'000 (restated)
Interest income	5,31	29,066,815	21,829,248
Interest expense	5,31	(12,923,578)	(10,879,564)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		16,143,237	10,949,684
Provision for impairment losses on interest bearing assets	6,31	(4,247,376)	(1,852,920)
NET INTEREST INCOME		11,895,861	9,096,764
Net gain on financial assets at fair value through profit or loss	7,31	251,627	749,562
Net gain on sale of investments available-for-sale	31	102,381	994,910
Net gain on foreign exchange operations	31	972,448	296,434
Net gain on precious metals operations		196,272	41,712
Fee and commission income	8,31	5,954,049	4,074,487
Fee and commission expense	8,31	(1,060,716)	(973,795)
Dividend income	31	129,837	61,823
Other income	9,31	1,008,354	1,142,110
NET NON-INTEREST INCOME		7,554,252	6,387,243
OPERATING INCOME		19,450,113	15,484,007
OPERATING EXPENSES	10,31	(13,229,546)	(11,162,243)
OPERATING PROFIT		6,220,567	4,321,764
Other provisions	6	(153,872)	(7,345)
PROFIT FROM CONTINUED OPERATIONS BEFORE INCOME TAX		6,066,695	4,314,419
Income tax expense	11	(2,393,171)	(1,261,151)
Net profit from continued operations		3,673,524	3,053,268
Net profit from discontinued operations	4	57,660	30,794
Net gain from disposal of subsidiary	4	86,714	-
NET PROFIT		3,817,898	3,084,062
Attributable to:			
Equity holders of the parent		3,805,181	3,017,498
Minority interest		12,717	66,564
		3,817,898	3,084,062
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic and diluted (in RUR)	12	5.59	7.80

On behalf of the Board:

Chairman of the Management Board

24 April 2007
Moscow

Chief Financial Officer

24 April 2007
Moscow

The selected notes on pages 9-60 form an integral part of these consolidated financial statements. The Independent Auditors' Report is presented on page 2-3.

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2006

	Notes	31 December 2006 RUR'000	31 December 2005 RUR'000 (restated)
ASSETS:			
Cash and balances with the Central and National banks	13	37,271,329	19,455,358
Financial assets at fair value through profit or loss	14,31	12,820,238	15,677,102
Precious metals	15	1,062,102	978,040
Loans and advances to banks	16,31	64,759,001	53,995,068
Loans to customers	18,31	161,243,117	113,318,224
Investments available-for-sale	19,31	3,428,158	478,334
Property and equipment purchased for transfer into finance lease		2,212,847	329,005
Property, equipment and intangible assets	20	9,131,452	6,723,177
Current income tax assets		615,647	484,307
Other assets	21,31	1,291,728	1,617,987
Total assets		**293,835,619**	**213,056,602**
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits from banks	22,31	19,717,654	11,139,028
Customer accounts	23,31	204,662,195	149,060,894
Financial liabilities at fair value through profit or loss	24	947,172	1,840,641
Debt securities issued	25	33,963,427	26,044,207
Other provisions	29,31	196,379	174,729
Current income tax liabilities		20,657	11,155
Deferred income tax liabilities	11	1,548,137	926,371
Other liabilities	26,31	1,616,125	1,039,311
		262,671,746	190,236,336
Subordinated debt	27,31	3,000,000	-
Total liabilities		**265,671,746**	**190,236,336**
EQUITY:			
Share capital	28	8,876,500	8,876,500
Share premium	28	9,177,470	9,177,470
Translation reserve		(41,460)	(82,280)
Revaluation reserve		4,599,285	2,993,114
Fair value adjustment of available-for-sale investments		86,320	-
Reorganization reserve		1,783,615	1,881,029
Retained earnings/(accumulated deficit)		3,593,297	(245,266)
Equity attributable to equity holders of the parent		28,075,027	22,600,567
Minority interest		88,846	219,699
Total equity		**28,163,873**	**22,820,266**
TOTAL LIABILITIES AND EQUITY		**293,835,619**	**213,056,602**

On behalf of the Board:

Chairman of the Management Board

24 April 2007
Moscow

Chief Financial Officer

24 April 2007
Moscow

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Share capital	Share premium	Translation reserve	Revaluation reserve	Fair value adjustment reserve of available-for-sale investments	Reorganization reserve	(Accumulated deficit)/ Retained earnings	Equity attributable to equity holders of the parent	Minority interest	Total equity
	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000
31 December 2004	**8,083,306**	**6,445,058**	**(62,387)**	**3,095,261**	**-**	**-**	**(1,229,819)**	**16,331,419**	**94,149**	**16,425,568**
Increase in share capital	3,398,321	5,505,280	-	-	-	-	-	8,903,601	-	8,903,601
Changes in translation reserve	-	-	(19,893)	-	-	-	-	(19,893)	-	(19,893)
Property disposal (net of deferred tax credit of RUR 86,440 thousand)	-	-	-	(102,147)	-	-	102,147	-	-	-
Dividends declared	-	-	-	-	-		(2,187,115)	(2,187,115)	-	(2,187,115)
Group reorganization	(2,605,127)	(2,772,868)	-	-	-	1,881,029	52,023	(3,444,943)	58,986	(3,385,957)
Net profit	-	-	-	-	-	-	3,017,498	3,017,498	66,564	3,084,062
31 December 2005	**8,876,500**	**9,177,470**	**(82,280)**	**2,993,114**	**-**	**1,881,029**	**(245,266)**	**22,600,567**	**219,699**	**22,820,266**
Changes in translation reserves	-	-	40,820	-	-	-	-	40,820	-	40,820
Revaluation reserve (net of deferred tax expense of RUR 616,755 thousand)	-	-	-	1,632,377	-	-	-	1,632,377	-	1,632,377
Property disposal (net of deferred tax credit of RUR 8,275 thousand)	-	-	-	(26,206)	-	-	26,206	-	-	-
Fair value adjustment of available-for-sale investments (net of deferred tax expense of RUR 27,258 thousand)	-	-	-	-	86,320	-	-	86,320	-	86,320
Disposal of subsidiary	-	-	-	-	-	-	-	-	(18,249)	(18,249)
Group reorganization	-	-	-	-	-	(97,414)	7,176	(90,238)	(125,321)	(215,559)
Net profit	-	-	-	-	-	-	3,805,181	3,805,181	12,717	3,817,898
31 December 2006	**8,876,500**	**9,177,470**	**(41,460)**	**4,599,285**	**86,320**	**1,783,615**	**3,593,297**	**28,075,027**	**88,846**	**28,163,873**

On behalf of the Board:

Chairman of the Management Board

24 April 2007
Moscow

Chief Financial Officer

24 April 2007
Moscow

The selected notes on pages 9-60 form an integral part of these consolidated financial statements. The Independent Auditors' Report is presented on page 2-3.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year ended 31 December 2006 RUR'000	Year ended 31 December 2005 RUR'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit from continued operations before income tax		6,066,695	4,314,419
Provision for impairment losses on interest bearing assets		4,247,376	1,852,920
Other provisions		153,872	7,345
Depreciation charge on property, equipment and intangible assets		476,115	434,642
Gain on disposal of subsidiary		(86,714)	-
Property and equipment disposal gain		(145,866)	(36,871)
Property and equipment impairment		-	7,624
Net change in value of derivatives and spot deals		175,614	(53,577)
Net change in interest and other accruals		(1,346,809)	517,595
Net foreign currency revaluation (gain)/loss		(320,733)	445,591
Net unrealized gain on financial assets at fair value through profit or loss		(242,187)	(439,436)
Profit from discontinued operations before income tax adjusted for non-cash operations	4	-	43,029
Cash flow from operating activities before changes in operating assets and liabilities		8,977,363	7,093,281
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central and National Banks		(1,567,658)	(917,585)
Financial assets at fair value through profit or loss		(1,745,814)	248,353
Precious metals		(84,062)	(908,698)
Loans to customers		(54,562,728)	(32,680,805)
Loans and advances to banks		(7,113,627)	(2,164,277)
Purchase of property and equipment for transfer into finance lease		(1,883,842)	60,371
Other assets		208,026	(370,755)
(Decrease)/increase in operating liabilities:			
Deposits from banks		8,871,123	1,181,841
Customer accounts		62,691,939	45,448,494
Financial liabilities at fair value through profit or loss		(834,174)	1,717,722
Other liabilities		681,796	(699,884)
Cash outflow from operating activities before taxation		13,638,342	18,008,058
Income tax paid		(2,523,669)	(1,499,310)
Net cash inflow from operating activities		11,114,673	16,508,748
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(907,875)	(578,865)
Proceeds on sale of property, equipment and intangible assets		356,878	400,514
Disposal of subsidiary	4	(261,022)	-
Purchase of subsidiaries, net of cash acquired		(100,602)	(3,567,889)
Net (purchase)/sale of investment securities		(3,008,956)	1,581,394
Net cash outflow from investing activities		(3,921,577)	(2,164,846)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year ended 31 December 2006 RUR'000	Year ended 31 December 2005 RUR'000 (restated)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share capital issue		-	3,398,321
Share premium received		-	5,505,280
Proceeds from debt securities issued		8,466,310	4,926,623
(Repayment of)/ Proceeds from subordinated debt		3,000,000	(1,450,000)
Dividends paid		-	(2,176,747)
Net cash inflows from financing activities		11,466,310	10,203,477
Effect of exchange rate changes on cash and cash equivalents		(2,009,747)	759,533
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,649,659	25,306,912
CASH AND CASH EQUIVALENTS, beginning of the period	13	66,822,582	41,515,670
CASH AND CASH EQUIVALENTS, end of the period	13	83,472,241	66,822,582

Interest received and paid by the Group during the year ended 31 December 2006 amounted to RUR 27,242,691 thousand and RUR 12,585,545 thousand, respectively.

Interest received and paid by the Group from continued operations during the year ended 31 December 2005 amounted to RUR 20,598,006 thousand and RUR 9,863,787 thousand, respectively.

Interest received and paid by the Group from discontinued operations during the year ended 31 December 2005 amounted to RUR 130,975 thousand and RUR 55,189 thousand, respectively.

On behalf of the Board:

Chairman of the Management Board

24 April 2007
Moscow

Chief Financial Officer

24 April 2007
Moscow

The selected notes on pages 9-60 form an integral part of these consolidated financial statements. The Independent Auditors' Report is presented on page 2-3.

1. ORGANISATION

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 11, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 31 December 2006 ROSBANK had 68 branches in the Russian Federation.

ROSBANK is the parent company of the banking group which consists of the following enterprises as of 31 December 2006:

Name	Country of incorporation	Group’s ownership interest/voting rights, %	Type of operations
Rosbank (Switzerland) SA	Switzerland	100/100	Banking
Rosbank International Finance BV	The Netherlands	100/100	Issue of Eurobonds
RosInvest SA	Luxembourg	99.97/99.97	Reorganization of UNEXIM Finance Company
Belrosbank	Byelorussia	80.77/80.77	Banking
Russia International Card Finance S.A.	Luxembourg	0/100 (Contractual agreement)	Issue of Eurobonds
Rosbank Finance S.A	Luxembourg	100/100	Issue of Eurobonds
ROSBANK-VOLGA CJSC	Russia	100/100	Banking
RB Finance CJSC	Russia	100/100	Operations with securities
Processing Company NICKEL LLC	Russia	100/100	Processing of card operations
RB LEASING LLC	Russia	20/100	Leasing
INKAHRAN OJSC	Russia	100/100	Cash collection services
Bank Povolzhskoe OVK JSC	Russia	98.04/100	Banking
Bank Centralnoe OVK JSC	Russia	97.21/100	Banking
Bank Privolzhskoe OVK LLC	Russia	100/100	Banking
Kapital i zdanie OJSC	Russia	100/100	Real estate operations
Art Heiser LLC	Russia	100/100	Real estate operations
Petrovsky Dom-XXI vek LLC	Russia	100/100	Real estate operations
TOR-Service CJSC	Russia	100/100	Office buildings administration
PMD Service LLC	Russia	100/100	Lease services
TD Druzhba LLC	Russia	100/100	Other services
AVTO LLC	Russia	100/100	Transportation services

Name	Country of incorporation	Group's ownership interest/voting rights, %	Type of operations
RB Securities LLC	Russia	100/100	Operations with securities
AVD LLC	Russia	100/100	Recovery of bad debts
AVD Ekaterinburg LLC	Russia	100/100	Recovery of bad debts
AVD Saratov LLC	Russia	100/100	Recovery of bad debts
Dalnevostotnoe AVD LLC	Russia	100/100	Recovery of bad debts
AVD Krasnoyarsk LLC	Russia	100/100	Recovery of bad debts
AVD St-Peterburg LLC	Russia	100/100	Recovery of bad debts
AVD Krasnodar LLC	Russia	100/100	Recovery of bad debts
INKAHRAN SERVICE LLC	Russia	99.6/100	Transportation services

In 2006 ROSBANK acquired additional 3.42% of shares of Bank Pervoe OVK JSC and 1.09% of shares of Bank Povolzhskoe OVK JSC from Interros.

In 2003 JSC "Interros estate", the major shareholder of the Group, purchased a controlling interest in OVK group. OVK group consisted of 6 commercial banks and other financial and service companies. The main activity of these banks is retail banking. The management of ROSBANK has commenced the process of integrating the operations of OVK with those of ROSBANK and, on 26 January 2004, the CBR approved ROSBANK's proposed plan of consolidation. The integration of banks as large as OVK group require extensive management, personnel and monetary resources. The integration was completed at the end of 2005, prior to which time management was faced with modernisation of the OVK group network, integrating its operations and personnel with those of ROSBANK, merging its information technology systems with those of ROSBANK, and implementing group-wide financial and management information systems and controls. OVK group was acquired by ROSBANK and the Group reorganization was completed substantially by the end of 2005.

