ROSBANK Group

Consolidated Financial Statements
Year Ended 31 December 2007

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 2007

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 2007, 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 years ended 31 December 2007 were authorized for issue on 25 April 2008 by the Board of Directors of ROSBANK.

On behalf of the Board of Directors:

Chairman of the Management Board	**Chief Financial Officer**
25 April 2008	25 April 2008
Moscow	Moscow

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the 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 2007, 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 consolidated 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 2007, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

25 April 2008
Moscow

ROSBANK GROUP

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2007

	Notes	31 December 2007 RUR'000	31 December 2006 RUR'000
Interest income	5,31	34,686,430	29,015,495
Interest expense	5,31	(13,883,119)	(12,923,578)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		20,803,311	16,091,917
Provision for impairment losses on interest bearing assets	6,31	(4,118,104)	(4,247,376)
NET INTEREST INCOME		16,685,207	11,844,541
Net (loss)/gain on financial assets at fair value through profit or loss	7,31	(405,264)	776,627
Net gain on sale of investments available-for-sale	31	224,618	374,226
Net gain on foreign exchange operations	31	331,669	1,436,220
Net gain/(loss) on precious metals operations		562,762	(806,087)
Fee and commission income	8,31	6,188,520	5,876,946
Fee and commission expense	8,31	(995,288)	(1,060,716)
Other provisions	6	(98,717)	(35,217)
Other income	9,31	1,086,955	1,008,354
NET NON-INTEREST INCOME		6,895,255	7,570,353
OPERATING INCOME		23,580,462	19,414,894
OPERATING EXPENSES	10,31	(15,350,005)	(13,348,199)
PROFIT FROM CONTINUED OPERATIONS BEFORE INCOME TAX		8,230,457	6,066,695
Income tax expense	11	(2,065,881)	(2,393,171)
Net profit from continued operations		6,164,576	3,673,524
Net profit from discontinued operations	4	-	57,660
Net gain from disposal of subsidiary	4	-	86,714
NET PROFIT		**6,164,576**	**3,817,898**
Attributable to:			
Equity holders of the parent		6,162,577	3,805,181
Minority interest		1,999	12,717
		6,164,576	3,817,898
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic and diluted (in RUR)	12	8.88	5.59

On behalf of the Board:

Chairman of the Management Board
25 April 2008
Moscow

Chief Financial Officer
25 April 2008
Moscow

The selected notes on pages 9-68 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2007

	Notes	31 December 2007 RUR'000	31 December 2006 RUR'000
ASSETS:			
Cash and balances with the Central and National banks	13	97,001,470	37,271,329
Financial assets at fair value through profit or loss	14,31	18,777,393	12,820,238
Precious metals	15	1,738,273	1,062,102
Due from banks	16,31	43,152,964	64,759,001
Loans to customers	18,31	233,558,776	161,243,117
Investments available-for-sale	19,31	753,291	3,428,158
Property and equipment purchased for transfer into finance lease		516,859	2,212,847
Property, plant and equipment	20	9,406,614	9,131,452
Current income tax assets		270,088	615,647
Deferred income tax assets	11	589,886	-
Other assets	21,31	2,297,321	1,291,728
Total assets		**408,062,935**	**293,835,619**
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	22,31	24,434,197	19,717,654
Customer accounts	23,31	283,804,037	204,662,195
Financial liabilities at fair value through profit or loss	24	3,834,200	947,172
Debt securities issued	25	44,033,359	33,963,427
Other provisions	29,31	243,652	196,379
Current income tax liabilities		351,716	20,657
Deferred income tax liabilities	11	1,535,816	1,548,137
Subordinated debt	27,31	6,675,569	3,000,000
Other liabilities	26,31	2,259,203	1,616,125
Total liabilities		**367,171,749**	**265,671,746**
EQUITY:			
Share capital	28	9,270,850	8,876,500
Share premium	28	15,408,200	9,177,470
Translation reserve		34,902	(41,460)
Revaluation reserve		4,543,887	4,599,285
Fair value adjustment of available-for-sale investments		4,763	86,320
Reorganization reserve		1,781,865	1,783,615
Retained earnings		9,755,874	3,593,297
Equity attributable to equity holders of the parent		40,800,341	28,075,027
Minority interest		90,845	88,846
Total equity		**40,891,186**	**28,163,873**
TOTAL LIABILITIES AND EQUITY		**408,062,935**	**293,835,619**

On behalf of the Board:

Chairman of the Management Board

25 April 2008
Moscow

Chief Financial Officer

25 April 2008
Moscow

The selected notes on pages 9-68 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	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 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 of RUR 616,755 thousand)	-	-	-	1,632,377	-	-	-	1,632,377	-	1,632,377
Property disposal (net of deferred tax of RUR 8,275 thousand)	-	-	-	(26,206)	-	-	26,206	-	-	-
Fair value adjustment of available-for-sale investments (net of deferred tax 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**
Changes in translation reserves	-	-	76,362	-	-	-	-	76,362	-	76,362
Increase in share capital	394,350	6,230,730	-	-	-	-	-	6,625,080	-	6,625,080
Property disposal (net of deferred tax of RUR 17,494 thousand)	-	-	-	(55,398)	-	-	-	(55,398)	-	(55,398)
Disposal of available-for-sale investments (net of deferred tax of RUR 27,258 thousand)	-	-	-	-	(86,320)	-	-	(86,320)	-	(86,320)
Fair value adjustment of available-for-sale investments (net of deferred tax of RUR 1,504 thousand)	-	-	-	-	4,763	-	-	4,763	-	4,763
Group reorganisation	-	-	-	-	-	(1,750)	-	(1,750)	-	(1,750)
Net profit	-	-	-	-	-	-	6,162,577	6,162,577	1,999	6,164,576
31 December 2007	**9,270,850**	**15,408,200**	**34,902**	**4,543,887**	**4,763**	**1,781,865**	**9,755,874**	**40,800,341**	**90,845**	**40,891,186**

On behalf of the Board:

Chairman of the Management Board
25 April 2008
Moscow

Chief Financial Officer
25 April 2008
Moscow

The selected notes on pages 9-68 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit from continued operations before income tax		8,230,457	6,066,695
Adjustments for:			
Provision for impairment losses on interest bearing assets		4,118,104	4,247,376
Other provisions		98,717	35,217
Depreciation charge on property, plant and equipment		489,604	476,115
Impairment of assets-available-for-sale		18,108	118,655
Gain on disposal of subsidiary		-	(86,714)
Gain on acquired subsidiary		(5,430)	-
Property, plant and equipment disposal gain		(325,489)	(145,866)
Net change in value of derivatives and spot deals (gain)/loss		(279,602)	175,614
Net change in interest and other accruals		(980,759)	(1,346,809)
Net foreign currency revaluation loss/(gain)		479,280	(320,733)
Net unrealized gain on financial assets at fair value through profit or loss		(177,953)	(242,187)
Cash flow from operating activities before changes in operating assets and liabilities		11,665,037	8,977,363
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central and National Banks		(1,455,176)	(1,567,658)
Financial assets at fair value through profit or loss		(6,058,609)	(1,745,814)
Precious metals		(676,171)	(84,062)
Loans to customers		(78,637,155)	(54,562,728)
Due from banks		4,835,696	(7,113,627)
Purchase of property and equipment for transfer into finance lease		1,695,988	(1,883,842)
Other assets		(1,188,541)	208,026
Increase/(decrease) in operating liabilities::			
Due to banks		5,442,450	8,871,123
Customer accounts		83,182,001	62,691,939
Financial liabilities at fair value through profit or loss		2,618,153	(834,174)
Other liabilities		754,960	681,796
Cash inflow from operating activities before taxation		22,178,633	13,638,342
Income tax paid		(1,948,221)	(2,523,669)
Net cash inflow from operating activities		20,230,412	11,114,673
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1,321,832)	(907,875)
Proceeds on sale of property, plant and equipment		1,097,336	356,878
Disposal of subsidiary	4	-	(261,022)
Purchase of subsidiaries, net of cash acquired		(214,750)	(100,602)
Proceeds from sale of available-for-sale investments		2,711,801	6,526
Purchase of available-for-sale investments		(173,866)	(3,015,482)
Net cash inflow/(outflow) from investing activities		2,098,689	(3,921,577)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share capital issue		394,350	-
Share premium received		6,230,730	-
Proceeds from issuance of debt securities		29,573,336	21,772,761
Redemption of debt securities		(19,545,953)	(13,306,451)
Proceeds from subordinated debt		3,650,515	3,000,000
Net cash inflow from financing activities		20,302,978	11,466,310
Effect of exchange rate changes on cash and cash equivalents		(1,001,465)	(2,009,747)
NET INCREASE IN CASH AND CASH EQUIVALENTS		41,630,614	16,649,659
CASH AND CASH EQUIVALENTS, beginning of the period	13	83,472,241	66,822,582
CASH AND CASH EQUIVALENTS, end of the period	13	125,102,855	83,472,241

Interest received and paid by the Group during the year ended 31 December 2007 amounted to RUR 33,014,513 thousand and RUR 13,263,847 thousand, respectively.

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 discontinued operations during the year ended 31 December 2006 amounted to RUR 156,687 thousand and RUR 61,573 thousand, respectively.

On behalf of the Board:

Chairman of the Management Board

25 April 2008
Moscow

Chief Financial Officer

25 April 2008
Moscow

The selected notes on pages 9 - 68 form an integral part of these consolidated financial statements.

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 2007 ROSBANK had 65 branches in the Russian Federation.

ROSBANK is the parent company of the banking group which consists of the following enterprises as of 31 December 2007 and 2006:

Name	Country of incorporation	31 December 2007 Group's ownership interest/voting rights, %	31 December 2006 Group's ownership interest/voting rights, %	Type of operations
Rosbank (Switzerland) SA	Switzerland	100/100	100/100	Banking
Rosbank International Finance BV	The Netherlands	100/100	100/100	Issue of Eurobonds
RosInvest SA	Luxembourg	99.97/99.97	99.97/99.97	Reorganization of UNEXIM Finance Company
Belrosbank	Belorussia	99.99/99.99	99.99/99.99	Banking
Russia International Card Finance S.A.	Luxembourg	0/100 (Contractual agreement)	0/100 (Contractual agreement)	Issue of Eurobonds
Rosbank Finance S.A	Luxembourg	100/100	100/100	Issue of Eurobonds
ROSBANK-VOLGA CJSC	Russia	100/100	100/100	Banking
RB Finance CJSC	Russia	100/100	100/100	Operations with securities
Processing Company NICKEL LLC	Russia	100/100	100/100	Processing of card operations
RB LEASING LLC	Russia	40/100	40/100	Leasing
INKAHRAN OJSC	Russia	100/100	100/100	Cash collection services
Bank Povolzhskoe OVK JSC	Russia	98.04/100	98.04/100	Banking
Bank Centralnoe OVK JSC	Russia	97.21/100	97.21/100	Banking
Bank Privolzhskoe OVK LLC	Russia	100/100	100/100	Banking
Kapital i zdanie OJSC	Russia	100/100	100/100	Real estate operations
Art Heiser LLC	Russia	100/100	100/100	Real estate operations

Name	Country of incorporation	31 December 2007 Group's ownership interest/voting rights, %	31 December 2006 Group's ownership interest/voting rights, %	Type of operations
Petrovsky Dom-XXI vek LLC	Russia	100/100	100/100	Real estate operations
TOR-Service CJSC	Russia	100/100	100/100	Buildings administration
PMD Service LLC	Russia	100/100	100/100	Lease services
TD Druzhba LLC	Russia	100/100	100/100	Other services
AVTO LLC	Russia	100/100	100/100	Transportation services
RB Securities LLC	Russia	100/100	100/100	Operations with securities
Inkahran Service LLC	Russia	99.60/100	99.60/100	Transportation services
Real Profit LLC	Russia	100/100	-/-	Real estate operations
AVD LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Saratov LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Dalnevostochnoe LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Krasnoyarsk LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Krasnodar LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Vladivostok LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Khabarovsk LLC	Russia	25/100	100/100	Recovery of bad debts
AVD Arkhangelsk LLC	Russia	25/100	100/100	Recovery of bad debts
AVD Blagoveshensk LLC	Russia	25/100	100/100	Recovery of bad debts
AVD Ekaterinburg LLC	Russia	25/100	100/100	Recovery of bad debts
AVD Yakutsk LLC	Russia	25/100	100/100	Recovery of bad debts
AVD St-Peterburg LLC	Russia	-/-	100/100	Recovery of bad debts

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 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.

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.

As of 31 December 2007 two members of the Group - Bank Povolzhskoe OVK JSC and Bank Privolzhskoe OVK LLC - were in the process of voluntary liquidation. The Group does not anticipate any substantial impact on its financial results nor its financial position as a result of the aforementioned liquidations.

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

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

As of 31 December 2007 and 2006, the following shareholders owned the issued shares of ROSBANK:

	31 December 2007 %	31 December 2006 %
Shareholder		
KM TECHNOLOGIES (OVERSEAS) LIMITED	68.96%	69.46%
Societe Generale S.A.	19.99%	19.99%
Others	11.05%	10.55%
Total	**100.00%**	**100.00%**

As of 31 December 2007 and 2006, the ultimate shareholders of the Group are:

	31 December 2007 %	31 December 2006 %
Shareholder		
Mr. Potanin V. O.	34.48%	34.73%
Mr. Prokhorov M. D.	34.48%	34.73%
Societe Generale S.A.	19.99%	19.99%
Others	11.05%	10.55%
Total	**100.00%**	**100.00%**

These consolidated financial statements were authorised for issue on 25 April 2008 by the Board of Directors of ROSBANK.

2. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Group 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 measurement at fair value of certain financial instruments and measurement of buildings at revalued amounts according to International Accounting Standard 16 "Property, plant and equipment" ("IAS 16").

In accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") the economy of Russian Federation was considered to be hyperinflationary during 2002 and prior years. Starting 1 January 2003, the Russian economy is no longer considered to be hyperinflationary and the values of non-monetary assets, liabilities and equity as stated in measuring units as of 31 December 2002 have formed the basis for the amounts carried forward to 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 consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts. Such estimates and assumptions are based on the information available to the Group's management as of the date of the consolidated financial statements. Therefore, actual results could differ from those estimates and assumptions. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

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 2007 RUR'000	31 December 2006 RUR'000
Allowance for impairment losses for loans to customers	14,736,717	11,127,177
Impairment losses for equity investments available-for-sale	225,765	235,679
Property, plant and equipment	9,406,614	9,131,452

Loans to customers are measured at amortised cost less allowance for impairment losses. The estimation of allowances for impairments involves the exercise of significant judgement.

The Group estimates allowances for impairment with the objective of maintaining balance sheet provisions at a level believed by management to be sufficient to absorb probable losses incurred in the Group's loan/investments portfolio. The calculation of provisions on impaired loans/investments is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience. These determinations are supplemented by various formulaic calculations and the application of management judgement.

The Group considers accounting estimates related to provisions/impairment for loans/investments as key sources of estimation uncertainty because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of losses relating to impaired loans/investments and advances are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses (as reflected in the provisions) and actual losses will require the Group to take provisions which, if significantly different, could have a material impact on its future income statement and its balance sheet. The Group's assumptions about estimated losses are based on past performance, past customer/issuer behaviour, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

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 consolidated financial statements is the Russian Rouble.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial report incorporates the financial report of ROSBANK, entities controlled by ROSBANK (its subsidiaries) and entities under common control made up to the end of each period. 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 combination 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 recognized 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 consolidated income statement in the period of acquisition. The minority interest is stated at the minority's proportion of the fair values of assets and liabilities recognized. Subsequently, any losses applicable to minority interest in excess of minority interest are allocated against the interests of the parent. The equity attributable to equity holders of the parent and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively. For a business combination 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 International Financial Reporting Standards financial report. The residual balance is recognized as "reorganization reserve" in the consolidated financial report.

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.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

In translating the financial report of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial report, 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 average exchange rate for the period;
- 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 and combination.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated 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, with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Cooperation and Development ("OECD"), except for margin deposits for operations with plastic cards, 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 bid prices are recorded in net gain/(loss) on operations with precious metals in the consolidated income statement.

Due from banks

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Due from 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 carried at amortized cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss represent instruments 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 instruments which upon initial recognition are designated by the Group at fair value through profit or loss. Financial instruments 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 instruments at fair value through profit or loss. Fair value adjustment on financial instruments at fair value through profit or loss is recognized in the consolidated income statement for the period. The Group does not reclassify financial instruments in or out of this category while they are held. The main Group's aim is using the fair value option is to eliminate or significantly reduce discrepancies in the accounting treatment of certain financial assets and liabilities.

The Group enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. No derivatives used by the Group are qualified for hedging purposes. Derivatives entered into by the Group include forwards and swaps. 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.

Loans to customers

Loans to customers 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. 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.

Repurchase and reverse repurchase agreements

In the normal course of business the Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements of financial assets ("reverse repos"). 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 consolidated financial statements as cash placed on deposit which is collateralized by securities or 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.

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 by a procedural document of judicial or notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor's funds.

Impairment losses

The Group accounts 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 impairment losses are 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 recognized, the previously recognized impairment loss is reversed by adjusting an allowance account. For financial assets carried at cost the impairment losses are 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 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 impairment losses is charged to profit either through allowance account (financial assets that are carried at amortized cost) or direct write-off (financial assets carried at cost). The total of the impairment losses is deducted in arriving at assets as shown in consolidated 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 for impairment losses, it is the judgment of management that the impairment losses are adequate to absorb losses incurred on risk assets, at the balance sheet date.

Finance leases

Financial leases are 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 Group as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Before commencement of the lease property, plant and equipment purchased for future transfer to financial lease is recognized in the consolidated financial statements as property, plant and equipment purchased to transfer to finance lease at cost.

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 consolidated 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.

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 consolidated 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 consolidated income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the consolidated income statement.