Interros controlled OVK group and had the ability to obtain economic benefits from the banks since the end of 2003. Since ROSBANK acquired OVK group and obtained control over it at the end of 2005, the financial statements as of 31 December 2005 were prepared on a consolidated basis.

In 2006 Interros has signed a call option with Societe Generale on 30% + 2 shares of Rosbank, which will enable Societe Generale to take control of the Bank by the end of 2008. The strike price for the further 30% + 2 shares of Rosbank equals to USD 1,700 million. Between 2006 and the date of execution of the call option, Societe Generale is represented on Rosbank's Board of Directors by Philippe Citerne, Director and co-CEO, and Jean-Louis Mattei, Head of International Retail Banking, and will advise the Bank on its risk and finance policies.

In December 2006 Bank Pervoe OVK JSC, Bank Sibirskoe OVK JSC, Bank Dalnevostochnoe OVK JSC and Bank Centralnoe OVK JSC were merged into Bank Centralnoe OVK JSC on one-for-one share basis, leaving the entire ownership and controlling interest of the Group in those banks unchanged.

In December 2006 Rosbank sold all ownership interest into Baikal-ROSBANK comprised 90.607% to a third party.

As of 31 December 2006 and 2005, the following shareholders owned the issued shares of ROSBANK:

	31 December 2006 %	31 December 2005 %
Shareholder		
KM TECHNOLOGIES (OVERSEAS) LIMITED	69.46%	97.26%
Societe Generale S.A.	19.99%	-
Others	10.55%	2.74%
Total	**100.00%**	**100.00%**

As of 31 December 2006 and 31 December 2005, the ultimate shareholders of the Group are:

	31 December 2006 %	31 December 2005 %
Shareholder		
Mr. Potanin V. O.	34.73%	48.58%
Mr. Prokhorov M. D.	34.73%	48.58%
Societe Generale S.A.	19.99%	-
Others	10.55%	2.84%
Total	**100.00%**	**100.00%**

These consolidated financial statements were authorised for issue on 24 April 2007 by the Board of Directors of ROSBANK.

2. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements are presented in thousands of Russian Roubles ("RUR"), unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments and property, equipment and intangible assets and according to International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). Hyperinflation ceased to exist in Russia from 1 January 2003.

Entities incorporated in the Russian Federation maintain their accounting records in accordance with Russian law. Other companies of the Group maintain their accounting records in accordance with statutory accounting standards generally accepted in the countries where they operate. For the purpose of incorporation in the financial statements, the individual financial statements of entities included in the Group prepared under the statutory accounting standards generally accepted in the countries of their origin have been adjusted to conform with IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Key assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the allowances for impairment losses.

Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include:

	31 December 2006 RUR'000	31 December 2005 RUR'000
Loans to customers	161,243,117	113,318,224
Investments available-for-sale	3,428,158	478,334
Property, equipment and intangible assets	9,131,452	6,723,177

Loans to customers and investments available-for-sale are measured at amortised cost/cost less allowance for impairment losses. The estimation of allowance for impairment losses involves an exercise of judgement. It is impracticable to assess the extent of the possible effects of key assumptions or other sources of uncertainty on these balances at the balance sheet date.

Certain property (buildings) is measured at revalued amounts. The date of the latest appraisal was 31 December 2006. The next revaluation is preliminary scheduled as of 31 December 2008.

Discussion of taxation is presented in Note 29.

Functional currency

The functional currency of these financial statements is the Russian Rouble.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The financial statements incorporate the financial statements of ROSBANK and entities controlled by ROSBANK (its subsidiaries). Control is achieved where there is the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition, unless a business consolidation involves entities or business under common control. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill is assessed at least annually for impairment. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition subject to reassessment of net assets measurement.

The minority interest is stated at the minority's proportion of the fair values of assets and liabilities recognised. Subsequently, any losses applicable to minority interest in excess of minority interest are allocated against the interests of the parent. For a business consolidation involving entities or business under common control, all assets and liabilities of a subsidiary are measured at historical/fair value according to subsidiary stand-alone IFRS financial statements.

Reorganization reserve was recognized in equity when entities included in combined financial statements under common control were purchased by ROSBANK and consolidated into Group financial statements in 2005. This reserve represented difference between value of net assets of such entities and contribution paid. Changes of reorganization reserve are due to acquisition of additional shares of these entities by the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of individual entities included in the financial statements to bring the accounting policies used into line with those used by the Group.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the financial statements, the Group follows a translation policy in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") and the following procedures are performed:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the date of respective transactions;

- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are recognized in the consolidated income statement.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities, except for investments available-for-sale, are recognized using settlement date accounting. Regular way purchases and sale of investments available-for-sale are recognized using trade date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as that for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the Central bank of the Russian Federation and National Banks, loans and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), except for margin deposits for operations with plastic cards, with original maturity within 90 days as well as trading government debt securities, which may be converted to cash within a short period of time. For purposes of determining cash flows, the minimum reserve deposits required by the Central bank of the Russian Federation and the National Banks is not included as a cash equivalent due to restrictions on its availability.

Precious metals

Assets and liabilities denominated in precious metals are measured at fair value which is determined at the current rate computed based on the second fixing of the London Bullion Market rates using the RUR/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain on operations with precious metals in the consolidated income statement.

Loans and advances to banks

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Financial assets/liabilities at fair value through profit or loss

Financial assets/liabilities at fair value through profit or loss represent assets/liabilities acquired/incurred principally for the purpose of selling/settlement in the near term, or it is a part of portfolio of a identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit-taking, or as a derivative, or financial asset/liability which upon initial recognition is designated by the Group at fair value through profit or loss. Financial assets/liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group's financial assets/liabilities at fair value through profit or loss. Fair value adjustment on financial assets/liabilities at fair value through profit or loss is recognized in the consolidated income statement for the period.

Derivative financial instruments

The Group enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes and are not qualified for hedging. Derivatives entered into by the Group include forwards and swaps.

Most of the derivatives the Group enters into are of a short-term and trading nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the consolidated income statement for the period in which they arise under net gain/(loss) on respective transactions.

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit received.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit which is collateralized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/ (losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Originated loans

Loans originated are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans granted by the Group with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement as losses on origination of assets. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans to customers are carried net of any allowance for impairment losses.

Purchased loans

Loans acquired from another lender subsequently to the origination date are either classified as loans or as available-for-sale investments on initial recognition. Purchased loans classified as loans are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method. For purchased loans classified as available-for-sale investments, fair value is based on an active market or on a discounted cash flow ("DCF") model. If market price is not available and the DCF model is not practicable, the price for similar assets is used.

Write off of loans and advances

Loans and advances are written off against allowance for impairment losses when estimated to be uncollectible, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. The excess of cash received on such sale over the outstanding debt is returned to the debtor. The decision on writing off bad debt against allowance for impairment losses for all major, preferential, unsecured and insider loans is required to be confirmed either by Management decision or by a procedural document of judicial and notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor's funds.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets that are not carried at fair value when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortised cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in the allowance for impairment losses is charged to profit and the total of the allowance for impairment losses is deducted in arriving at assets as shown in the balance sheet. Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses which are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on risk assets, at the balance sheet date.

Finance leases

Leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;

- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The date of initial recognition of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset.

Initial direct costs are often incurred in connection with specific leasing activities, such as negotiating and securing leasing arrangements. For finance leases, initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable.

Group as lessor

The Group presents leased assets as loans equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized as expenses when incurred.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the income statement, plus accrued coupon income recognized in the consolidated income statement for the period as interest income on investment securities. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. Dividends received are included in dividend income in the consolidated income statement.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the income statement for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the income statement.

Property, equipment and intangible assets

Property, equipment and intangible assets, except for buildings, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation. Property, equipment and intangible assets, acquired before 1 January 2003, except for buildings, are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

The carrying amounts of property, equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Depreciation of property, equipment and intangible assets is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual rates:

Buildings	2%
Leasehold improvements	Over the period of lease
Equipment	20%
Intangible assets	Over useful life of 3-10 years

Buildings held for use in supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Three approaches were used to estimate the market value of property:

- The sales comparison approach based on the analysis of sales prices for similar properties in the market;
- The income approach that assumes direct relationship between income generated by the property and its market value; and
- The cost approach under which the value of property equals the replacement cost adjusted for depreciation.

Any revaluation increase arising on the revaluation of such buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business consolidation) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Income taxes assets and liabilities are offset if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deposits from banks and customers and subordinated debt

Customer and bank deposits and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between fair value at recognition and the redemption value is recorded in the consolidated income statement over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent promissory notes, certificates of deposit and bonds issued by the Group. They are accounted for according to the same principles used for customer and bank deposits.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Share capital and share premium

Contributions to share capital and share premium, made before 1 January 2003, are recognized at their cost restated for inflation. Contributions to share capital and share premium made after 1 January 2003 are recognized at cost. Share premium represents the excess of contributions over the nominal value of shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium.

External costs directly attributable to the issue of new shares, other than on a business consolidation, are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Russian Federation and other countries, which require current contributions by the Group calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. Interest income also includes income earned on investments in securities. Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income includes loan origination fees, loan commitment fees and loan servicing fees. Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan in interest income. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan in interest income. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit and loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit and loss on expiry. Loan servicing fees are recognized as revenue as services are provided. Other income is credited to the consolidated income statement when the related transactions are completed. Commission income for the guarantees issued is deferred and recognised as revenue on a time proportion basis over the period of guarantees. Commission expense for guarantees received is deferred and recognised as expense on a time proportion basis over the period of guarantees. All other commissions are recognized when services are provided.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Russian Roubles at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing on the date of the transaction. Profits and losses arising from these translations are included in net (loss)/gain on foreign exchange operations.

Rates of exchange

The exchange rates at period-end used by the Group in the preparation of the financial statements are as follows:

	31 December 2006	31 December 2005
RUR/1 US Dollar	26.3311	28.7825
RUR/1 Euro	34.6965	34.1850
RUR/Gold (1 ounce)	16,738.68	14,765.42
RUR/Platinum (1 ounce)	29,411.84	27,746.33

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported separately within these consolidated financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations applicable to the Bank were issued but not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2007);
- Amendments to IAS 1 regarding disclosure on the Bank's objectives, policies and processes for managing capital (effective 1 January 2007).

The management is currently assessing the impact of the adoption of these new and revised Standards in future periods.

Restatements of the consolidated financial statements

During 2006 the Group's Management restated the consolidated financial statements for the year ended 31 December 2005 due to correction of error. These errors are due to calculative errors on accounting for loans to customers. The effect of restatement is presented below.

Balance sheet / income statement caption	31 December 2005 RUR'000 (as previously reported)	31 December 2005 RUR'000 (as restated)
Consolidated income statement		
Interest income	21,021,944	21,829,248
Provision for impairment losses on interest bearing assets	(1,045,616)	(1,852,920)
Consolidated balance sheet		
Loans to customers, gross	119,205,859	120,361,682
Allowance for impairment losses	(5,887,635)	(7,043,458)

Reclassifications to the consolidated financial statements

Certain reclassifications have been made to the financial statements as at 31 December 2005 and for the year then ended to conform to the presentation as at 31 December 2006 and for the year then ended as current year presentation provides better view of the financial position of the Group.

Nature of reclassification	Amount RUR'000	Income statement line as per the previous report	Income statement line as per current report
Reclassification of net loss on foreign exchange operations	(3,682)	Net gain on foreign exchange operations	Net gain on financial assets at fair value through profit or loss
Reclassification of net gain on precious metals operations	59,809	Net gain on precious metals operations	Net gain on financial assets at fair value through profit or loss

4. DISPOSAL OF SUBSIDIARY

On 26 December 2006 ROSBANK sold all ownership interest in Baikal-ROSBANK of 90.607% to a third party.

	RUR'000
Share of net assets disposed	90.607%
Net assets attributable to the Group	221,390
Total consideration, satisfied by cash	**308,104**
Net gain from disposal of subsidiary	**86,714**

	RUR'000
Total cash received on disposal	308,104
Cash and cash equivalents disposed	569,126
Disposal of subsidiary for statement of cash flows	**261,022**

The financial position of Baikal-ROSBANK JSC as of the disposal date was as follows:

	RUR'000
ASSETS:	
Cash and balances with the Central Bank	594,423
Financial assets at fair value through profit or loss	28,275
Loans and advances to banks	392,646
Loans to customers	742,288
Investments available-for-sale	3,090
Property, equipment and intangible assets	28,667
Other assets	6,247
Total assets	**1,795,636**
LIABILITIES AND EQUITY	
LIABILITIES:	
Deposits from banks	11,000
Customer accounts	1,504,165
Debt securities issued	13,580
Other provisions	106
Current income tax liabilities	5,632
Deferred income tax liabilities	8,732
Other liabilities	8,080
Total liabilities	**1,551,295**
EQUITY:	
Share capital	334,579
Accumulated deficit	(90,238)
Total equity	**244,341**
TOTAL LIABILITIES AND EQUITY	**1,795,636**

Results from discontinued operations for the year ended 31 December 2006 and 2005 were as follows:

	Year ended 31 December 2006 RUR'000	Year ended 31 December 2005 RUR'000
Interest income	153,131	131,492
Interest expense	(61,165)	(54,337)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	91,966	77,155
Recovery of provisions for impairment losses on interest bearing assets	13,014	7,050
NET INTEREST INCOME	104,980	84,205
Net gain on financial assets at fair value through profit or loss	716	214
Net gain on foreign exchange operations	8,686	7,112
Net gain/(loss) on precious metals operations	8,170	(4,305)
Fee and commission income	37,136	19,642
Fee and commission expense	(2,044)	(1,045)
Other income	4,196	4,732
NET NON-INTEREST INCOME	56,860	26,350
OPERATING INCOME	161,840	110,555

	Year ended 31 December 2006 RUR'000	Year ended 31 December 2005 RUR'000
OPERATING EXPENSES	(86,874)	(66,402)
OPERATING PROFIT	74,966	44,153
Other (provisions)/recovery of provisions	(71)	19
PROFIT BEFORE INCOME TAX	74,895	44,172
Income tax expense (Note 11)	(17,235)	(13,378)
NET PROFIT	57,660	30,794

Depreciation charge on property, equipment and intangible assets included in operating expenses from discontinued operations for the year ended 31 December 2006 and 2005 amounted to RUR 4,270 thousand and RUR 4,217 thousand, respectively.