Property, plant and equipment

Property, plant and equipment, except for buildings, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss. Property, plant and equipment, 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, plant and equipment 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, plant and equipment 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, plant and equipment is charged on the carrying value of property, plant 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%
Equipment	20%
Others	Over useful life of 3-10 years

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated 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 and subsequent accumulated impairment losses. 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, plant and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the consolidated 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. 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 during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized 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 assets and deferred tax liabilities are offset and reported net on the balance sheet if:

- The entity 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.

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 realized. 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.

Due to banks, customer accounts, debt securities issued and subordinated debt

Due to banks, customer accounts, debt securities issued and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of 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 combination, 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 state pension fund. 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. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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.

Interests earned on assets at fair value are classified within interest income. 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 consolidated income statement 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 consolidated income statement 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 recognized as revenue on a time proportion basis over the period of guarantees. Commission expense for guarantees received is deferred and recognized 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 gain/(loss) on foreign exchange operations.

Rates of exchange

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

	31 December 2007	**31 December 2006**
RUR/1 US Dollar	24.5462	26.3311
RUR/1 Euro	35.9332	34.6965
RUR/Gold (1 ounce)	20,532.90	16,738.68
RUR/Platinum (1 ounce)	37,531.14	29,411.84

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 asset management services to its customers. Also the Group 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 consolidated 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, financial 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 this 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 standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for reporting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years except for the effect of application of IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7").

IFRS 7 is effective for the annual period beginning on or after 1 January 2007. IFRS 7 establishes new requirements and recommendations on financial instrument disclosure. Adoption of IFRS 7 did not affect the classification and measurement of Group's financial instruments in the consolidated financial statements. Additional information was disclosed in the financials statements for the current and comparative reporting periods as required by IFRS 7.

According to IAS 1 Presentation of financial statements – Disclosures (IAS 1), Group shall disclose information that enables users of its financial statements to evaluate the entities objectives, policies and processes for managing capital.

At the date of these financial statements IFRS 8 "Operating Segments" was issued but not yet effective for these financial statements. It is effective from 1 January 2009 and will replace IAS 14 "Operating Segments". The management is currently assessing the impact of the adoption of this Standard in future period.

Reclassifications to the consolidated financial statements for the year ended 31 December 2006

Certain reclassifications have been made to consolidated financial statements for the year ended 31 December 2006 to conform to the presentation for year ended 31 December 2007 as current period presentation provides better view of the financial performance of the Group.

Nature of reclassification	Amount RUR'000	Income statement line as per the previous report for the year ended 31 December 2006	Income statement line as per current report for he year ended 31 December 2006
Reclassification of net loss from operations with derivative financial instruments on foreign currency	(386,669)	Net gain on foreign exchange operations	Net gain on financial assets at fair value through profit or loss
Reclassification gain on securities	(123,768)	Interest income	Net gain on financial assets at fair value through profit or loss
Reclassification of net gain from operations with derivative financial instruments on precious metals	1,002,359	Net gain on precious metals operations	Net gain on financial assets at fair value through profit or loss
Reclassification of dividend income	33,078	Dividend income	Net gain on financial assets at fair value through profit or loss
Reclassification of interest income	175,086	Interest income	Net gain on investments available-for-sale
Reclassification of dividend income	96,759	Dividend income	Net gain on investments available-for-sale
Reclassification of fee and commission income	(77,103)	Fee and commission income	Net gain on foreign exchange operations

4. GROUP REORGANIZATION

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 of the Russian Federation	594,423
Financial assets at fair value through profit or loss	28,275
Due from banks	392,646
Loans to customers	742,288
Investments available-for-sale	3,090
Property, plant and equipment	28,667
Other assets	6,247
Total assets	**1,795,636**
LIABILITIES AND EQUITY	
LIABILITIES:	
Due to 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 were as follows:

	Year ended 31 December 2006 RUR'000
Interest income	153,131
Interest expense	(61,165)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	91,966
Recovery of provisions for impairment losses on interest bearing assets	13,014
NET INTEREST INCOME	104,980
Net gain on financial assets at fair value through profit or loss	716
Net gain on foreign exchange operations	8,686
Net gain on precious metals operations	8,170
Fee and commission income	37,136
Fee and commission expense	(2,044)
Other income	4,196
NET NON-INTEREST INCOME	56,860
OPERATING INCOME	161,840
OPERATING EXPENSES	(86,874)
OPERATING PROFIT	74,966

	Year ended 31 December 2006 RUR'000
Other provisions	(71)
PROFIT BEFORE INCOME TAX	74,895
Income tax expense (Note 11)	(17,235)
NET PROFIT	**57,660**

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

On 28 December 2007 ROSBANK acquired 100% interest in Real Profit LLC. At the date of acquisition ROSBANK recognized identifiable assets and liabilities of Real Profit LLC at their fair value and an excess of ROSBANK's interest in the net fair value of acquiree's identifiable assets and liabilities over cost. Excess of ROSBANK's interest in the net fair value of acquiree's identifiable assets and liabilities over cost was calculated as difference between net assets of Real Profit and the consideration paid.

	Real Profit LLC at 28 December 2007 RUR'000
Assets	
Property, plant and equipment	270,179
Current income tax assets	2,333
Other assets	7,597
Total assets	**280,109**
Liabilities	
Customer accounts	9,940
Debt securities issued	51,247
Other liabilities	492
Total liabilities	**61,679**
Net assets	**218,430**
Ownership interest purchased by the Group	100%
Value of consideration given	213,000
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost	**5,430**

5. NET INTEREST INCOME

	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
Interest income		
Interest on loans to individuals	17,542,998	15,114,515
Interest on loans to corporate customers	13,693,600	10,469,298
Interest on loans and advances to banks	2,293,817	2,326,123
Interest on debt securities	1,156,015	1,105,559
Total interest income	**34,686,430**	**29,015,495**
Interest expense		
Interest on corporate customer accounts	5,187,249	4,360,449
Interest on deposits from individuals	4,381,122	4,626,080
Interest on deposits from banks	2,410,596	944,361
Interest on debt securities issued	1,606,575	2,189,529
Interest on financial liabilities at fair value through profit or loss	297,577	803,159
Total interest expense	**13,883,119**	**12,923,578**
Net interest income before provision for impairment losses on interest bearing assets	**20,803,311**	**16,091,917**
Interest income comprises:		
Interest income on assets recorded at amortized cost:		
- interest income on assets that have been written down as a result of an impairment loss	29,287,688	22,941,128
- interest income on unimpaired assets	4,242,727	4,968,808
Interest income on assets at fair value through profit or loss	1,142,945	1,067,481
Interest income on available-for-sale investments	13,070	38,078
Total interest income	**34,686,430**	**29,015,495**
Interest income on assets recorded at amortized cost comprises:		
-interest on loans to customers	31,236,598	25,583,813
-interest on loans and advances to banks	2,293,817	2,326,123
Total interest income on financial assets recorded at amortized cost	**33,530,415**	**27,909,936**
Interest income on assets at fair value through profit or loss:		
-interest income on financial assets held-for-trading	981,893	942,734
-interest income on financial assets designated at fair value through profit or loss	161,052	124,747
Total interest income on assets at fair value through profit or loss	**1,142,945**	**1,067,481**
Interest expense comprises:		
-interest on liabilities recorded at amortized cost	13,585,542	12,120,419
-interest expense on assets at fair value through profit or loss	297,577	803,159
Total interest expense	**13,883,119**	**12,923,578**
Interest expense on liabilities recorded at amortized cost comprise:		
-interest on customer accounts	9,568,371	8,986,529
-interest on deposits from banks	2,410,596	944,361
-interest on debt securities issued	1,606,575	2,189,529
Total interest expense on financial liabilities recorded at amortized cost	**13,585,542**	**12,120,419**
Net interest income before provision for impairment losses on interest bearing assets	**20,803,311**	**16,091,917**

6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

	Loans to customers RUR'000
31 December 2005	**7,043,458**
Provision	4,247,376
Write-off	(132,912)
Recovery of provision from discontinued operations	(13,014)
Disposal of subsidiary	(17,731)
31 December 2006	**11,127,177**
Provision	4,118,104
Write-off	(508,564)
31 December 2007	**14,736,717**

The movements in other provisions were as follows:

	Other assets RUR'000	Provisions for financial guarantees issued, claims and other commitments RUR'000	Provisions for unused limits on credit cards RUR'000	Total RUR'000
31 December 2005	**9,888**	**174,729**	**-**	**184,617**
Provision	7,033	28,184	-	35,217
Write-off	(16,921)	(6,501)	-	(23,422)
Provision from discontinued operations	-	73	-	73
Disposal of subsidiary	-	(106)	-	(106)
31 December 2006	**-**	**196,379**	**-**	**196,379**
Provision/(recovery of provision)	51,444	(27,772)	75,045	98,717
Write-off	(7,799)	-	-	(7,799)
31 December 2007	**43,645**	**168,607**	**75,045**	**287,297**

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

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

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

	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
Trading (loss)/gain on operations with financial assets at fair value through profit or loss, net:		
- Assets held-for-trading	(705,697)	458,256
- Assets at fair value through profit or loss upon initial recognition	122,481	86,145
Fair value adjustment on financial assets at fair value through profit or loss, net:		
- Assets held-for-trading	425,323	92,153
- Assets at fair value through profit or loss upon initial recognition	(247,371)	140,073
Total net (loss)/gain on financial assets at fair value through profit or loss	**(405,264)**	**776,627**

	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
Trading (loss)/gain on operations with financial assets at fair value through profit or loss, net:		
- Equities	409,671	385,398
- Derivative financial instruments on equities	(21,850)	(226,809)
- Derivative financial instruments on debt securities	(23,220)	294,071
- Bonds	(127,215)	(541,371)
- Derivative financial instruments on foreign currency	(139,064)	(386,144)
- Derivative financial instruments on precious metals	(681,538)	1,002,361
- Promissory notes	-	16,895
	(583,216)	544,401
Fair value adjustment on financial assets at fair value through profit or loss, net:		
- Derivative financial instruments on precious metals	227,844	(33,748)
- Derivative financial instruments on debt securities	139,117	98,801
- Derivative financial instruments on foreign currency	81,422	(77,944)
- Promissory notes	41,951	12,530
- Derivative financial instruments on equities	(24,763)	8,434
- Equities	(90,815)	148,283
- Bonds	(196,804)	75,870
	177,952	232,226
Total net (loss)/gain on financial assets at fair value through profit or loss	**(405,264)**	**776,627**

8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
Fee and commission income:		
Cash operations	1,879,764	1,430,971
Settlements	1,627,180	1,900,037
Credit cards operations	873,456	1,123,749
Depository and securities operations	611,841	269,931
Foreign exchange operations	427,664	221,428
Documentary operations	372,367	665,553
Other operations	396,248	265,277
Total fee and commission income	**6,188,520**	**5,876,946**
Fee and commission expense:		
Credit cards operations	523,860	746,901
Depository and securities operations	195,105	90,198
Settlements	120,512	56,457
Cash operations	87,071	80,768
Foreign exchange operations	13,342	50,670
Other operations	55,398	35,722
Total fee and commission expense	**995,288**	**1,060,716**

Fee and commission income for the years ended 31 December 2007 and 2006 includes income on financial assets recorded at amortized cost amounting to RUR 2,658,035 thousand and RUR 2,354,811 thousand, respectively. Fee and commission expense for the years ended 31 December 2007 and 2006 includes expense on financial assets recorded at amortized cost amounting to RUR 278,944 thousand and RUR 158,261 thousand, respectively.

9. OTHER INCOME

Other income for the years ended 31 December 2007 and 2006 includes rental income amounting to RUR 393,184 thousand and RUR 346,300 thousand, respectively, property and equipment disposal gain amounting to RUR 325,489 thousand and RUR 145,866 thousand, respectively, and income received from asset management operations amounting to RUR 44,588 thousand and RUR 70,948 thousand, respectively.

10. OPERATING EXPENSES

	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
Salary and bonuses	7,318,309	6,167,565
Operating lease expense	1,119,465	1,093,923
Unified social tax contribution	1,077,046	975,654
Repairs and maintenance expense	1,039,049	980,011
Taxes, other than income tax	1,023,551	641,950
Professional services	677,674	318,002
Security	539,808	406,320
Depreciation charge on property, plant and equipment	489,604	476,115
Deposit insurance system payments	348,381	348,257
Communications	325,986	326,969
Transportation expenses	308,281	219,561

	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
Expenses on stationery and other office expenses	253,422	305,382
Advertising and marketing expenses	147,543	258,919
Charity expenses	144,253	105,053
Business trip expenses	86,213	73,633
Insurance	70,907	65,942
Customs duties	59,713	24,700
Impairment of assets available-for-sale	18,108	118,655
Representation expenses	16,901	43,939
Other	285,791	397,649
Total operating expenses	**15,350,005**	**13,348,199**

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 2007 and 2006 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 2007 and 2006 comprise:

	31 December 2007 RUR'000	31 December 2006 RUR'000
Deferred assets:		
Other liabilities	1,480,492	961,457
Financial assets at fair value through profit or loss	736,577	1,055,874
Due from banks and loans to customers	676,032	3,286,346
Investments available-for-sale	553,272	-
Other assets	419,431	776,264
Financial liabilities at fair value through profit or loss	279,361	172,757
Debt securities issued	130,013	24,246
Precious metals	-	269,157
Total deferred assets	**4,275,178**	**6,546,101**
Deferred liabilities:		
Property, plant and equipment	5,539,476	6,166,545
Precious metals	218,689	-
Due to banks and customer accounts	80,606	157,641
Investments available-for-sale	-	133,400
Total deferred liabilities	**5,838,771**	**6,457,586**
Net deferred (liabilities)/assets	(1,563,593)	88,515
Deferred tax liabilities recognized in income statement at the statutory tax rates	(99,400)	(68,472)
Deferred tax liabilities recognized in equity at the statutory tax rates	(1,436,416)	(1,479,665)
Deferred tax assets at the statutory tax rates	930,131	1,633,828
Unrecognized deferred tax asset	(340,245)	(1,633,828)
Net deferred tax liability	**(945,930)**	**(1,548,137)**

Relationships between tax expenses and accounting profit for the years ended 31 December 2007 and 2006 are explained as follows:

	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
Profit from continued operations before income tax	**8,230,457**	**6,066,695**
Profit from discontinued operations before income tax	**-**	**74,895**
Total profit before income tax	**8,230,457**	**6,141,590**
Tax at the statutory tax rate (24%)	1,975,310	1,473,982
Change in unrecognized deferred tax asset	(1,293,584)	740,067
Tax effect due to different tax rates	21,860	10,828
Tax effect of permanent differences	1,362,295	185,529
Income tax expense	**2,065,881**	**2,410,406**
Income tax expense from continued operations	2,065,881	2,393,171
Income tax expense from discontinued operations	-	17,235
Income tax expense	**2,065,881**	**2,410,406**
Current income tax expense from continued operations	2,624,839	2,407,143
Deferred income tax credit from continued operations	(558,958)	(13,972)
Current income tax expense from discontinued operations (Note 4)	-	9,052
Deferred income tax expense from discontinued operations (Note 4)	-	8,183
Income tax expense	**2,065,881**	**2,410,406**

Deferred income tax liability	Year ended 31 December 2007 RUR'000	Year ended 31 December 2006 RUR'000
Beginning of period	1,548,137	926,371
Deferred tax credit	(558,958)	(13,972)
Deferred tax (recovery)/expense charged to equity	(43,249)	635,738
End of period	**945,930**	**1,548,137**
including:		
Deferred tax asset	589,886	-
Deferred tax liability	(1,535,816)	(1,548,137)

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

	Year ended 31 December 2007	Year ended 31 December 2006
Profit		
Net profit attributable to equity holders of the parent for the period (RUR'000)	6,162,577	3,805,181
Weighted average number of ordinary shares		
For basic and diluted earnings per share	693,686,101	680,360,538
Earnings per share – basic and diluted (RUR)	**8.88**	**5.59**

13. CASH AND BALANCES WITH THE CENTRAL AND NATIONAL BANKS

	31 December 2007 RUR'000	31 December 2006 RUR'000
Cash	8,317,513	6,709,583
Balances with the Central and National banks	88,683,957	30,561,746
Total cash and balances with the Central and National banks	**97,001,470**	**37,271,329**

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 2007 and 2006 and include RUR 7,653,618 thousand and RUR 6,198,442 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.

As of 31 December 2007 term deposits placed with Central Bank of the Russian Federation amounted to RUR 74,000,000 thousand with maturity one day after the balance sheet date. As of 31 December 2007 the accrued interest income on these term deposits amounted to RUR 15,849 thousand.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	31 December 2007 RUR'000	31 December 2006 RUR'000
Cash and balances with the Central and National banks	97,001,470	37,271,329
Due from banks in OECD countries	35,168,678	51,217,430
Trading government debt securities	586,325	1,181,924
	132,756,473	89,670,683
Less minimum reserve deposits	(7,653,618)	(6,198,442)
Total cash and cash equivalents	**125,102,855**	**83,472,241**

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2007 RUR'000	31 December 2006 RUR'000
Assets held-for-trading	13,337,557	11,127,865
Assets at fair value through profit or loss upon initial recognition	5,439,836	1,692,373
Total financial assets at fair value through profit or loss	**18,777,393**	**12,820,238**

	31 December 2007 RUR'000	31 December 2006 RUR'000
Debt securities of corporates	10,443,161	6,742,909
Equity investments	3,863,709	899,018
Debt securities of financial institutions	1,694,601	2,081,772
Debt securities of local authorities	1,342,586	1,767,901
Derivative financial instruments	764,789	113,198
Debt securities of central governments	668,547	1,215,440
Total financial assets at fair value through profit or loss	**18,777,393**	**12,820,238**

Derivative financial instruments are disclosed in Note 17.