The net cash inflow attributable to the operating activities of discontinued operations for the year ended 31 December 2005 amounted to RUR 96,001 thousand. The net cash outflows attributable to the investing and financing activities of discontinued operations for the year ended 31 December 2005 amounted to RUR 776 thousand and RUR 33,709 thousand, respectively.

5. NET INTEREST INCOME

	Year ended 31 December 2006 RUR'000	Year ended 31 December 2005 RUR'000
Interest income		
Interest on loans to individuals	15,112,171	9,025,728
Interest on loans to corporate customers	10,345,804	10,460,508
Interest on loans and advances to banks	1,838,857	1,403,094
Interest on debt securities	1,025,515	849,263
Interest on reverse repurchase transactions	537,628	90,655
Other interest income	206,840	-
Total interest income	**29,066,815**	**21,829,248**
Interest expense		
Interest on deposits from individuals	4,626,080	3,973,687
Interest on corporate customer accounts	4,360,449	5,143,358
Interest on debt securities issued	2,189,529	1,196,902
Interest on deposits from banks	944,361	524,778
Interest on repurchase agreements	803,159	40,839
Total interest expense	**12,923,578**	**10,879,564**
Net interest income before provision for impairment losses on interest bearing assets	**16,143,237**	**10,949,684**

6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest-bearing assets were as follows:

	Loans and advances to banks RUR'000	Loans to customers RUR'000	Total RUR'000
31 December 2004	**12,206**	**5,269,385**	**5,281,591**
(Recovery of provision)/Provision	(12,206)	1,865,126	1,852,920
Write-off	-	(100,059)	(100,059)
Allowance acquired with subsidiaries	-	16,056	16,056
Recovery of provision from discontinued operations	-	(7,050)	(7,050)
31 December 2005	**-**	**7,043,458**	**7,043,458**
Provision	-	4,247,376	4,247,376
Write-off	-	(132,912)	(132,912)
Recovery of provision from discontinued operations	-	(13,014)	(13,014)
Disposal of subsidiary	-	(17,731)	(17,731)
31 December 2006	**-**	**11,127,177**	**11,127,177**

The movements in other provisions were as follows:

	Investments available-for-sale RUR'000	Other assets RUR'000	Provisions for financial guarantees issued, claims and other commitments RUR'000	Total RUR'000
31 December 2004	**127,545**	**34,930**	**252,287**	**414,762**
Provision/(Recovery of provision)	5,516	(15,771)	17,600	7,345
Write-off	(13,292)	(9,271)	(95,104)	(117,667)
Provision /(Recovery of provision) from discontinued operations	35	-	(54)	(19)
31 December 2005	**119,804**	**9,888**	**174,729**	**304,421**
Provision	118,655	7,033	28,184	153,872
Write-off	(2,745)	(16,921)	(6,501)	(26,167)
(Recovery of provision)/Provision from discontinued operations	(2)	-	73	71
Disposal of subsidiary	(33)	-	(106)	(139)
31 December 2006	**235,679**	**-**	**196,379**	**432,058**

Allowance for impairment losses on assets are deducted from the respective assets. Provision for off-balance sheet transactions are recorded in liabilities.

7. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on financial assets at fair value through profit or loss comprises:

	Year ended 31 December 2006 RUR'000	Year ended 31 December 2005 RUR'000
Net realised gain on operations with financial assets at fair value through profit or loss	9,440	310,126
Net unrealised gain on operations with financial assets at fair value through profit or loss	242,187	439,436
Total net gain on financial assets at fair value through profit or loss	**251,627**	**749,562**

8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2006 RUR'000	Year ended 31 December 2005 RUR'000
Fee and commission income:		
Settlements	1,900,037	1,726,010
Cash operations	1,508,074	789,432
Credit cards operations	1,123,749	418,578
Documentary operations	665,553	126,251
Depository and securities operations	269,931	622,625
Foreign exchange operations	221,428	211,830
Other operations	265,277	179,761
Total fee and commission income	**5,954,049**	**4,074,487**
Fee and commission expense:		
Credit cards operations	746,901	517,204
Depository and securities operations	90,198	63,160
Cash operations	80,768	61,179
Settlements	56,457	166,075
Foreign exchange operations	50,670	125,536
Other operations	35,722	40,641
Total fee and commission expense	**1,060,716**	**973,795**

9. OTHER INCOME

Other income for the year ended 31 December 2006 and 2005 includes rental income amounting to RUR 346,300 thousand and RUR 836,950 thousand, respectively, property and equipment disposal gain amounting to RUR 145,866 thousand and RUR 36,871 thousand, respectively, and income received from trust operations amounting to RUR 70,948 thousand and 24,420 thousand, respectively.

10. OPERATING EXPENSES

	Year ended 31 December 2006 RUR'000	Year ended 31 December 2005 RUR'000
Salary and bonuses	6,167,565	5,356,324
Operating lease expense	1,093,923	1,272,384
Repairs and maintenance expense	980,011	401,549
Unified social tax contribution	975,654	868,117
Taxes, other than income tax	641,950	516,193
Depreciation charge on property, equipment and intangible assets	476,115	434,642
Security	406,320	312,828
Expenses on stationery and other office expenses	305,382	171,268
Deposit insurance charge	348,257	246,919
Communications	326,969	260,241
Professional services	318,002	461,089
Advertising and marketing expenses	258,919	198,260
Transportation expenses	219,561	48,361
Charity expenses	105,053	29,474
Business trip expenses	73,635	80,207
Insurance	65,942	42,201
Representation expenses	43,939	25,056
Customs duties	24,700	14,459
Other	397,649	422,671
Total operating expenses	**13,229,546**	**11,162,243**

11. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group companies operate and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2006 and 2005 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets and liabilities.

Temporary differences as of 31 December 2006 and 2005 comprise:

	31 December 2006 RUR'000	31 December 2005 RUR'000
Deferred assets:		
Loans to banks and customers	3,286,346	2,688,684
Financial assets at fair value through profit or loss	1,055,874	61,098
Other liabilities	961,457	726,833
Other assets	776,264	159,945
Precious metals	269,157	-
Financial liabilities at fair value through profit or loss	172,757	97,850
Debt securities issued	24,246	-
Total deferred assets	**6,546,101**	**3,734,410**

	31 December 2006 RUR'000	31 December 2005 RUR'000
Deferred liabilities:		
Property, equipment and intangible assets	6,166,545	3,762,607
Deposits from banks and customer accounts	157,641	-
Investments available-for-sale	133,400	7,133
Debt securities issued	-	55,919
Precious metals	-	30,226
Financial assets at fair value through profit or loss	-	14,398
Total deferred liabilities	**6,457,586**	**3,870,283**
Net deferred assets/(liabilities)	88,515	(135,873)
Deferred tax liabilities recognized in income statement at the statutory tax rates	(68,472)	(82,444)
Deferred tax liabilities recognized in equity at the statutory tax rates	(1,479,665)	(843,927)
Deferred tax assets at the statutory tax rates	1,633,828	893,761
Unrecognized deferred tax asset	(1,633,828)	(893,761)
Net deferred tax liability	**(1,548,137)**	**(926,371)**

Relationships between tax expenses and accounting profit for the year ended 31 December 2006 and 2005 are explained as follows:

	Year ended 31 December 2006 RUR'000	Year ended 31 December 2005 RUR'000
Profit from continued operations before income tax	**6,066,695**	**4,314,419**
Profit from discontinued operations before income tax (Note 4)	**74,895**	**44,172**
Total profit before income tax	**6,141,590**	**4,358,591**
Tax at the statutory tax rate (24%)	1,473,982	1,046,062
Change in unrecognized deferred tax asset	740,067	268,635
Tax effect due to different tax rates	10,828	4,133
Tax effect of permanent differences	185,529	(44,301)
Income tax expense	**2,410,406**	**1,274,529**
Income tax expense from continued operations	2,393,171	1,261,151
Income tax expense from discontinued operations	17,235	13,378
Income tax expense	**2,410,406**	**1,274,529**
Current income tax expense from continued operations	2,407,143	1,230,807
Deferred income tax (credit)/expense from continued operations	(13,972)	30,344
Current income tax expense from discontinued operations (Note 4)	9,052	12,829
Deferred income tax expense from discontinued operations (Note 4)	8,183	549
Income tax expense	**2,410,406**	**1,274,529**

Deferred income tax liability	**Year ended 31 December 2006 RUR'000**	**Year ended 31 December 2005 RUR'000**
Beginning of period	926,371	982,467
Deferred tax (credit)/expense	(13,972)	30,344
Deferred tax expense/(recovery) charged to equity	635,738	(86,440)
End of period	**1,548,137**	**926,371**

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Year ended 31 December 2006	**Year ended 31 December 2005**
Profit		
Net profit attributable to equity holders of the parent for the period (RUR'000)	3,805,181	3,017,498
Weighted average number of ordinary shares		
For basic and diluted earnings per share	680,360,538	387,080,765
Earnings per share – basic and diluted (RUR)	5.59	7.80

13. CASH AND BALANCES WITH THE CENTRAL AND NATIONAL BANKS

	31 December 2006 RUR'000	**31 December 2005 RUR'000**
Cash	6,709,583	5,974,281
Balances with the Central and National banks	30,561,746	13,481,077
Total cash and balances with the Central and National banks	**37,271,329**	**19,455,358**

The balances with the Central and National banks comprise balances with the Central bank of the Russian Federation, the National Bank of Switzerland and the National Bank of Byelorussia as of 31 December 2006 and 2005 and include RUR 6,198,442 thousand and RUR 4,656,081 thousand, respectively, which represent the minimum reserve deposits calculated as a percentage of customers accounts balance required by the Central and National banks. The Group is required to maintain the reserve balances with Central and National banks at all times. Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	31 December 2006 RUR'000	**31 December 2005 RUR'000**
Loans and advances to banks in OECD countries	51,217,430	46,293,755
Cash and balances with the Central and National banks	37,271,329	19,455,358
Trading government debt securities	1,181,924	5,729,550
	89,670,683	71,478,663
Less minimum reserve deposits	(6,198,442)	(4,656,081)
Total cash and cash equivalents	**83,472,241**	**66,822,582**

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2006 RUR'000	31 December 2005 RUR'000
Assets held-for-trading	11,127,865	15,114,730
Assets at fair value through profit or loss upon initial recognition	1,692,373	562,372
Total financial assets at fair value through profit or loss	**12,820,238**	**15,677,102**

	31 December 2006 RUR'000	31 December 2005 RUR'000
Debt securities of corporates	6,742,909	4,511,722
Debt securities of financial institutions	2,081,772	1,560,753
Debt securities of local authorities	1,767,901	1,919,267
Debt securities of central governments	1,215,440	6,336,185
Equity investments	899,018	1,166,303
Derivative financial instruments	113,198	182,872
Total financial assets at fair value through profit or loss	**12,820,238**	**15,677,102**

	% rate to nominal	31 December 2006 RUR'000	% rate to nominal	31 December 2005 RUR'000
Debt securities:				
Corporates:				
Bonds of JSC Severstal	9%	786,337	-	-
Bonds of LLC Taif-Finance	8%	627,331	-	-
Eurobonds of JSC Gazprom	7%	456,788	5%	269,906
Bonds of JSC Kemerovskiy kokso-himicheskiy	9%	313,388	-	-
Bonds of JSC Saxatransneftegaz	12%	304,905	-	-
Bonds of LLC Mir-Finance	11%	294,031	10%	256,629
Eurobonds of LLC Sanvey-Group	10%	292,274	12%	176,346
Bonds of LLC Group Magnezit	10%	270,039	10%	250,593
Bonds of JSC AIZC	8%	254,037	-	-
Bonds of LLC AIF Media Press Finance	12%	221,567	-	-
Bonds of JSC Federal Net Company of RAO UES of Russia	7%-8%	221,460	-	-
Bonds of JSC ROSTVERTOL	9%	187,535	-	-
Bonds of JSC Stolichnie gastronomy	9%	159,373	-	-
Bonds of LLC Neftegazovaya Kompaniya Itera	10%	158,293	10%	180,760
Bonds of LLC GAZ-Finance	8%	149,868	-	-
Bonds of LLC Techno-Nickol Finance	10%	145,370	-	-
Bonds of LLC Tranceaero finance	12%	143,394	-	-
Bonds of JSC Amurmetall	10%	137,482	-	-
Bonds of JSC PRODIMEX Holding	10%	134,793	-	-
Bonds of LLC Promtraktor-Finance	11%	133,319	11%	127,690
Bonds of JSC RZD	7%	132,740	8%	6,482
Bonds of LLC Uralvagonzavod-Finance	9%-13%	121,136	9%	211,559
Bonds of LLC Sanvey-Group	12%	115,531		
Eurobonds of JSC Evrazholding	11%	114,015	-	-