	% rate to nominal	31 December 2007 RUR'000	% rate to nominal	31 December 2006 RUR'000
Debt securities:				
Corporates:				
Eurobonds of JSC Gazprom	7-9%	1,165,726	7%	456,788
Bonds of JSC Alrosa	9%	680,536	-	-
Bonds of LLC Taif-Finance	8%	534,365	8%	627,331
Bonds of JSC Sedmoy Kontinent	8%	456,901	-	-
Bonds of LLC Sanvey-Group	12%	449,597	12%	115,531
Eurobonds of JSC Nutrinvestholding	10%	431,400	11%	100,311
Bonds of JSC Development Yug	13%	408,965	-	-
Bonds of JSC Lukoil	6-7%	382,428	7%	51,142
Bonds of LLC Group Magnezit	8-9%	351,573	10%	270,039
Bonds of JSC Tekhnosila-Invest	10%	333,773	-	-
Bonds of LLC Transaero finance	11-12%	321,246	12%	143,394
Bonds of JSC Kemerovskiy kokso-himicheskiy	9%	306,085	9%	313,388
Promissory notes of JSC NPO Saturn	11-12%	301,949	-	-
Bonds of LLC Techno-Nickol Finance	10%	267,198	10%	145,370
Promissory notes of JSC Stroitransgaz	12%	266,139	-	-
Bonds of JSC Sahatransneftegaz	12%	260,513	12%	304,905
Bonds of JSC GMK Norilskiy Nikel	7%	253,919	-	-
Bonds of JSC Avtovaz	9%	248,176	-	-
Bonds of LLC Itera-Finans	10%	230,057	-	-
Bonds of LLC Kurganmashzavod-Finans	10%	226,625	-	-
Eurobonds of LLC Sanvey-Group	10%	225,901	10%	292,274
Promissory notes of FGUP Salyut	10-12%	194,111	-	-
Bonds of LLC GAZ-Finance	8%	161,099	8%	149,868
Bonds of JSC Amurmetall	9-10%	160,368	10%	137,482
Eurobonds of JSC Evrazholding	11%	142,551	11%	114,015
Bonds of JSC MMK	8%	138,092	-	-
Bonds of JSC TVZ	9%	130,810	9%	107,543
Bonds of JSC PRODIMEX Holding	10%	122,741	10%	134,793
Bonds of JSC Inprom	9-11%	112,572	-	-
Bonds of JSC LMZ Svobodniy Sokol	12%	108,584	-	-
Bonds of JSC MC GidroOGK	8%	108,114	8%	11,907
Bonds of JSC Permskiy Motorniy Zavod	10%	104,143	-	-
Promissory notes of JSC Inprom	11%	99,170	-	-
Promissory notes of JSC Elegiya	12%	97,200	-	-
Bonds of JSC Mian Development	12%	91,376	-	-
Bonds of FGUP Uralskiy Zavod Yalamova	9%	89,694	-	-
Bonds of JSC OGK 6	8%	81,183	-	-
Bonds of JSC Sinergia	11%	80,380	11%	30,442
Bonds of JSC AIZC	8%	74,191	8%	254,037
Bonds of JSC Vimpelcom	10%	51,032	10%	56,940
Bonds of JSC Paterson	10%	50,366	-	-
Bonds of LLC Uralvagonzavod-Finance	9%	46,843	9%-13%	121,136
Bonds of LLC Promtraktor-Finance	10%	35,330	11%	133,319
Bonds of LLC Paterson Invest	10%	25,742	10%	100,271
Bonds of LLC Avtomir-Finance	11%	22,999	12%	91,003
Bonds of JSC Federal Net Company of RAO UES of Russia	7-8%	6,131	7%-8%	221,460
Bonds of JSC TGK 8	8%	5,025	-	-
Bonds of LLC VMU-Finans	11%	242	-	-
Bonds of JSC Severstal	-	-	9%	786,337
Bonds of LLC Mir-Finance	-	-	11%	294,031
Bonds of LLC AIF Media Press Finance	-	-	12%	221,567
Bonds of JSC ROSTVERTOL	-	-	9%	187,535
Bonds of JSC Stolichnie gastronomy	-	-	9%	159,373
Bonds of LLC Neftegazovaya Kompaniya Itera	-	-	10%	158,293
Bonds of JSC RZD	-	-	7%	132,740
Bonds of JSC NPO Saturn	-	-	9%	101,896
Bonds of LLC AirUnion	-	-	13%	64,106
Bonds of JSC MECHEL	-	-	8%	54,946

	% rate to nominal	31 December 2007 RUR'000	% rate to nominal	31 December 2006 RUR'000
Bonds of CJSC Trubnaia metallurgicheskaia compania	-	-	8%	44,174
Bonds of CJSC Ist line holding	-	-	12%	35,057
Bonds of JSC Stalnaia Gruppa MECHEL	-	-	6%	9,128
Bonds of JSC Ochakovo	-	-	9%	6,612
Bonds of JSC RTK-Leasing	-	-	9%	2,425
		10,443,161		**6,742,909**
Financial institutions:				
Bonds of JSC Globex Bank	11%	159,994	-	-
Promissory notes of JSC Vozrojdenie	10%	137,535	-	-
Promissory notes of JSC Promsvyazbank	9-10%	122,725	-	-
Promissory notes of JSC Bank of Khanty-Mansiysk	9.38%	110,112	-	-
Bonds of JSC Gazprombank	8%	99,995	-	-
Promissory notes of JSC Bank Petrocommerce	9%	92,900	-	-
Promissory notes of JSC Slavinvest bank	9-12%	91,179	-	51,903
Promissory notes of JSC Russian International bank	12%	86,040	-	-
Promissory notes of CJSC Russbank	11%	83,725	-	46,850
Promissory notes of JSC Bank Saint-Petersburg	10%	72,311	-	-
Eurobonds of JSC National Bank TRUST	9%	69,718	9%	133,965
Promissory notes of JSC Tatfondbank	11%	55,922	-	-
Promissory notes of JSC Stroikredit	10%	53,422	-	-
Promissory notes of CJSC National Reservniy Bank	8%	52,553	-	53,433
Promissory notes of JSC Dalnevostochniy bank	9%	51,321	-	51,970
Promissory notes of JSC Uniastrum bank	10%	49,295	-	-
Bonds of JSC Bank Solidarnost	11%	49,007	-	-
Eurobonds of JSC Bank Petrocommerce	8%	48,798	8%	173,565
Promissory notes of JSC MBRD	9%	47,960	-	-
Promissory notes of JSC Soyuz bank	8%	47,820	-	-
Promissory notes of JSC First Chezh-Russian bank	10%	47,750	-	-
Promissory notes of JSC Probusiness bank	9%	34,636	-	-
Promissory notes of JSC Svyaz bank	9%	29,883	-	-
Bonds of Russia Spread Trust	-	-	8%	854,384
Promissory notes of CJSC Globexbank	-	-	-	166,564
Promissory notes of JSC AK Barc bank	-	-	-	97,830
Promissory notes of JSC Absolut Bank	-	-	-	81,217
Bonds of LLC Russkiy Mezhdunarodniy Bank	-	-	11%	78,497
Promissory notes of JSC Moscommercebank	-	-	-	76,824
Promissory notes of JSC BinBank	-	-	-	75,767
Promissory notes of JSC Eurofinance bank	-	-	-	75,024
Eurobonds of JSC Impexbank	-	-	9%	53,320
Bonds of JSC Bank Centr Invest	-	-	10%	10,067
Promissory notes of JSC Gazprombank	-	-	-	592
		1,694,601		**2,081,772**
Local authorities:				
Bonds of Irkutsk Region Authority	8-9%	307,766	8%-11%	436,389
Bonds of Yaroslavl Region Authority	8-9%	294,137	8%-9%	40,296
Bonds of Kazan city Authority	8-9%	241,586	9%-10%	135,905
Bonds of Ivanovo Region Authority	9%	153,415	-	-
Bonds of Belgorod Region Authority	8-13%	128,687	8%	98,296
Bonds of Voronezh Region Authority	9%	52,899	13%	8,500
Bonds of Novosibirsk city Authority	9-13%	48,810	-	-
Bonds of Kirov Region Authority	8%	23,133	8%-9%	30,624
Bonds of Nizhniy Novgorod Region Authority	9%	22,287	9%	232,427

	% rate to nominal	31 December 2007 RUR'000	% rate to nominal	31 December 2006 RUR'000
Bonds of Tomsk city Authority	8%	18,575	-	-
Bonds of Chuvashia Region Authority	8%	15,690	8%-12%	16,788
Bonds of Krasnoyarsk Region Authority	7%	14,562	7%	192,331
Bonds of Yakutia Region Authority	10-12%	7,334	8%-10%	431,831
Bonds of Odintsovo Region Authority	10%	5,694	-	-
Bonds of Magadan City Authority	11%	3,654	11%	10,439
Bonds of Kurgan Region Authority	9%	1,994	9%	30,476
Bonds of Tver Region Authority	8%	1,369	8%	48,998
Bonds of Kaluga Region Authority	9%	990	-	-
Bonds of Mariy El Region Authority	8%	4	8%	1,826
Bonds of Moscow Region Authority	-	-	9%-10%	41,808
Bonds of Moscow City Authority	-	-	10%	10,067
Bonds of Lipetsk Region Authority	-	-	8%	522
Bonds of Tula Region Authority	-	-	9%	354
Bonds of Krasnoyarsk City Authority	-	-	9%	24
		1,342,586		**1,767,901**
Central governments:				
T-bills of MF of Belorussia	10-11%	549,894	10%-11%	286,973
OFZ bonds	8%	108,228	7%-9%	876,969
Government Eurobonds of the Russian Federation	3-8%	10,411	3%-10%	27,239
OVGVZ bonds	3-8%	14	3%	24,259
		668,547		**1,215,440**
Total debt securities		**14,148,895**		**11,808,022**

As of 31 December 2007 and 2006 included in financial assets at fair value through profit or loss is accrued interest income on debt securities amounted to RUR 184,447 thousand and RUR 187,291 thousand, respectively.

As of 31 December 2007 and 2006 mortgage bonds in the amount of RUR 1,034 million and RUR 459 million, respectively, were pledged as a collateral for loan received by the Group from the European Bank for Reconstruction and Development (EBRD).

As of 31 December 2007 and 2006 securities sold under the agreement to repurchase represent Bonds of the MF of Belorussia of RUR 83,407 thousand and RUR 33,885 thousand, respectively, that are included in financial assets at fair value through profit or loss.

	31 December 2007 RUR'000	31 December 2006 RUR'000
Equity investments:		
Ordinary shares of JSC Polyus Zoloto	1,364,068	-
Investment in mutual fund Perviy Ipotechniy	850,000	283,344
ADRs of JSC Polyus Zoloto	536,096	-
ADRs of JSC Surgutneftegaz	201,600	-
Ordinary shares of JSC Lukoil	196,375	22,850
Ordinary shares of JSC GMK Norilsk Nickel	162,746	20,400
Ordinary shares of JSC Surgutneftegaz	141,838	240,600
GDRs of JSC VTB	119,185	-
Ordinary shares of JSC NPO Irkut	113,386	94,069
Ordinary shares of JSC RAO UES	78,645	4,980
Ordinary shares of JSC VTB	49,446	-
Ordinary shares of JSC Rostelecom	24,483	16,567
Ordinary shares of JSC MMK	15,058	10,921

	31 December 2007 RUR'000	31 December 2006 RUR'000
Ordinary shares of JSC Gazprom	4,826	699
Ordinary shares of JSC Habarovsknefteproduct	4,390	1,939
Ordinary shares of JSC MGTS	774	581
Ordinary shares of JSC TGK 5	744	-
Ordinary shares of JSC Niznevartovskneftegaz	25	3
Ordinary shares of JSC Chernogorneft	24	20
Ordinary shares of JSC Comstar	-	198,299
Ordinary shares of JSC Tattelekom	-	3,357
Ordinary shares of JSC TNK-BP	-	264
Preferred shares of JSC RAO UES	-	125
Total equity investments	**3,863,709**	**899,018**

15. PRECIOUS METALS

	31 December 2007 RUR'000	31 December 2006 RUR'000
Platinum	1,199,303	638,714
Gold	470,745	410,990
Palladium	68,225	3,040
Silver	-	9,358
Total precious metals	**1,738,273**	**1,062,102**

16. DUE FROM BANKS

	31 December 2007 RUR'000	31 December 2006 RUR'000
Advances to banks	22,328,419	31,900,799
Due from banks	16,981,812	31,937,574
Loans under reverse repurchase agreements	3,842,733	920,628
Total due from banks	**43,152,964**	**64,759,001**

As of 31 December 2007 and 2006 accrued interest income included in loans and advances to banks amounted to RUR 13,765 thousand and RUR 31,781 thousand, respectively.

As of 31 December 2007 and 2006 the Group had loans and advances to two and seven banks totalling RUR 21,308,985 thousand and RUR 45,578,592 thousand, respectively, which individually exceeded 10% of the Group's equity.

As of 31 December 2007 and 2006 the maximum credit risk exposure of loans and advances to banks amounted to RUR 43,152,964 thousand and RUR 64,759,001 thousand, respectively.

As of 31 December 2007 and 2006 included in loans and advances to banks are loans under reverse repurchase agreements amounting to RUR 3,842,733 thousand and RUR 920,628 thousand with maturity within 1 and 2 months, respectively. Such loans are collateralised by the following securities:

	31 December 2007 RUR'000		31 December 2006 RUR'000	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
United States Treasury notes	**2,587,440**	**2,496,112**	**762,828**	**731,272**
Government Eurobonds of the Russian Federation	947,141	853,313	154,543	172,356
Bonds of NBT Finance Limited	156,149	158,627	-	-
Bonds of JSC Development Yug	110,377	129,596	-	-
Ordinary shares of CJSC Globexbank	40,453	48,231	-	-
Bonds of the MF of Byelorussia	1,173	1,185	3,257	3,392
Total loans under reverse repurchase agreements	**3,842,733**	**3,687,064**	**920,628**	**907,020**

17. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial comprise:

	31 December 2007		31 December 2006	
	Notional amount RUR'000	Fair Value RUR'000	Notional amount RUR'000	Fair Value RUR'000
Foreign exchange contracts				
Forwards	36,992,835	165,224	17,279,714	(15,012)
Swaps	24,866,711	(77,596)	5,679,995	13,762
Futures	864,157	(1,712)	9,815,726	(67,707)
Total foreign exchange contracts liability		**85,916**		**(68,957)**
Contracts on precious metals				
Swaps	8,418,944	194,604	3,401,216	(36,012)
Forwards	62,479	(506)	417,291	2,265
Total contracts on precious metals asset		**194,098**		**(33,747)**
Contracts on securities				
Forwards	-	-	460	2
Total contracts on securities liability		**-**		**2**
Total		**280,014**		**(102,702)**

18. LOANS TO CUSTOMERS

	31 December 2007 RUR'000	31 December 2006 RUR'000
Loans to customers	243,164,716	169,944,866
Net investments in finance lease	4,838,193	1,777,100
Advances on finance lease	170,437	269,029
Loans under reverse repurchase agreements	122,147	379,299
	248,295,493	172,370,294
Less allowance for impairment losses	(14,736,717)	(11,127,177)
Total loans to customers	**233,558,776**	**161,243,117**

As of 31 December 2007 and 2006 accrued interest income included in originated loans amounted to RUR 5,444,370 thousand and RUR 3,718,195 thousand, respectively.

	31 December 2007 RUR'000	31 December 2006 RUR'000
Loans collateralized by pledge of vehicles	43,961,985	40,541,151
Loans collateralized by pledge of real estate	29,697,707	17,717,623
Loans collateralized by pledge of equipment	8,331,680	8,129,991
Loans collateralized by pledge of corporate guarantees	7,310,106	5,906,691
Loans collateralized by rights of demand	6,492,466	1,532,507
Loans collateralized by pledge of securities	4,235,525	8,225,280
Loans collateralized by pledge of goods in turnover	4,229,897	4,120,106
Loans collateralized by others	1,776,476	475,859
Loans collateralized by pledge of cash and Group's debt securities	382,189	361,959
Unsecured loans	127,140,745	74,231,950
Total loans to customers	**233,558,776**	**161,243,117**

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

	31 December 2007 RUR'000	31 December 2006 RUR'000
Analysis by sector:		
Individuals	93,886,098	76,633,219
Trade	27,229,150	17,431,803
Construction	20,875,702	10,716,689
Energy industry	19,943,748	10,033,755
Defence industry	10,867,392	5,739,680
Oil and gas	11,479,109	2,393,421
Government	7,420,833	5,409,195
Manufacturing	6,864,912	4,495,927
Heavy industry	6,386,285	3,362,728
Finance	4,840,981	3,896,406
Ferrous metals manufacturing	2,626,796	1,294,858
Real estate and leasing	2,625,459	3,128,835
Transport	2,766,592	1,551,534
Chemical	1,239,473	961,569
Hotel business and services	943,095	3,197,649
Media	832,981	-
Precious metals and diamond extraction and manufacturing	773,830	648,735
Food industry	655,791	2,316,863
Agriculture	152,404	962,568
Non-ferrous metals manufacturing	56,788	540,569
Engineering	34,058	559,948
Telecommunications	33,550	91,776
Insurance	10,813	9,204
Aircraft engineering	1,133	4,531
Public health and tourism	-	20,873
Other	11,011,803	5,840,782
Total loans to customers	**233,558,776**	**161,243,117**

As of 31 December 2007 and 2006 loans collateralized by pledge of securities purchased under agreement to resell included in loans to customers amounted to RUR 122,147 thousand and RUR 379,299 thousand, respectively:

	31 December 2007 RUR'000		31 December 2006 RUR'000	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Ordinary shares of JSC Lukoil	50,222	60,616	-	-
Ordinary Shares of JSC Sberbank	40,830	50,235	-	-
Ordinary shares of JSC GMK Norilskiy Nikel	31,095	38,677	-	-
Ordinary shares of JSC Gazprom	-	-	350,143	441,170
Bonds of Transaero-Finance LLS	-	-	29,156	32,429
	122,147	**149,528**	**379,299**	**473,599**

As of 31 December 2007 and 2006 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 2007 and 2006 the maximum credit risk exposure of loans to customers amounted to RUR 233,558,776 thousand and RUR 161,243,117 thousand, respectively.