	% rate to nominal	31 December 2006 RUR'000	% rate to nominal	31 December 2005 RUR'000
Bonds of JSC TVZ	9%	107,543	-	-
Bonds of JSC NPO Saturn	9%	101,896	12%	16,188
Eurobonds of JSC Nutrinvestholding	11%	100,311	11%	219,563
Bonds of LLC Paterson Invest	10%	100,271	-	-
Bonds of LLC Avtomir-Finance	12%	91,003	-	-
Bonds of LLC AirUnion	13%	64,106	13%	70,330
Bonds of JSC Vimpelcom	10%	56,940	-	-
Bonds of JSC MECHEL	8%	54,946	-	-
Bonds of JSC Lukoil	7%	51,142	-	-
Bonds of CJSC Trubnaia metallurgicheskaia compania	8%	44,174	-	-
Bonds of CJSC Ist line holding	12%	35,057	-	-
Bonds of JSC Sinergia	11%	30,442	-	-
Bonds of JSC MC GidroOGK	8%	11,907	-	-
Bonds of JSC Stalnaia Gruppa MECHEL	6%	9,128	-	-
Bonds of JSC Ochakovo	9%	6,612	9%	44,275
Bonds of JSC RTK-Leasing	9%	2,425	10%	217,327
Eurobonds of JSC Norilsk Nickel	-	-	7%	507,751
Bonds of JSC RAO UES	-	-	8%	322,417
Bonds of JSC Salyut-Energiya	-	-	10%	289,644
Eurobonds of JSC Salavatnefteorgsintez	-	-	9%	189,517
Bonds of LLC Russian Aluminium Finance	-	-	8%	148,610
Eurobonds of LLC EurazHolding	-	-	11%	125,722
Eurobonds of JSC Vympelcom-Kommunikatsii	-	-	8%-10%	124,289
Bonds of JSC Chelyabinsky Truboprokatny Zavod	-	-	10%	121,930
Bonds of JSC Chelyabinsky Metallurgichesky Kombinat	-	-	11%	111,683
Bonds of JSC NPO Irkut	-	-	9%	98,307
Bonds of JSC Salavatnefteorgsintez	-	-	10%	98,093
Eurobonds of LLC FK EvrazHolding	-	-	8%	72,528
Bonds of LLC Torgoviy Dom MECHEL	-	-	12%	59,989
Bonds of JSC Eastline	-	-	12%	55,404
Bonds of JSC Gazprom	-	-	8%	48,520
Bonds of JSC OMK	-	-	9%	41,191
Bonds of JSC TMK	-	-	11%	31,488
Eurobonds of JSC Sibneft	-	-	11%	16,991
		6,742,909		**4,511,722**
Financial institutions:				
Bonds of Russia Spread Trust	8%	854,384	8%	874,080
Eurobonds of JSC Bank Petrocommerce	8%	173,565	-	-
Promissory notes of JSC Globexbank	-	166,564	-	-
Eurobonds of JSC National Bank TRUST	9%	133,965	-	-
Promissory notes of JSC AK Barc bank	-	97,830	-	-
Promissory notes of JSC Absolut Bank	-	81,217	-	55,350
Bonds of LLC Russkiy Mezhdunarodniy Bank	11%	78,497	-	90,926

	% rate to nominal	31 December 2006 RUR'000	% rate to nominal	31 December 2005 RUR'000
Promissory notes of JSC Moscommercebank	-	76,824	-	-
Promissory notes of JSC BinBank	-	75,767	-	-
Promissory notes of JSC Eurofinance bank	-	75,024	-	-
Promissory notes of CJSC National Reservniy Bank	-	53,433	-	-
Eurobonds of JSC Impexbank	9%	53,320	9%	267,708
Promissory notes of JSC Dalnevostochniy bank	-	51,970	-	-
Promissory notes of JSC Slavinvest bank	-	51,903	-	-
Promissory notes of CJSC Russ-bank	-	46,850	-	-
Bonds of JSC Bank Centr Invest	10%	10,067	-	-
Promissory notes of JSC Gazprombank	-	592	-	-
Promissory notes of JSC Vneshtorgbank	-	-	-	112,763
Promissory notes of JSC Russkiy Mezhregionalniy Bank Razvitiya	-	-	-	56,295
Promissory notes of JSC Bank Sojuz	-	-	-	55,735
Promissory notes of JSC Vserossiyskiy Bank Razvitiya Regionov	-	-	-	37,726
Bonds of JSC Probiznesbank	-	-	11%	10,170
		2,081,772		**1,560,753**
Local authorities:				
Bonds of Irkutsk Region Authority	8%-11%	436,389	9%-11%	151,209
Bonds of Yakutia Region Authority	8%-10%	431,831	9%-13%	24,286
Bonds of Nizhniy Novgorod Authority	9%	232,427	-	-
Bonds of Krasnoyarsk Region Authority	7%	192,331	7%-11%	224,694
Bonds of Kazan city Authority	9%-10%	135,905	10%-11%	228,683
Bonds of Belgorod Region Authority	8%	98,296	8%	146,409
Bonds of Tver Region	8%	48,998	8%	121,703
Bonds of Moscow Region Authority	9%-10%	41,808	10%	1,253
Bonds of Yaroslavl Region Authority	8%-9%	40,296	8%-13%	83,284
Bonds of Kirov Region Authority	8%-9%	30,624	8%	86,946
Bonds of Kurgan Region Authority	9%	30,476	-	-
Bonds of Chuvashia Region Authority	8%-12%	16,788	12%	52,494
Bonds of Magadan City Authority	11%	10,439	-	-
Bonds of Moscow City Authority	10%	10,067	-	-
Bonds of Voronezh Region Authority	13%	8,500	13%	92,133
Bonds of Mariy El Region Authority	8%	1,826	-	-
Bonds of Lipetsk Region Authority	8%	522	-	-
Bonds of Tula Region Authority	9%	354	-	-
Bonds of Krasnoyarsk City Authority	9%	24	6%-13%	135,053
Bonds of Khabarovsk Region Authority	-	-	9%-11%	276,859

	% rate to nominal	31 December 2006 RUR'000	% rate to nominal	31 December 2005 RUR'000
Bonds of Novosibirsk City Authority	-	-	5%-12%	256,988
Bonds of Odintsovo Moscow region district	-	-	12%	37,273
		1,767,901		**1,919,267**
Central governments:				
OFZ bonds	7%-9%	876,969	6%-10%	4,638,622
Bonds of the MF of Byelorussia	10%-11%	286,973	10%-14%	243,735
Government Eurobonds of the Russian Federation	3%-10%	27,239	5%-13%	804,857
OVGVZ bonds	3%	24,259	3%	76,613
United States Treasury notes	-	-	4%	572,358
		1,215,440		**6,336,185**

As of 31 December 2006 and 2005 included in financial assets at fair value through profit or loss is accrued interest income on debt securities is amounting to RUR 187,291 thousand and RUR 145,834 thousand, respectively.

As of 31 December 2006 securities sold under the agreement to repurchase represent Bonds of the MF of Byelorussia of RUR 33,885 thousand that are included in financial assets at fair value through profit or loss.

As of 31 December 2005 securities sold under the agreement to repurchase represent United States Treasury notes and Bonds of the MF of Byelorussia of RUR 606,635 thousand that are included in financial assets at fair value through profit or loss.

	31 December 2006 RUR'000	31 December 2005 RUR'000
Equity investments:		
Investment in mutual fund Perviy Ipotechniy	283,344	466,631
Ordinary shares of JSC Surgutneftegaz	240,600	-
Ordinary shares of JSC Comstar	198,299	-
Ordinary shares of JSC NPO Irkut	94,069	89,354
Ordinary shares of JSC Lukoil	22,850	42,558
Ordinary shares of JSC GMK Norilsk Nickel	20,400	-
Ordinary shares of JSC Rostelecom	16,567	6,128
Ordinary shares of JSC MMK	10,921	7,253
Ordinary shares of JSC RAO UES	4,980	79,228
Ordinary shares of JSC Tattelekom	3,357	-
Ordinary shares of JSC Habarovsknefteproduct	1,939	-
Ordinary shares of JSC Gazprom	699	53,430
Ordinary shares of JSC MGTS	581	477
Ordinary shares of JSC TNK-BP	264	-
Preferred shares of RAO UES	125	1,823
Ordinary shares of JSC Chernogorneft	20	-
Ordinary shares of JSC Niznevartovskneftegaz	3	-
Ordinary shares of JSC Avtovaz	-	258,459
ADR on shares of JSC YUKOS	-	89,456
Ordinary shares of JSC YUKOS	-	56,426
ADR on shares of JSC Lukoil	-	8,535
Ordinary shares of JSC Sibneft	-	5,376
Ordinary shares of JSC Kurskenergo	-	1,010
Other	-	159
	899,018	**1,166,303**

15. PRECIOUS METALS

	31 December 2006 RUR'000	31 December 2005 RUR'000
Platinum	638,714	378,842
Gold	410,990	593,189
Silver	9,358	6,009
Palladium	3,040	-
Total precious metals	**1,062,102**	**978,040**

16. LOANS AND ADVANCES TO BANKS

	31 December 2006 RUR'000	31 December 2005 RUR'000
Loans to banks	31,937,574	26,436,710
Advances to banks	31,900,799	24,702,060
Loans under reverse repurchase agreements	920,628	2,856,298
Total loans and advances to banks	**64,759,001**	**53,995,068**

As of 31 December 2006 and 2005 accrued interest income is included in loans and advances to banks amounting to RUR 31,781 thousand and RUR 11,667 thousand, respectively.

As of 31 December 2006 and 2005 the Group had loans and advances to three and seven banks totalling RUR 45,578,592 thousand and RUR 41,732,678 thousand, respectively, which individually exceeded 10% of the Group's equity.

As of 31 December 2006 and 2005 the maximum credit risk exposure of loans and advances to banks amounted to RUR 64,759,001 thousand and RUR 53,995,068 thousand, respectively.

As of 31 December 2006 and 2005 included in loans and advances to banks are loans under reverse repurchase agreements amounting to RUR 920,628 thousand and RUR 2,856,298 thousand with maturity within 1 and 2 months, respectively. Such loans are collateralised by the following securities:

	31 December 2006 RUR'000		31 December 2005 RUR'000	
	Carrying value	Fair value	Carrying value	Fair value
United States Treasury notes	762,828	731,272	1,009,095	1,005,645
Government Eurobonds of the Russian Federation	154,543	172,356	295,290	295,315
Bonds of the MF of Byelorussia	3,257	3,392	15,702	15,689
Ordinary shares of JSC Gazprom	-	-	771,248	1,146,365
Eurobonds of JSC Severstal	-	-	386,027	488,883
Eurobonds of the German Government	-	-	308,044	297,318
Bonds of the Krasnoyarsk Region Authority	-	-	70,892	71,157
Total loans under reverse repurchase agreements	**920,628**	**907,020**	**2,856,298**	**3,320,372**

17. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2006		31 December 2005	
	Notional amount RUR'000	Fair value RUR'000	Notional amount RUR'000	Fair value RUR'000
Foreign exchange contracts				
Forwards	17,279,714	(15,012)	5,681,260	10,561
Futures	9,815,726	(67,707)	-	-
Swaps	5,679,995	13,762	6,283,035	(39,571)
Total foreign exchange contracts liability		**(68,957)**		**(29,010)**
Contracts on precious metals				
Forwards	417,291	2,265	626,998	90,651
Swaps	3,401,216	(36,012)	1,317,911	(1,688)
Total contracts on precious metals (liability)/asset		**(33,747)**		**88,963**
Contracts on securities				
Forwards	460	2	-	-
Total contracts on securities asset		**2**		**-**
Total		**(102,702)**		**59,953**

18. LOANS TO CUSTOMERS

	31 December 2006 RUR'000	31 December 2005 RUR'000
Originated loans	169,944,866	118,777,068
Net investments in finance lease	1,777,100	1,164,303
Advances on finance lease	269,029	401,502
Loans under reverse repurchase agreements	379,299	18,809
	172,370,294	120,361,682
Less allowance for impairment losses	(11,127,177)	(7,043,458)
Total loans to customers	**161,243,117**	**113,318,224**

As of 31 December 2006 and 2005 accrued interest income is included in originated loans amounting to RUR 1,000,367 thousand and RUR 829,915 thousand, respectively.

	31 December 2006 RUR'000	31 December 2005 RUR'000
Loans collateralized by pledge of vehicles	40,541,151	25,315,386
Loans collateralized by pledge of real estate	17,717,623	9,539,907
Loans collateralized by pledge of securities	8,291,208	2,705,644
Loans collateralized by pledge of equipment	8,129,991	4,194,122
Loans collateralized by corporate guarantees	5,906,691	4,367,209
Loans collateralized by pledge of goods in turnover	4,120,106	6,533,995
Loans collateralized by rights of demand	1,532,507	1,443,094
Loans collateralized by pledge of cash	296,031	2,049,668
Loans collateralized by pledge of combined collateral	-	975,886
Loans collateralized by others	475,859	861,209
Unsecured loans	74,231,950	55,332,104
Total loans to customers	**161,243,117**	**113,318,224**

Movements in allowances for impairment losses on loans to customers for the year ended 31 December 2006 and 2005 are disclosed in Note 6.