As of 31 December 2007 and 2006 loans to customers included loans of RUR 30,414,411 thousand and RUR 11,503,590 thousand, respectively, that were individually determined as impaired. As of 31 December 2007 and 2006 such loans were collateralized by different collateral with fair value of RUR 9,317,634 thousand and RUR 1,691,711 thousand, respectively, including collateralized by guarantees with fair value of RUR 3,488,908 thousand and RUR 789,562 thousand, respectively. The Group considers financial performance, debt service, credit history and level and quality of collateral in determining that individual loans have been impaired.

An analysis of financial assets individually assessed as impaired is as follows:

	31 December 2007 RUR'000			31 December 2006 RUR'000		
	Original carrying amount	Impairment allowance	Revised carrying amount	Original carrying amount	Impairment allowance	Revised carrying amount
Loans to customers individually impaired	30,414,411	(617,477)	29,796,934	11,503,590	(243,129)	11,260,461
Collective impairment allowance		(14,119,240)			(10,884,048)	
Total impairment allowance		**(14,736,717)**			**(11,127,177)**	

The components of net investment in finance lease as of 31 December 2007 and 2006 are as follows:

	31 December 2007 RUR'000	31 December 2006 RUR'000
Minimum lease payments	6,339,356	2,287,905
Less: unearned finance income	(1,501,163)	(510,805)
Net investment in finance lease	**4,838,193**	**1,777,100**
Current portion	1,843,274	802,018
Long-term portion	2,994,919	975,082
Net investment in finance lease	**4,838,193**	**1,777,100**

The minimum lease payments due from customers under finance lease as of 31 December 2007 and 2006 are as follows:

	31 December 2007	31 December 2006
Not later than one year	2,040,295	888,792
From one year to five years	4,299,061	1,399,113
Total minimum lease payments	**6,339,356**	**2,287,905**

19. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2007 RUR'000	31 December 2006 RUR'000
Equity investments	753,291	3,163,203
Debt securities	-	264,955
Total investments available-for-sale	**753,291**	**3,428,158**

As of 31 December 2006 interest income on debt securities amounting to RUR 33,399 thousand was accrued and included in securities available-for-sale balance.

20. PROPERTY, PLANT AND EQUIPMENT

	Buildings RUR`000	Equipment and other RUR`000	Total RUR`000
At cost/restated cost/revalued amount			
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
Additions	467,505	854,327	1,321,832
Disposals	(293,911)	(396,436)	(690,347)
31 December 2007	7,883,157	2,885,403	10,768,560
Accumulated depreciation			
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
Charge for the period	149,819	339,785	489,604
Disposals	(2,248)	(131,033)	(133,281)
31 December 2007	147,571	1,214,375	1,361,946
Net book value			
31 December 2007	**7,735,586**	**1,671,028**	**9,406,614**
31 December 2006	**7,709,563**	**1,421,889**	**9,131,452**

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

	31 December 2007 RUR'000	31 December 2006 RUR'000
Cost	2,286,503	2,034,783
Accumulated depreciation	(223,193)	(184,308)
Net book value	**2,063,310**	**1,850,475**

21. OTHER ASSETS

	31 December 2007 RUR'000	31 December 2006 RUR'000
Due from suppliers and other contractors	1,062,296	446,845
Taxes, other than income tax, recoverable	1,049,193	799,760
Receivable from disposal of investments	104,510	-
Assets on spot deals	25,530	3,071
Due from employees	4,354	9,249
Other	95,083	32,803
	2,340,966	1,291,728
Less allowance for impairment losses	(43,645)	-
Total other assets	**2,297,321**	**1,291,728**

Movement of allowance for impairment losses on other assets for the years ended 31 December 2007 and 2006 is disclosed in Note 6.

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

22. DUE TO BANKS

	31 December 2007 RUR'000	31 December 2006 RUR'000
Time deposits	19,921,876	17,180,181
Correspondent accounts	4,430,099	2,503,957
Loans under repurchase agreements	82,222	33,516
Total due to banks	**24,434,197**	**19,717,654**

As of 31 December 2007 and 2006 accrued interest expense included in deposits from banks amounted to RUR 72,001 thousand and RUR 270,091 thousand, respectively.

As of 31 December 2007 and 2006 securities sold under the agreement to repurchase represent Belorussia Government bonds with fair value of RUR 83,407 thousand and RUR 33,885 thousand, respectively, that are included in financial assets at fair value through profit or loss.

23. CUSTOMER ACCOUNTS

	31 December 2007 RUR'000	31 December 2006 RUR'000
Time deposits	205,952,460	156,493,640
Repayable on demand	77,851,577	48,168,555
Total customer accounts	**283,804,037**	**204,662,195**

As of 31 December 2007 and 2006 accrued interest expense included in customer accounts amounted to RUR 1,995,171 thousand and RUR 1,469,858 thousand, respectively.

As of 31 December 2007 and 2006 customer accounts amounted to RUR 969,797 thousand and RUR 418,240 thousand, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As of 31 December 2007 and 2006 customer accounts amounted to RUR 288,153 thousand and RUR 71,594 thousand, respectively, were held as security against guarantees issued (Note 29).

	31 December 2007 RUR'000	31 December 2006 RUR'000
Finance	107,215,673	79,700,530
Individuals	71,401,890	63,862,938
Oil and gas	36,949,268	9,793,202
Non-ferrous metallurgy	10,946,469	9,186,203
Energy	10,631,579	1,560,038
Trading	9,462,151	12,367,906
Manufacturing	5,133,440	838,616
Insurance	4,082,310	2,552,333
Building construction	4,057,653	2,070,836
Professional services	2,674,077	920,385
Precious metals and diamond extraction and manufacturing	2,416,682	5,873,510
Social organizations	2,247,089	917,581
Regional government	2,066,814	2,690,773
Mechanical engineering	1,945,922	1,075,702
Communications	1,091,852	341,881
Information technology	1,035,669	256,094
Services	966,866	833,060
Transportation	884,923	486,324
Real estate dealership	880,144	4,251,078
Geology	870,513	3,402
Aircraft industry	834,077	50,400
Mining	779,069	552,564
Ferrous metallurgy	732,439	31,887
Public health and tourism	594,466	767,553
Mass-Media	497,160	181,906
Food industry	437,138	277,291
Agriculture	276,889	232,442
Culture and art	212,425	241,715
Hotel business	158,331	12,943
Publishing	124,338	87,877
Chemical	72,269	173,637
Defence industry	57,411	39,718
Forest	49,632	4,616
Housing	8,986	33,547
Other	2,008,423	2,391,707
Total customer accounts	**283,804,037**	**204,662,195**

24. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2007 RUR'000	31 December 2006 RUR'000
Short position on securities purchased	3,349,425	731,272
Derivative financial instruments	484,775	215,900
Total financial liabilities at fair value through profit or loss	**3,834,200**	**947,172**

As of 31 December 2007 and 2006 the following assets were sold under repurchase agreements at fair value as follows:

	31 December 2007 RUR'000	31 December 2006 RUR'000
T-Bonds of US Department of Treasury	2,496,112	731,272
Eurobonds of the Russian Federation	853,313	-
Total liabilities sold under repurchase agreements (short position)	**3,349,425**	**731,272**

Derivative financial instruments are disclosed in Note 17.

The amount the Group will be required to settle financial liabilities will be determined by market conditions at maturity of such liabilities.

25. DEBT SECURITIES ISSUED

	31 December 2007 RUR'000	31 December 2006 RUR'000
Interest bearing promissory notes	23,277,018	5,452,078
Eurobonds due in 2009	10,229,850	11,945,330
Discount bearing promissory notes	6,752,289	8,951,586
Bonds due in 2009	3,043,584	2,744,827
Adjustable Rate Guaranteed Bonds due in 2012	710,017	761,646
Discount/interest free promissory notes	20,601	27,319
Eurobonds due in 2007	-	4,080,641
Total debt securities issued	**44,033,359**	**33,963,427**

As of 31 December 2007 and 2006 accrued interest expense included in debt securities issued amounted to RUR 676,865 thousand and RUR 409,870 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 2007 RUR'000	31 December 2006 RUR'000
Accrued bonuses and salary	1,001,821	528,852
Unused vacations provision	417,101	345,215
Taxes, other than income tax, payable	277,581	182,224
Payable to suppliers, contractors and purchasers	174,914	196,124
Liability on spot deals	138,031	12,458
Creditors on other operations	108,777	131,945
Deposit insurance system liability	83,380	89,705
Dividends payable	8,081	8,116
Other	49,517	121,486
Total other liabilities	**2,259,203**	**1,616,125**

27. SUBORDINATED DEBT

	Currency	Maturity year	Interest Rate %	31 December 2007 RUR'000	31 December 2006 RUR'000
Societe Generale S.A.	RUR	2014	8	3,916,241	-
GENEBANQUE S.A.	USD	2014	7.1	2,007,520	-
Societe Generale S.A.	RUR	2017	8	751,808	-
KM TECHNOLOGIES (OVERSEAS) LIMITED	RUR	2016	8	-	3,000,000
Total subordinated debt				**6,675,569**	**3,000,000**

As of 31 December 2007 accrued interest expense included in subordinated debt amounted to RUR 25,054 thousand.