	31 December 2006 RUR'000	31 December 2005 RUR'000
Analysis by sector:		
Individuals	76,633,219	51,967,260
Trade	17,431,803	14,923,605
Construction	10,716,689	4,875,089
Energy industry	10,033,755	4,828,137
Defence industry	5,739,680	1,434,794
Government	5,409,195	5,453,930
Manufacturing	4,495,927	1,185,655
Finance	3,896,406	7,131,803
Heavy industry	3,362,728	1,920,602
Hotel business and services	3,197,649	11,010
Real estate and leasing	3,128,835	2,993,877
Oil and gas	2,393,421	441,552
Food industry	2,316,863	2,176,133
Transport	1,551,534	1,270,990
Engineering	1,517,971	3,476,648
Ferrous metals manufacturing	1,294,858	1,706,488
Agriculture	962,568	131,271
Chemical	961,569	665,739
Precious metals and diamond extraction and manufacturing	648,735	1,168,234
Non-ferrous metals manufacturing	540,569	10,968
Telecommunications	91,776	1,372,711
Public health and tourism	20,873	-
Insurance	9,204	-
Aircraft engineering	4,531	154,803
Other	4,882,759	4,016,925
Total loans to customers	**161,243,117**	**113,318,224**

As of 31 December 2006 and 2005 loans collateralized by pledge of securities purchased under agreement to resell included in loans to customers are amounting to RUR 379,299 thousand and RUR 18,809 thousand, respectively:

	31 December 2006 RUR'000		31 December 2005 RUR'000	
	Carrying value	Fair value	Carrying value	Fair value
Ordinary shares of JSC Gazprom	350,143	441,170	-	-
Bonds of Transaero-Finance LLS	29,156	32,429	-	-
Mortgages	-	-	18,809	18,654
	379,299	**473,599**	**18,809**	**18,654**

As of 31 December 2006 and 2005 a substantial amount of loans is granted to companies operating in the Russian Federation, which represents a significant geographical concentration in one region.

As of 31 December 2006 and 2005 the maximum credit risk exposure of loans to customers amounted to RUR 172,370,294 thousand and RUR 120,361,682 thousand, respectively.

The components of net investment in finance lease as of 31 December 2006 and 2005 are as follows:

	31 December 2006	31 December 2005
Minimum lease payments	2,287,905	1,922,113
Less: unearned finance income	(510,805)	(757,810)
Net investment in finance lease	**1,777,100**	**1,164,303**
Current portion	802,018	525,238
Long-term portion	975,082	639,065
Net investment in finance lease	**1,777,100**	**1,164,303**

The minimum lease payments due from customers under finance lease as of 31 December 2006 and 2005 are as follows:

	31 December 2006	31 December 2005
Not later than one year	888,792	909,179
From one year to five years	1,399,113	1,012,934
Total minimum lease payments	**2,287,905**	**1,922,113**

19. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2006 RUR'000	31 December 2005 RUR'000
Equity investments	3,398,882	482,416
Debt securities	264,955	115,722
	3,663,837	598,138
Less allowance for impairment losses	(235,679)	(119,804)
Total investments available-for-sale	**3,428,158**	**478,334**

As of 31 December 2006 included in equity investments is investment in mortgage investment fund amounting to RUR 2,795,333 thousand, including accrued interest income on such investment of RUR 31,754 thousand.

As of 31 December 2006 and 2005 interest income on debt securities amounting to RUR 1,645 thousand and RUR 3,303 thousand, respectively, was accrued and included in securities available-for-sale.

Movements of allowance for impairment losses on investments available-for-sale for the year ended 31 December 2006 and 2005 are disclosed in Note 6.

20. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings RUR`000	Equipment and other RUR`000	Total RUR`000
At cost/restated cost/revalued amount			
31 December 2004	5,731,578	2,084,151	7,815,729
Additions	147,321	431,544	578,865
Disposals	(277,169)	(302,577)	(579,746)
Impairment	(8,589)	-	(8,589)
Group reorganization	-	42,528	42,528
31 December 2005	5,593,141	2,255,646	7,848,787
Additions	298,085	609,790	907,875
Disposals	(120,559)	(399,610)	(520,169)
Revaluation	1,968,778	-	1,968,778
Disposal of subsidiary	(29,882)	(38,314)	(68,196)
31 December 2006	7,709,563	2,427,512	10,137,075
Accumulated depreciation			
31 December 2004	-	886,273	886,273
Charge for the period from continued operations	108,435	326,207	434,642
Charge for the period from discontinued operations	688	3,529	4,217
Disposals	(4,621)	(211,482)	(216,103)
Impairment	(965)	-	(965)
Group reorganization	-	17,546	17,546
31 December 2005	103,537	1,022,073	1,125,610
Charge for the period from continued operations	189,836	286,279	476,115
Charge for the period from discontinued operations	744	3,526	4,270
Disposals	(5,434)	(275,056)	(280,490)
Elimination on revaluation	(280,352)	-	(280,352)
Disposal of subsidiary	(8,331)	(31,199)	(39,530)
31 December 2006	-	1,005,623	1,005,623
Net book value			
31 December 2006	**7,709,563**	**1,421,889**	**9,131,452**
31 December 2005	**5,489,604**	**1,233,573**	**6,723,177**

If buildings were stated at the historical cost restated according to IAS 29, the amounts would be as follows:

	31 December 2006 RUR'000	31 December 2005 RUR'000
Cost	2,034,783	1,858,438
Accumulated depreciation	(184,308)	(77,497)
Net book value	**1,850,475**	**1,780,941**

21. OTHER ASSETS

	31 December 2006 RUR'000	31 December 2005 RUR'000
Taxes, other than income tax, recoverable	799,760	425,215
Due from suppliers and other contractors	446,845	389,147
Due from employees	9,249	8,939
Assets on spot deals	3,071	8,020
Non-current assets held-for-sale	10	65,002
Receivables from operation with securities	1	60,540
Receivable from investments disposal	-	604,433
Other	32,792	66,579
	1,291,728	1,627,875
Less allowance for impairment losses	-	(9,888)
Total other assets	**1,291,728**	**1,617,987**

Movement of allowance for impairment losses on other assets for the year ended 31 December 2006 and 2005 is disclosed in Note 6.

Taxes recoverable are mainly represented by valued added taxes on leasing transactions.

22. DEPOSITS FROM BANKS

	31 December 2006 RUR'000	31 December 2005 RUR'000
Time deposits	17,180,181	8,295,891
Correspondent accounts	2,503,957	2,212,030
Loans under repurchase agreements	33,516	631,107
Total deposits from banks	**19,717,654**	**11,139,028**

As of 31 December 2006 and 2005 accrued interest expense is included in deposits from banks amounting to RUR 270,091 thousand and RUR 34,921 thousand, respectively.

As of 31 December 2006 securities sold under the agreement to repurchase represent Bonds of the MF of Byelorussia that are included in financial assets at fair value through profit or loss at a fair value of RUR 33,885 thousand.

As of 31 December 2005 securities sold under the agreement to repurchase represent T-Bonds of United States Treasury notes and Bonds of the MF of Byelorussia that are included in financial assets at fair value through profit or loss at a fair value of RUR 606,635 thousand.

23. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2006 RUR'000	31 December 2005 RUR'000
Time deposits	156,493,640	111,941,812
Repayable on demand	48,168,555	37,119,082
Total customer accounts	**204,662,195**	**149,060,894**

As of 31 December 2006 and 2005 accrued interest expense is included in customer accounts amounting to RUR 1,469,858 thousand and RUR 1,098,155 thousand, respectively.

As of 31 December 2006 and 2005 customer accounts amounted to RUR 418,240 thousand and RUR 133,896 thousand, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As of 31 December 2006 and 2005 customer accounts amounted to RUR 71,594 thousand and RUR 18,756 thousand, respectively, were held as security against guarantees issued.

	31 December 2006 RUR'000	31 December 2005 RUR'000
Individuals	63,862,938	57,159,985
Finance	79,700,530	41,060,244
Trading	12,367,906	7,303,938
Oil and gas	9,793,202	9,926,141
Non-ferrous metallurgy	9,186,203	7,442,431
Precious metals and diamond extraction and manufacturing	5,873,510	867,579
Real estate dealership	4,251,078	2,054,094
Regional government	2,690,773	2,092,939
Insurance	2,552,333	502,589
Building construction	2,070,836	1,213,420
Energy	1,560,038	847,125
Mechanical engineering	1,075,702	989,517
Professional services	920,385	470,496
Social organizations	917,581	169,104
Manufacturing	838,616	647,184
Services	833,060	584,941
Public health and tourism	767,553	826,263
Mining	552,564	-
Transportation	486,324	1,227,532
Communications	341,881	491,912
Food industry	277,291	321,171
Information technology	256,094	53,677
Culture and art	241,715	446,289
Agriculture	232,442	146,148
Mass-Media	181,906	-
Chemical	173,637	117,258
Publishing	87,877	213,393
Aircraft industry	50,400	54,305
Defence industry	39,718	-
Housing	33,547	50,419
Ferrous metallurgy	31,887	3,670,258
Hotel business	12,943	671,044
Forest	4,616	23,528
Geology	3,402	121,813
Other	2,391,707	7,294,157
Total customer accounts	**204,662,195**	**149,060,894**

24. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2006 RUR'000	31 December 2005 RUR'000
Short position on securities purchased	731,272	1,717,722
Derivative financial instruments	215,900	122,919
Total financial liabilities at fair value through profit or loss	**947,172**	**1,840,641**

As of 31 December 2006 and 2005 the following assets were sold under repurchase agreements with a fair value as follows:

	31 December 2006 RUR'000	31 December 2005 RUR'000
T-Bonds of US Department of Treasury	731,272	1,005,645
Eurobonds of the German Government	-	297,317
Eurobonds of the Russian Federation	-	293,150
Eurobonds of JSC Severstal	-	121,610
Total liabilities sold under repurchase agreements (short position)	**731,272**	**1,717,722**

25. DEBT SECURITIES ISSUED

	31 December 2006 RUR'000	31 December 2005 RUR'000
Eurobonds due in 2009	11,945,330	8,104,939
Discount bearing promissory notes	8,951,586	8,759,724
Interest bearing promissory notes	5,452,078	1,148,687
Eurobonds due in 2007	4,080,641	4,436,034
Bonds due in 2009	2,744,827	832,555
Adjustable Rate Guaranteed Bonds due in 2012	761,646	744,093
Discount/interest free promissory notes	27,319	1,995,126
Certificates of deposit	-	23,049
Total debt securities issued	**33,963,427**	**26,044,207**

As of 31 December 2006 and 2005 accrued interest expense is included in debt securities issued amounting to RUR 409,870 thousand and RUR 678,711 thousand, respectively.

The Group issued Eurobonds due in 2009 collateralized by future receivables on credit card settlements.

Discount/interest free promissory notes are issued for settlement purposes, on demand, at nominal value.

26. OTHER LIABILITIES

	31 December 2006 RUR'000	31 December 2005 RUR'000
Accrued bonuses and salary	528,852	455,228
Unused vacations provision	345,215	205,932
Payable to suppliers, contractors and purchasers	196,124	128,823
Taxes, other than income tax, payable	182,224	71,133
Creditors on other operations	131,945	34,107
Deposit insurance charge liability	89,705	74,977
Liability on spot deals	12,458	4,448
Dividends payable	8,116	10,368
Other	121,486	54,295
Total other liabilities	**1,616,125**	**1,039,311**

27. SUBORDINATED DEBT

	Currency	Maturity date year	Interest rate %	31 December 2006 RUR'000
Subordinated debt of KM TECHNOLOGIES (OVERSEAS) LIMITED	RUR	2016	8	3,000,000
Total subordinated debt				**3,000,000**

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to repayment of ROSBANK's liabilities to all other creditors.

28. SHARE CAPITAL

As of 31 December 2006 and 2005 nominal share capital authorized, issued and fully paid comprised 680,360,538 ordinary shares with par value of RUR 10 each. All shares are ranked equally and carry one vote.

As of 31 December 2006 and 2005 share premium of RUR 9,177,470 thousand represents an excess of contributions received in share capital over the nominal value of shares issued.

The Group's reserves distributable among shareholders are limited to the amount of reserves as disclosed in its statutory accounts of the Bank. As of 31 December 2006 and 2005 non-distributable reserves are represented by a general reserve fund, which is created as required by statutory regulations in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with statutes of individual entities that provide for the creation of a reserve for these purposes.

29. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

Allowance for impairment losses on letters of credit and guarantees amounted to RUR 196,379 thousand and RUR 174,729 thousand as of 31 December 2006 and 2005, respectively.

As of 31 December 2006 and 2005, letters of credit and other transactions related to contingent obligations covered by cash amounted to RUR 418,240 thousand and RUR 133,896 thousand, respectively and guarantees issued covered by cash amounted to RUR 71,594 thousand and RUR 18,756 thousand, respectively.

The risk-weighted amount is obtained by applying a credit conversion factor and counterparty risk weightings according to principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2006 and 2005, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2006		31 December 2005	
	Nominal Amount	Risk weighted amount	Nominal Amount	Risk weighted amount
	RUR'000	RUR'000	RUR'000	RUR'000
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	7,266,941	3,785,174	7,726,434	7,707,678
Letters of credit and other transaction related contingent obligations	4,304,842	703,966	1,627,705	746,905
Commitments on loans and unused credit lines	27,891,598	10,552,533	18,446,050	4,359,949
Total contingent liabilities and credit commitments	**39,463,381**	**15,041,673**	**27,800,189**	**12,814,532**

Capital commitments – As of 31 December 2006 and 2005 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUR 750,950 thousand and RUR 872,475 thousand, respectively.

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancellable operating leases are as follows:

	31 December 2006 RUR'000	31 December 2005 RUR'000
Not later than 1 year	1,392,182	1,027,430
Later than 1 year and not later than 5 years	872,758	1,052,024
Later than 5 years	243,049	457,910
Total operating lease commitments	**2,507,989**	**2,537,364**

Fiduciary activities – In the normal course of its business, the Group enters into agreements with limited rights on decision making with clients for asset management in accordance with specific criteria established by clients. The Group may be liable for losses due to its gross negligence or wilful misconduct until such funds or securities are returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized gain/loss on the client's position. In the judgment of management, as of 31 December 2006 and 2005 the maximum potential financial risk on securities accepted by the Group on behalf of its clients does not exceed RUR 4,840,471 thousand and RUR 7,393,671 thousand, respectively.

The Group also provides depositary services to its customers. As of 31 December 2006 and 2005, the Group had customer securities totalling 357,061,386,274 items and 3,283,527,374 items, respectively, in its nominal holder accounts.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

The Group is receiving claims from individual customers with respect to certain commissions withheld by the Group for loan agreements service. The CBR issued an instruction requiring banks to disclose effective interest rates on loans granted to individuals. Management is of the opinion that such claims would not have adverse consequences for the Group, and is in the process of establishing procedures on disclosing additional information in loan agreements in compliance with the CBR instruction.

Taxation – Provisions of the Russian tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Russian tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the Russian tax authorities often interpret the tax legislation not in favour of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Russian tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of "unjustified tax benefit", "primary commercial goal of transaction" and the criteria of "commercial purpose (substance) of transaction".

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/derivatives and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as understatement of the tax base. The management of the Bank is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the Russian Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the respective countries. As of 31 December 2006 and 2005, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment – The Group's principal business activities are within the Russian Federation. Laws and regulations affecting the business environment in the Russian Federation are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

30. SUBSEQUENT EVENTS

On 12 March 2007 Board of Directors of ROSBANK approved additional issue of 39,435,000 ordinary shares with nominal value of RUR 10 per each share. The statutory registration of issue is planned to be completed at the end of April2007.

31. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives then significant influence over the Bank; and that have joint control over the Group;
(b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
(c) Joint ventures in which the Group is a venturer;
(d) Members of key management personnel of the Group or its parent;
(e) Close members of the family of any individuals referred to in (a) or (d);
(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties:

	31 December 2006 RUR'000		31 December 2005 RUR'000	
	Related party transactions	**Total category as per financial statement caption**	**Related party transactions**	**Total category as per financial statement caption**
Financial assets at fair value through profit or loss	65,838	12,820,238	974,382	15,677,102
- other related parties	65,838		974,382	
Investments available-for-sale	208,157	3,428,158	-	478,334
- other related parties	208,157		-	
Loans to banks	62,990	64,759,001	172,891	53,995,068
- other related parties	62,990		172,891	
Loans to customers, gross	2,472,456	172,370,294	3,263,373	120,361,682
- key management personnel of the Group	761		30,909	
- other related parties	2,471,695		3,232,464	
Allowance for impairment losses	84,883	11,127,177	169,450	7,043,458
- key management personnel of the Group	56		1,524	
- other related parties	84,827		167,926	
Other assets	633	1,291,728	29,891	1,617,987
- other related parties	633		29,891	
Deposits from banks	99,290	19,717,654	-	11,139,028
- other related parties	99,290		-	
Customer accounts	61,883,766	204,662,195	38,471,040	149,060,894
- shareholders	6,751,005		8,266	
- key management personnel of the Group	1,070,263		141,880	
- other related parties	54,062,498		38,320,894	
Other provisions	29,680	196,379	62,459	174,729
- shareholders	7,860		-	
- key management personnel of the Group	290		159	
- other related parties	21,530		62,300	
Other liabilities	283,615	1,616,125	81,443	1,039,311
- shareholders	122,959		-	
- key management personnel of the Group	160,656		74,400	
- other related parties	-		7,043	
Subordinated debt	3,000,000	3,000,000	-	-
- shareholders	3,000,000		-	
Commitments on loans and unused credit lines	3,891,749	27,891,598	276,068	18,446,050
- key management personnel of the Group	17,927		-	
- other related parties	3,873,822		276,068	

	31 December 2006 RUR'000		31 December 2005 RUR'000	
	Related party transactions	**Total category as per financial statement caption**	**Related party transactions**	**Total category as per financial statement caption**
Letters of credit and other transaction related contingent obligations	248,587	4,304,842	268,780	1,627,705
- other related parties	248,587		268,780	
Guarantees issued and similar commitments	1,483,971	7,266,941	2,989,317	7,726,434
- shareholders	393,000		-	
- key management personnel of the Group	14,482		7,627	
- other related parties	1,076,489		2,981,690	

Included in the income statement for the years ended 31 December 2005 and 31 December 2006 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2006 RUR'000		Year ended 31 December 2005 RUR'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	807,403	29,066,815	1,088,199	21,829,248
- shareholders	47,318		19,781	
- key management personnel of the Group	1,740		1,246	
- other related parties	758,345		1,067,172	
Interest expense	3,086,360	12,923,578	1,658,205	10,879,564
- shareholders	274,182		121,569	
- key management personnel of the Group	76,459		15,801	
- other related parties	2,735,719		1,520,835	
Recovery of provision for impairment losses	84,567	4,247,376	31,243	1,852,920
- key management personnel of the Group	1,468		703	
- other related parties	83,099		30,540	
Net gain/(loss) on financial assets at fair value through profit or loss	8,722	251,627	379,781	749,562
- shareholders	(4,749)		16,544	
- other related parties	13,471		363,237	
Net gain on sale of investments available-for-sale	-	102,381	115,851	994,910
- other related parties	-		115,851	
Net gain/(loss) on foreign exchange operations	68,927	972,448	69,904	296,434
- shareholders	(2,231)		-	
- other related parties	71,158		69,904	

	Year ended 31 December 2006 RUR'000 Related party transactions	Year ended 31 December 2006 RUR'000 Total category as per financial statements caption	Year ended 31 December 2005 RUR'000 Related party transactions	Year ended 31 December 2005 RUR'000 Total category as per financial statements caption
Fee and commission income	758,538	5,954,049	823,578	4,074,487
- shareholders	29,418		351	
- key management personnel of the Group	191		100	
- other related parties	728,929		823,127	
Fee and commission expense	249,378	1,060,716	163,295	973,795
- shareholders	29,418		-	
- other related parties	219,960		163,295	
Dividend income	12,487	129,837	-	61,823
- other related parties	12,487		-	
Operating expense	501,783	13,229,546	185,663	11,162,243
- shareholders	-		73	
- key management personnel of the Group	243,737		142,474	
- other related parties	258,046		43,116	
Key management personnel compensation	243,737	6,167,565	142,474	5,356,324
- short-term employee benefits	243,737		142,474	

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Group is presented below:

	31 December 2006 Carrying value, RUR'000	31 December 2006 Fair value, RUR'000	31 December 2005 Carrying value, RUR'000	31 December 2005 Fair value, RUR'000
Cash and balances with the Central and National banks	37,271,329	37,271,329	19,455,358	19,455,358
Financial assets at fair value through profit or loss	12,820,238	12,820,238	15,677,102	15,677,102
Loans and advances to banks	64,759,001	64,759,001	53,995,068	53,995,068
Deposits from banks	19,717,654	19,717,654	11,139,028	11,139,028
Customer accounts	204,662,195	204,662,195	149,060,894	149,060,894
Financial liabilities at fair value through profit or loss	947,172	947,172	1,840,641	1,840,641
Debt securities issued	33,963,427	34,296,945	26,044,207	26,112,669

The fair value of loans to customers, investments available-for-sale and subordinated debt can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

33. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

Estimate	Description of position
0%	Cash and balances with the Central and National banks
0%	State debt securities
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with initial maturity of over 1 year
100%	Other assets

Capital amounts and ratios	Actual amount in RUR'000	For capital adequacy purposes amount in RUR'000	Ratio for capital adequacy purposes	Minimum required ratio
As of 31 December 2006				
Total capital	28,163,873	31,147,138	15.0%	8%
Tier 1 capital	23,478,268	23,478,268	11.3%	4%
As of 31 December 2005				
Total capital	22,820,266	22,804,843	15.6%	8%
Tier 1 capital	19,827,152	19,827,152	13.6%	4%

As of 31 December 2006 the Group included in the computation of Total capital for capital adequacy purposes subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to repayment of the Group's liabilities to all other creditors.

34. SEGMENT REPORTING

The Group's primary format for reporting segment information is business segments. Most operations of the Group are concentrated in the Russian Federation.

Business segments – The Group is organised on the basis of two main business segments:

- Retail banking – representing individuals' customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and private banking.
- Corporate banking – representing direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products as well as transactions with small and medium enterprises.

In addition, ROSBANK's headquarters, regional centres administrative operations and certain other business operations, including inter-bank financial markets and financial institutions services and custody and depositary services, are reported separately under segment reporting as unallocated.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below.

	Retail banking	**Corporate banking**	**Unallocated**	**Year ended 31 December 2006 Consolidated amount RUR'000**
Interest income	15,112,171	10,345,804	3,608,840	29,066,815
Interest expense	(4,626,080)	(4,360,449)	(3,937,049)	(12,923,578)
(Provisions)/recovery of provision for impairment losses on interest bearing assets	(3,987,720)	(259,656)	-	(4,247,376)
Fee and commission income	3,562,841	2,125,932	265,276	5,954,049
Fee and commission expense	(80,768)	(944,226)	(35,722)	(1,060,716)
Net gain on financial assets at fair value through profit or loss	-	-	251,627	251,627
Net gain on sale of investments available-for-sale	-	-	102,381	102,381
Net gain on foreign exchange operations	253,809	218,801	499,838	972,448
Net gain on precious metals operations	196	77,135	118,941	196,272
Dividend income	-	-	129,837	129,837
Other income	502,212	70,948	435,194	1,008,354
External operating income	10,736,661	7,274,289	1,439,163	19,450,113
Income/(expense) from other segments	(1,604,694)	2,156,289	(551,595)	-
Total operating income	9,131,967	9,430,578	887,568	19,450,113
Operating expenses	(6,971,052)	(2,921,485)	(3,337,009)	(13,229,546)
Operating profit	2,160,915	6,509,093	(2,449,441)	6,220,567
Other provisions	-	(28,184)	(125,688)	(153,872)
Profit before income tax	2,160,915	6,480,909	(2,575,129)	6,066,695
Income tax expense	-	-	(2,393,171)	(2,393,171)
Net profit	2,160,915	6,480,909	(4,968,300)	3,673,524
Segment assets	81,444,860	86,626,399	125,764,360	293,835,619
Segment liabilities	63,862,938	140,799,257	61,009,551	265,671,746
Other segment items				
Depreciation charge on property, equipment and intangible assets	(250,880)	(105,141)	(120,094)	(476,115)
Loans to customers	76,633,219	84,609,898	-	161,243,117
Property, equipment and intangible assets	4,811,641	2,016,501	2,303,310	9,131,452
Customer accounts	63,862,938	140,799,257	-	204,662,195
Capital expenditure	478,387	200,486	229,002	907,875

	Retail banking	Corporate banking	Unallocated	Year ended 31 December 2005 Consolidated amount RUR'000
Interest income	9,025,728	10,460,508	2,343,012	21,829,248
Interest expense	(3,973,687)	(5,143,358)	(1,762,519)	(10,879,564)
(Provisions)/recovery of provision for impairment losses on interest bearing assets	(2,281,424)	507,351	(78,847)	(1,852,920)
Fee and commission income	3,551,813	236,085	286,589	4,074,487
Fee and commission expense	(845,711)	(128,084)	-	(973,795)
Net gain on financial assets at fair value through profit or loss	-	-	749,562	749,562
Net gain on sale of investments available-for-sale	-	-	994,910	994,910
Net gain on foreign exchange operations	80,926	66,698	148,810	296,434
Net gain on precious metals operations	42	13,890	27,780	41,712
Dividend income	-	-	61,823	61,823
Other income	878,704	24,420	238,986	1,142,110
External operating income	6,436,391	6,037,510	3,010,106	15,484,007
Income/(expense) from other segments	485,248	2,239,490	(2,724,738)	-
Total operating income	6,921,639	8,277,000	285,368	15,484,007
Operating expenses	(5,471,521)	(1,504,741)	(4,185,981)	(11,162,243)
Operating profit	1,450,118	6,772,259	(3,900,613)	4,321,764
Other provisions	-	(17,546)	10,201	(7,345)
Profit before income tax	1,450,118	6,754,713	(3,890,412)	4,314,419
Income tax expense	-	-	(1,261,151)	(1,261,151)
Net profit	1,450,118	6,754,713	(5,151,563)	3,053,268
Segment assets	55,243,270	62,252,007	95,561,325	213,056,602
Segment liabilities	57,159,985	91,900,909	41,175,442	190,236,336
Other segment items				
Depreciation charge on property, equipment and intangible assets	(213,848)	(58,811)	(161,983)	(434,642)
Loans to customers	51,967,260	61,351,040	-	113,318,224
Property, equipment and intangible assets	3,276,010	900,967	2,546,200	6,723,177
Customer accounts	57,159,985	91,900,909	-	149,060,894
Capital expenditure	282,071	77,573	219,221	578,865

Geographical segments

Segment information for the main geographical segments of the Group is set out below as at 31 December 2006 and 2005 and for the years then ended.

	Russia	Other non-OECD countries	OECD countries	Year ended 31 December 2006 Consolidated amount RUR'000
Interest income	26,831,053	515,331	1,720,431	29,066,815
Interest expense	(10,403,588)	(1,907,267)	(612,723)	(12,923,578)
(Provisions)/recovery of provision for impairment losses on interest bearing assets	(3,938,696)	(153,619)	(155,061)	(4,247,376)
Fee and commission income	5,449,934	168,745	335,370	5,954,049
Fee and commission expense	(888,960)	(9,260)	(162,496)	(1,060,716)
Net gain on financial assets at fair value through profit or loss	307,220	(13,601)	(41,992)	251,627
Net gain on sale of investments available-for-sale	51,265	8,750	42,366	102,381
Net gain on foreign exchange operations	1,261,365	(148,948)	(139,969)	972,448
Net gain on precious metals operations	(198,114)	3,192	391,194	196,272
Dividend income	129,837	-	-	129,837
Other income	952,143	7,678	48,533	1,008,354
External operating income/(expense)	19,553,459	(1,528,999)	1,425,653	19,450,113
Cash and balances with Central and National banks	37,094,334	119,736	57,259	37,271,329
Financial assets at fair value through profit or loss	12,320,881	300,972	198,385	12,820,238
Precious metals	1,062,102	-	-	1,062,102
Loans and advances to banks	12,112,116	643,461	52,003,424	64,759,001
Loans to customers	149,524,689	5,831,850	5,886,578	161,243,117
Investments available-for-sale	3,171,243	574	256,341	3,428,158
Property and equipment purchased for transfer into finance lease	2,212,847	-	-	2,212,847
Property, equipment and intangible assets	9,108,928	16,334	6,190	9,131,452
Other assets	1,231,491	52,248	7,989	1,291,728
Capital expenditure	895,129	10,740	2,006	907,875

	Russia	Other non-OECD countries	OECD countries	Year ended 31 December 2005 Consolidated amount RUR'000
Interest income	19,691,682	982,554	1,155,012	21,829,248
Interest expense	(9,417,604)	(1,207,004)	(254,956)	(10,879,564)
(Provisions)/recovery of provision for impairment losses on interest bearing assets	(1,670,483)	(106,979)	(75,458)	(1,852,920)
Fee and commission income	3,768,668	80,275	225,544	4,074,487
Fee and commission expense	(948,938)	(7,888)	(16,969)	(973,795)
Net gain on financial assets at fair value through profit or loss	1,143,588	(225,300)	(168,726)	749,562
Net gain on sale of investments available-for-sale	676,811	280,794	37,305	994,910
Net gain on foreign exchange operations	181,912	116,107	(1,585)	296,434
Net gain on precious metals operations	(112,088)	13,300	140,500	41,712
Dividend income	61,823	-	-	61,823
Other income	1,117,529	8,216	16,365	1,142,110
External operating income/(expense)	14,492,900	(65,925)	1,057,032	15,484,007
Cash and balances with Central and National banks	19,387,997	51,943	15,418	19,455,358
Financial assets at fair value through profit or loss	13,839,516	243,735	1,593,851	15,677,102
Precious metals	978,040	-	-	978,040
Loans and advances to banks	3,787,140	3,907,612	46,300,316	53,995,068
Loans to customers	102,160,988	6,542,492	4,614,744	113,318,224
Investments available-for-sale	448,024	29,910	400	478,334
Property and equipment purchased for transfer into finance lease	329,005	-	-	329,005
Property, equipment and intangible assets	6,705,873	8,699	8,605	6,723,177
Other assets	1,542,533	17,852	57,602	1,617,987
Capital expenditure	570,314	1,550	7,001	578,865

External operating income, assets, capital expenditure have generally been allocated based on domicile of the counterparty. Tangible assets (cash on hand, precious metals, premises and equipment) have been allocated based on the country in which they are physically held.

35. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's 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.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

Liquidity and cash flow risks are managed by the Treasury department. Strategic decisions and overall risk monitoring is provided by the Management Board and Assets and Liabilities Committee.

The treasury department makes weekly forecasts on the Group's liquidity position. The treasury department manages assets/liabilities' structure (maturities up to 7 days). The treasury department manages and controls the current liquidity position of the Group. The Combined Economic Department (CED) assesses any excess/lack of liquidity. CED makes analytic reports about assets/liabilities' maturity structure every week which is issued as a basic tool for liquidity risk analysis. CED also analyzes and forecasts liquidity conditions (maturities more than 7 days) and in case of negative economic conditions, creditors' and debtors' delinquencies. CED calculates internal liquidity limits and the Central Bank of the Russian Federation's obligatory ratios.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed within the limit framework as established in accordance with the standards set by the Group. Interest rate risks are controlled via regular interest rate gap reporting. The Group does not perform hedging activities, thus no risk management policy for hedging transactions has been developed.

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective average interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2006				31 December 2005			
	RUR	**USD**	**EUR**	**Precious metals**	**RUR**	**USD**	**EUR**	**Precious metals**
ASSETS								
Financial assets at fair value through profit or loss	9.29%	9.08%	-	-	9.20%	9.30%	-	-
Loans and advances to banks	5.35%	4.59%	7.03%	-	8.50%	3.70%	6.20%	-
Loans to customers	15.86%	13.89%	9.40%	6.25%	17.90%	11.60%	8.52%	6.02%
Investments available-for-sale	7.48%	7.61%	-	-	16.00%	-	-	-
LIABILITIES								
Deposits from banks	7.53%	7.29%	5.25%	1.00%	5.66%	6.34%	3.84%	1.41%
Customer accounts	5.39%	6.14%	4.09%	4.26%	8.67%	5.94%	3.90%	4.60%
Debt securities issued	7.11%	7.93%	5.10%	-	7.50%	8.03%	5.25%	-
Subordinated debt	8.00%	-	-	-	-	-	-	-

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 RUR'000 Total
ASSETS							
Interest bearing assets							
Financial assets at fair value through profit or loss	11,808,022	-	-	-	-	-	11,808,022
Loans and advances to banks	32,173,460	146,798	537,949	-	-	-	32,858,207
Loans to customers	11,112,960	38,964,530	46,203,756	63,449,629	1,512,242	-	161,243,117
Investments available-for-sale	-	-	260,463	2,763,579	-	-	3,024,042
Total interest bearing assets	**55,094,442**	**39,111,328**	**47,002,168**	**66,213,208**	**1,512,242**	**-**	**208,933,388**
Cash and balances with Central and National banks	31,072,887	-	-	-	-	6,198,442	37,271,329
Financial assets at fair value through profit or loss	1,012,216	-	-	-	-		1,012,216
Precious metals	1,062,102	-	-	-	-	-	1,062,102
Loans and advances to banks	31,900,794	-	-	-	-	-	31,900,794
Investments available-for-sale	-	-	7,207	396,909	-	-	404,116
Property and equipment purchased for transfer into finance lease	-	-	-	2,212,847	-	-	2,212,847
Property, equipment and intangible assets	-	-	-	-	-	9,131,452	9,131,452
Current income tax assets	-	-	615,647	-	-	-	615,647
Other assets	12,321	799,769	479,638	-	-	-	1,291,728
Total non- interest bearing assets	**65,060,320**	**799,769**	**1,102,492**	**2,609,756**	**-**	**15,329,894**	**84,902,231**
TOTAL ASSETS	**120,154,762**	**39,911,097**	**48,104,660**	**68,822,964**	**1,512,242**	**15,329,894**	**293,835,619**
LIABILITIES							
Interest bearing liabilities							
Deposits from banks	4,962,311	2,833,930	4,367,323	7,353,287	361	-	19,517,212
Customer accounts and subordinated debt	49,487,427	44,073,718	36,637,394	21,978,988	7,316,113	-	159,493,640
Financial liabilities at fair value through profit or loss	731,272	-	-	-	-	-	731,272
Debt securities issued	4,370,525	6,732,547	7,972,705	8,035,078	6,825,253	-	33,936,108
Total interest bearing liabilities	**59,551,535**	**53,640,195**	**48,977,422**	**37,367,353**	**14,141,727**	**-**	**213,678,232**
Deposits from banks	200,442	-	-	-	-	-	200,442
Customer accounts	48,168,555	-	-	-	-	-	48,168,555
Financial liabilities at fair value through profit or loss	215,900	-	-	-	-	-	215,900
Debt securities issued	27,319	-	-	-	-	-	27,319
Other provisions	193,032	3,347	-	-			196,379
Current income tax liabilities	-	-	20,657	-	-	-	20,657
Deferred income tax liabilities	-	-	92,450	-	-	1,455,687	1,548,137
Other liabilities	110,346	711,076	794,703	-	-	-	1,616,125
Total non-interest bearing liabilities	**48,915,594**	**714,423**	**907,810**	**-**	**-**	**1,455,687**	**51,993,514**
TOTAL LIABILITIES	**108,467,129**	**54,354,618**	**49,885,232**	**37,367,353**	**14,141,727**	**1,455,687**	**265,671,746**
Liquidity gap	11,687,633	(14,443,521)	(1,780,572)	31,455,611	(12,629,485)		
Interest sensitivity gap	(4,457,093)	(14,528,867)	(1,975,254)	28,845,855	(12,629,485)		
Cumulative interest sensitivity gap	(4,457,093)	(18,985,960)	(20,961,214)	7,884,641	(4,744,844)		
Cumulative interest sensitivity gap as a percentage of total assets	(1.5%)	(6.5%)	(7.1%)	2.7%	(1.6%)		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2005 RUR'000 Total
ASSETS							
Interest bearing assets							
Financial assets at fair value through profit or loss	14,327,927	-	-	-	-	-	14,327,927
Loans and advances to banks	35,348,694	51,137	431,850	-	-	-	35,831,681
Loans to customers	10,803,424	21,917,477	40,449,490	39,648,843	498,990	-	113,318,224
Investments available-for-sale	-	-	115,722	-	-	-	115,722
Total interest bearing assets	**60,480,045**	**21,968,614**	**40,997,062**	**39,648,843**	**498,990**	**-**	**163,593,554**
Cash and balances with Central and National banks	14,799,277	-	-	-	-	4,656,081	19,455,358
Financial assets at fair value through profit or loss	1,251,671	13,129	84,375	-	-	-	1,349,175
Precious metals	978,040	-	-	-	-	-	978,040
Loans and advances to banks	18,163,387	-	-	-	-	-	18,163,387
Investments available-for-sale	-	-	145,490	217,122	-	-	362,612
Property and equipment purchased for transfer into finance lease	-	-	-	329,005	-	-	329,005
Property, equipment and intangible assets	-	-	-	-	-	6,723,177	6,723,177
Current income tax assets	-	-	484,307	-	-	-	484,307
Other assets	673,912	-	944,075	-	-	-	1,617,987
Total non- interest bearing assets	**35,866,287**	**13,129**	**1,658,247**	**546,127**	**-**	**11,379,258**	**49,463,048**
TOTAL ASSETS	**96,346,332**	**21,981,743**	**42,655,309**	**40,194,970**	**498,990**	**11,379,258**	**213,056,602**
LIABILITIES							
Interest bearing liabilities							
Deposits from banks	7,206,987	120,458	1,586,420	645,458	-	-	9,559,323
Customer accounts	45,377,188	20,671,806	48,085,198	21,247,331	506,873	-	135,888,396
Financial liabilities at fair value through profit or loss	1,700,955	11,977	4,790	-	-	-	1,717,722
Debt securities issued	2,491,187	2,482,354	3,846,443	14,154,773	1,074,324	-	24,049,081
Total interest bearing liabilities	**56,776,317**	**23,286,595**	**53,522,851**	**36,047,562**	**1,581,197**	**-**	**171,214,522**
Deposits from banks	1,579,705	-	-	-	-	-	1,579,705
Customer accounts	13,172,498	-	-	-	-	-	13,172,498
Financial liabilities at fair value through profit or loss	122,919	-	-	-	-	-	122,919
Debt securities issued	1,995,126	-	-	-	-	-	1,995,126
Other provisions	9,645	17,356	92,163	55,565	-	-	174,729
Current income tax liabilities	-	-	11,155	-	-	-	11,155
Deferred income tax liabilities	-	-	82,444	-	-	843,927	926,371
Other liabilities	559,443	71,133	408,735	-	-	-	1,039,311
Total non-interest bearing liabilities	**17,439,336**	**88,489**	**594,497**	**55,565**	**-**	**843,927**	**19,021,814**
TOTAL LIABILITIES	**74,215,653**	**23,375,084**	**54,117,348**	**36,103,127**	**1,581,197**	**843,927**	**190,236,336**
Liquidity gap	22,130,679	(1,393,341)	(11,462,039)	4,091,843	(1,082,207)		
Interest sensitivity gap	3,703,728	(1,317,981)	(12,525,789)	3,601,281	(1,082,207)		
Cumulative interest sensitivity gap	3,703,728	2,385,747	(10,140,042)	(6,538,761)	(7,620,968)		
Cumulative interest sensitivity gap as a percentage of total assets	1.7%	1.1%	(4.8%)	(3.1%)	(3.6%)		

Substantially all of the Group's interest earning assets and interest bearing liabilities are at fixed rates of assets.

Asset and liability maturity periods and the ability to replace interest bearing liabilities at an acceptance cost when they mature are crucial in determining the Group's liquidity and its fluctuation of interest and exchange rates.

The maturity of time deposits of individuals is based on contractual terms. However, time deposits can be withdrawn by individuals on demand.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that deposits are a stable and long-term source of financing for the Group.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuation in prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currencies (primarily US Dollar), by branches and in total. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	RUR	**USD** 1 USD = 26.3311 RUR	**EUR** 1 EUR = 34.6965 RUR	**Precious metals**	**Other currency**	**31 December 2006 RUR'000 Total**
ASSETS						
Cash and balances with Central and National banks	35,228,549	1,455,458	406,198	-	181,124	37,271,329
Financial assets at fair value through profit or loss	9,660,253	2,834,583	8,118	9,151	308,133	12,820,238
Precious metals	-	-	-	1,062,102	-	1,062,102
Loans and advances to banks,	12,015,064	47,562,682	4,860,669	12	320,574	64,759,001
Loans to customers	110,218,074	45,027,223	4,435,382	824,937	737,501	161,243,117
Investments available-for-sale	3,161,750	265,116	1,258	-	34	3,428,158
Property and equipment purchased for transfer into finance lease	2,212,847	-	-	-	-	2,212,847
Property, equipment and intangible assets	9,108,927	-	-	-	22,525	9,131,452
Current income tax assets	615,647	-	-	-	-	615,647
Other assets	1,224,615	28,198	11,040	367	27,508	1,291,728
TOTAL ASSETS	**183,445,726**	**97,173,260**	**9,722,665**	**1,896,569**	**1,597,399**	**293,835,619**
LIABILITIES						
Deposits from banks	3,868,811	11,150,049	1,567,136	3,043,962	87,696	19,717,654
Customer accounts and subordinated debt	113,987,731	83,880,315	7,444,151	510,872	1,839,126	207,662,195
Financial liabilities at fair value through profit or loss	25,532	881,709	12,037	15,200	12,694	947,172
Debt securities issued	18,673,648	14,952,730	336,127	-	922	33,963,427
Other provisions	193,183	-	-	-	3,196	196,379
Current income tax liabilities	17,794	-	2,420	-	443	20,657
Deferred income tax liabilities	1544,468	-	3,669	-	-	1,548,137
Other liabilities	840,678	674,042	18,606	-	82,799	1,616,125
TOTAL LIABILITIES	**139,151,845**	**111,538,845**	**9,384,146**	**3,570,034**	**2,026,876**	**265,671,746**
OPEN BALANCE SHEET POSITION	**44,293,881**	**(14,365,585)**	**338,519**	**(1,673,465)**	**(429,477)**	

Derivative financial instruments and spot contracts

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2006:

	RUR	**USD** 1 USD = 26.3311 RUR	**EUR** 1 EUR = 34.6965 RUR	**Precious metals**	**Other currency**	**31 December 2006 RUR'000 Total**
Receivables on spot and derivative contracts	6,301,097	25,478,990	1,417,182	2,975,607	2,002,805	38,175,681
Payables on spot and derivative contracts	(21,238,736)	(12,233,439)	(3,521,562)	(932,504)	(361,529)	(38,287,770)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	**(14,937,639)**	**13,245,551**	**(2,104,380)**	**2,043,103**	**1,641,276**	
TOTAL OPEN POSITION	**29,356,242**	**(1,120,034)**	**(1,765,861)**	**369,639**	**1,211,799**	

	RUR	**USD** 1 USD = 28.7825 RUR	**EUR** 1 EUR = 34.1850 RUR	**Precious metals**	**Other currency**	**31 December 2005 RUR'000 Total**
ASSETS						
Cash and balances with Central and National banks	17,413,417	1,599,607	365,564	-	76,770	19,455,358
Financial assets at fair value through profit or loss	11,296,601	3,704,943	269,906	99,261	306,391	15,677,102
Precious metals	-	-	-	978,040	-	978,040
Loans and advances to banks	2,208,976	47,593,015	3,961,409	304	231,364	53,995,068
Loans to customers	77,187,049	32,333,076	1,757,064	832,381	1,208,654	113,318,224
Investments available-for-sale	419,146	-	396	-	58,792	478,334
Property and equipment purchased for transfer into finance lease	329,005	-	-	-	-	329,005
Property, equipment and intangible assets	6,705,872	-	-	-	17,305	6,723,177
Current income tax assets	484,129	-	178	-	-	484,307
Other assets	1,293,873	147,993	1,396	83,206	91,519	1,617,987
TOTAL ASSETS	**117,338,068**	**85,378,634**	**6,355,913**	**1,993,192**	**1,990,795**	**213,056,602**
LIABILITIES						
Deposits from banks	3,943,809	4,396,000	493,621	2,027,052	278,546	11,139,028
Customer accounts	73,154,491	71,252,557	3,551,807	285,054	816,985	149,060,894
Financial liabilities at fair value through profit or loss	-	1,543,323	297,318	-	-	1,840,641
Debt securities issued	9,766,918	15,653,127	616,665	-	7,497	26,044,207
Other provisions	105,586	62,279	5,353	1,511	-	174,729
Current income tax liabilities	10,225	-	930	-	-	11,155
Deferred income tax liabilities	914,416		11,955			926,371
Other liabilities	468,610	303,924	32,824	115,792	118,161	1,039,311
TOTAL LIABILITIES	**88,364,055**	**93,211,210**	**5,010,473**	**2,429,409**	**1,221,189**	**190,236,336**
OPEN BALANCE SHEET POSITION	**28,974,013**	**(7,832,576)**	**1,345,440**	**(436,217)**	**769,606**	

Derivative financial instruments and spot contracts

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2005:

	RUR	USD 1 USD = 28.7825 RUR	EUR 1 EUR = 34.1850 RUR	Precious metals	Other currency	31 December 2005 RUR'000 Total
Receivables on spot and derivative contracts	16,170,345	26,511,625	2,222,025	1,378,805	2,981,317	49,264,117
Payables on spot and derivative contracts	(24,911,417)	(19,633,500)	(3,718,313)	(699,575)	(237,787)	(49,200,592)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	**(8,741,072)**	**6,878,125**	**(1,496,288)**	**679,230**	**2,743,530**	
TOTAL OPEN POSITION	**20,232,941**	**(954,451)**	**(150,848)**	**243,013**	**3,513,136**	

According to Regulation of the CBR N41 for open currency position calculation purposes the Group may exclude the contribution to share capital made in foreign currency (US dollars) of RUR equivalent of USD 148,776 thousand from total assets in the respective currency.

Market risk

Market risk is assessed by CED using a value at risk (VAR) methodology. VAR is calculated based on an internationally accepted approach. CED provides daily market risk evaluation and prepares a report for the Board of Directors once a month. The Group performs back testing of the adequacy of the methodology at least quarterly with reference to current market terms to ensure that deviations for all statistics parameters included in the calculation are within expected values. Based on statistics for the preceding nine months and maturities of debt securities, the Group produces a model securities portfolio, calculates a proportion of different types of securities in the portfolio and the overall risk of the portfolio which is viewed as a standard portfolio proportion in current terms. In order to decrease risks, the Group sets the following limits: open position limit, stop-loss limit and structure limits. CED daily assesses current risks of the Group and proposes limits for the Liquidity, Risks and Pricing Committee. Currency position control provides data to CED, which calculates the open currency position (OCP) daily based on accounting data, and to Operations Registration Department, which calculates OCP daily according to CBR requirements. A stop-loss instrument is used to prevent unexpected significant losses resulting from fluctuations in the securities portfolio. The stop-loss limits are set for accumulated losses per day and per month as a percentage of investments. The month stop-loss limit is set at 3/2 of a daily limit. No operations are allowed after the loss reaches the stop-loss limit. Daily limit utilization is determined from realized and unrealized mark-to-market adjustment. Market prices used are based on quotations in REUTERS and by brokers of Tradition, ADIX, Eurobroker and Garban.

Credit risk

Credit activities are conducted in accordance with the regulatory framework set by the Central Bank of the Russian Federation as well as internationally accepted criteria. Credit Policy is defined by the Group's Management Board and the Credit Committee. Credit Risk is taken based on the principles of risk adequacy, adequacy of profitability and strategic rationale. Credit operations conducted by the Group include term loans, credit lines, overdraft facilities, syndications, documentary operations and other operations involving credit risk. The credit procedure is structured in line with a strict segregation of duties, based on the approved Credit Manual of the Group.

The Credit Committee is a standing body of the Group, authorized to make decisions on all issues relating to the credit operations of the Group. Its task is to ensure design and implementation of a single credit policy of the Group and its branches. The Credit Committee consider issues regarding the assumption of credit risks for transactions within relevant limits (there are separate limits for corporate clients, financial institutions and individuals) established and revised on an annual basis by the Management Board and/or for which the period does not exceed 12 months.

The assumption of credit risks for transactions exceeding relevant limits established by the Board and/or for which the period exceeds 12 months is considered by the Management Board.

Credit risk management and control are conducted using differentiated multilevel complex approach to evaluation of credit applications. Credit control is carried out at all stages of credit work and credit portfolio structuring. Credit risk policy is conducted in accordance with the following internal documents:

- Banking credit policy;
- Direction for credit operations.

The following methods of credit risk management are used:

- Complex credit risk analysis;
- Approval of credit risk limits for individuals and groups of clients;
- Control over maturity structure of assets;
- Limit and decision-making control;
- Planning spread between cash inflow and outflow, plan vs. actual analysis;
- Analysis of borrower's financial position, monitoring of financial position of guarantors;
- Current banking assets monitoring for management decisions-making.

Credit risk is evaluated by the following bodies:

- Credit operations Department – complex analysis of the risk level;
- Credit Committee – credit limit determination;
- Project financing and control Department – independent risk level evaluation of specific deals;
- Combined Economic Department – standards and essential adequacy of allowance for impairment.

The procedure for credit risk assumption comprises:

- Gathering of essential documents;
- Assessment of reliability and completeness of documents;
- Complex analysis of all risks which may occur;
- Making decisions about credit risk assumption;
- Legal capacity control of clients and their representatives.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2006 RUR'000 Total
ASSETS					
Cash and balances with Central and National banks	37,094,334	119,736	57,259	-	37,271,329
Financial assets at fair value through profit or loss	12,320,881	286,973	198,385	13,999	12,820,238
Precious metals	1,062,102	-	-	-	1,062,102
Loans and advances to banks	12,112,116	411,838	52,003,424	231,623	64,759,001
Loans to customers	149,524,689	2,543,866	5,886,578	3,287,984	161,243,117
Investments available-for-sale	3,171,243	574	256,341	-	3,428,158
Property and equipment purchased for transfer into finance lease	2,212,847	-	-	-	2,212,847
Property, equipment and intangible assets	9,108,928	16,334	6,190	-	9,131,452
Current income tax assets	615,647	-	-	-	615,647
Other assets	1,231,491	52,248	7,989	-	1,291,728
TOTAL ASSETS	**228,454,278**	**3,431,569**	**58,416,166**	**3,533,606**	**293,835,619**
LIABILITIES					
Deposits from banks	3,833,674	2,116,981	13,211,788	555,211	19,717,654
Customer accounts and subordinated debt	93,639,293	28,100,687	2,607,588	83,314,627	207,662,195
Financial liabilities at fair value through profit or loss	113,265	-	796,394	37,513	947,172
Debt securities issued	11,118,890	922	17,579,320	5,264,295	33,963,427
Other provisions	193,183	3,196	-	-	196,379
Current income tax liabilities	17,794	-	2,863	-	20,657
Deferred income tax liabilities	1,544,468	-	3,669	-	1,548,137
Other liabilities	1,516,674	2,888	96,563	-	1,616,125
TOTAL LIABILITIES	**111,977,241**	**30,224,674**	**34,298,185**	**89,171,646**	**265,671,746**
NET POSITION	**116,477,037**	**(26,793,105)**	**24,117,981**	**(85,638,040)**	

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2005 RUR'000 Total
ASSETS					
Cash and balances with Central and National banks	19,387,997	51,943	15,418	-	19,455,358
Financial assets at fair value through profit or loss	13,839,516	243,735	1,593,851	-	15,677,102
Precious metals	978,040	-	-	-	978,040
Loans and advances to banks	3,787,140	771,675	46,300,316	3,135,937	53,995,068
Loans to customers	102,160,988	3,410,993	4,614,744	3,131,499	113,318,224
Investments available-for-sale	448,024	29,910	400	-	478,334
Property and equipment purchased for transfer into finance lease	329,005	-	-	-	329,005
Property, equipment and intangible assets	6,705,873	8,699	8,605	-	6,723,177
Current income tax assets	484,129	-	178	-	484,307
Other assets	1,542,533	17,329	57,602	523	1,617,987
TOTAL ASSETS	**149,663,245**	**4,534,284**	**52,591,114**	**6,267,959**	**213,056,602**
LIABILITIES					
Deposits from banks	4,958,186	1,355,137	3,640,321	1,185,384	11,139,028
Customer accounts	107,615,584	891,584	5,481,584	35,072,142	149,060,894
Financial liabilities at fair value through profit or loss	30,499	-	1,810,142	-	1,840,641
Debt securities issued	10,043,746	7,497	14,224,232	1768732	26,044,207
Other provisions	164,761	-	5091	4,877	174,729
Current income tax liabilities	10,225	-	930	-	11,155
Deferred income tax liabilities	914,416	-	11955	-	926,371
Other liabilities	988,144	13,671	35,036	2460	**1,039,311**
TOTAL LIABILITIES	**124,725,561**	**2,267,889**	**25,209,291**	**38,033,595**	**190,236,336**
NET POSITION	**24,937,684**	**2,266,395**	**27,381,823**	**(31,765,636)**	