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 2007 and 2006 nominal share capital authorized, issued and fully paid comprised of 719,795,538 and 680,360,538 ordinary shares, respectively, with par value of RUR 10 each. All shares are ranked equally and carry one vote.

The below table provides a reconciliation of the number of ordinary shares outstanding as of 31 December 2007 and 2006:

	Ordinary shares Share'000
31 December 2005	680,361
Issue of shares	-
31 December 2006	680,361
Issue of shares	39,435
31 December 2007	**719,796**

As of 31 December 2007 and 2006 share premium of RUR 15,408,200 thousand and RUR 9,177,470 thousand, respectively, represents the 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 its reserves as disclosed in its statutory accounts. As of 31 December 2007 and 2006 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. 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.

	31 December 2007 RUR'000	31 December 2006 RUR'000
Provision for losses on letters of credit and guarantees	168,607	196,379
Provision for unused limits on credit cards	75,045	-
Total other provisions	**243,652**	**196,379**

As of 31 December 2007 and 2006, letters of credit and other transactions related to contingent obligations covered by cash amounted to RUR 969,797 thousand and RUR 418,240 thousand, respectively and guarantees issued covered by cash amounted to RUR 288,153 thousand and RUR 71,594 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 2007 and 2006, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2007		31 December 2006	
	Nominal Amount RUR'000	Risk weighted amount RUR'000	Nominal Amount RUR'000	Risk weighted amount RUR'000
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	13,538,669	7,808,657	7,266,941	3,785,174
Letters of credit and other transaction related contingent obligations	5,966,932	1,299,655	4,304,842	703,966
Commitments on loans and unused credit lines	51,816,335	21,284,344	27,891,598	10,552,533
Total contingent liabilities and credit commitments	**71,321,936**	**30,392,656**	**39,463,381**	**15,041,673**

The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

Commitments on lease activities – As of 31 December 2007 and 2006 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUR 583,230 thousand and RUR 750,950 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 2007 RUR'000	**31 December 2006 RUR'000**
Not later than 1 year	1,011,427	1,392,182
Later than 1 year and not later than 5 years	955,780	872,758
Later than 5 years	194,108	243,049
Total operating lease commitments	**2,161,315**	**2,507,989**

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 2007 and 2006 the maximum potential financial risk on securities accepted by the Group on behalf of its clients does not exceed RUR 4,790,655 thousand and RUR 4,840,471 thousand, respectively.

The Group also provides depositary services to its customers. As of 31 December 2007 and 2006, the Group had customer securities totalling 452,141,141,583 items and 357,061,386,274 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 has established 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 Group 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 2007 and 2006, 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 13 February 2008 Societe Generale S.A. exercised its call option for acquisition of 30% + 2 shares in Rosbank at the price of USD 1,700 million. Thereby Societe Generale S.A. has increased its stake to 50% + 1 share hence taking control of Rosbank.

On 20 March 2008 the Board of Directors of Rosbank made a decision to issue four series of interest non-convertible bonds at the total amount of RUR 20,000 million with maturity in 2011, 2013 and 2015 year.

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 Group; 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 2007 RUR'000		31 December 2006 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	2,320,821	18,777,393	65,838	12,820,238
- related parties under common control with the Group	2,320,821		65,838	
Due from banks	64,793	43,152,964	62,990	64,759,001
- related parties controlled by, or under common control with the Group	64,793		62,990	
Loans to customers, gross	2,628,446	248,295,493	2,472,456	172,370,294
- key management personnel of the Group	104,769		761	
- related parties controlled by, or under common control with the Group	2,523,677		2,471,695	
Allowance for impairment losses	37,061	14,736,717	84,883	11,127,177
- related parties controlled by, or under common control with the Group	37,061		84,883	
Investments available-for-sale	206,438	753,291	208,157	3,428,158
- related parties controlled by, or under common control with the Group	206,438		208,157	
Other assets	32,132	2,297,321	633	1,291,728
- related parties controlled by, or under common control with the Group	32,132		633	
Due to banks	2,508,488	24,434,197	99,290	19,717,654
- related parties controlled by, or under common control with the Group	2,508,488		99,290	
Customer accounts	109,626,202	283,804,037	61,883,766	204,662,195
- shareholders	2,207,952		6,751,005	
- key management personnel of the Group	955,879		1,070,263	
- related parties controlled by, or under common control with the Group	106,462,371		54,062,498	
Other provisions	13,798	243,652	29,680	196,379
- shareholders	-		7,860	
- related parties controlled by, or under common control with the Group	13,798		21,820	
Subordinated debt	6,675,569	6,675,569	3,000,000	3,000,000
- shareholders	6,675,569		3,000,000	
Other liabilities	36,817	2,259,203	283,615	1,616,125

	31 December 2007 RUR'000		31 December 2006 RUR'000	
	Related party transactions	**Total category as per financial statement caption**	**Related party transactions**	**Total category as per financial statement caption**
- shareholders	-		122,959	
- key management personnel of the Group	-		160,656	
- related parties controlled by, or under common control with the Group	36,817		-	
Guarantees issued and similar commitments	1,267,361	13,538,669	1,483,971	7,266,941
- shareholders	-		393,000	
- key management personnel of the Group	13,500		14,482	
- related parties under common control with the Group	1,253,861		1,076,489	
Letters of credit and other transaction related contingent obligations	823,619	5,966,932	248,587	4,304,842
- related parties under common control with the Group	823,619		248,587	
Commitments on loans and unused credit lines	4,241,993	51,816,335	3,891,749	27,891,598
- key management personnel of the Group	30,572		17,927	
- related parties under common control with the Group	4,211,421		3,873,822	

Included in the income statement for the years ended 31 December 2007 and 2006 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2007 RUR'000		Year ended 31 December 2006 RUR'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	686,097	34,686,430	807,403	29,015,495
- shareholders	8,268		47,318	
- key management personnel of the Group	4,324		1,740	
- related parties controlled by, or under common control with the Group	673,505		758,345	
Interest expense	3,009,470	13,883,119	3,086,360	12,923,578
- shareholders	568,776		274,182	
- key management personnel of the Group	84,886		76,459	
- related parties controlled by, or under common control with the Group	2,355,808		2,735,719	
Provision for impairment losses	20,567	4,118,104	84,567	4,247,376
- key management personnel of the Group	(1,459)		1,468	
- related parties controlled by, or under common control with the Group	22,026		83,099	
Net (loss)/gain on financial assets at fair value through profit or loss	206,405	(405,264)	8,722	776,627
- shareholders	-		(4,749)	
- related parties under common control with the Group	206,405		13,471	
Net gain on sale of investments available-for-sale	14,085	224,618	12,487	374,226
- related parties under common control with the Group	14,085		12,487	
Net gain on foreign exchange operations	39,903	331,669	68,927	1,436,220
- shareholders	29,679		(2,231)	
- related parties controlled by, or under common control with the Group	10,224		71,158	
Net gain/(loss) on precious metals operations	(96,448)	562,762	-	(806,087)
- shareholders	64,771		-	
- related parties under common control with the Group	(161,219)		-	
Fee and commission income	489,907	6,118,520	758,538	5,876,946
- shareholders	3,532		29,418	
- key management personnel of the Group	1,131		191	
- related parties controlled by, or under common control with the Group	485,244		728,929	
Fee and commission expense	137,770	995,288	249,378	1,060,716

	Year ended 31 December 2007 RUR'000		Year ended 31 December 2006 RUR'000	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
- shareholders	-		29,418	
- related parties controlled by, or under common control with the Group	137,770		219,960	
Operating expense (other than compensation)	303,281	8,031,696	616,363	7,180,634
- related parties controlled by, or under common control with the Group	303,281		272,626	
Other income	60,616	1,086,955	-	1,008,354
- shareholders	39		-	
- related parties controlled by, or under common control with the Group	60,577		-	
Key management personnel compensation	574,713	7,318,309	243,737	6,167,565
- short-term employee benefits	574,713		243,737	

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 2007		31 December 2006	
	Carrying value, RUR'000	Fair value, RUR'000	Carrying value, RUR'000	Fair value, RUR'000
Cash and balances with the Central and National banks	97,001,470	97,001,470	37,271,329	37,271,329
Financial assets at fair value through profit or loss	18,777,393	18,777,393	12,820,238	12,820,238
Due from banks	43,152,964	43,152,964	64,759,001	64,759,001
Loans to customers	233,558,776	233,558,776	161,243,117	161,243,117
Investments available-for-sale	-	-	2,795,333	2,795,333
Due to banks	24,434,197	24,434,197	19,717,654	19,717,654
Customer accounts	283,804,037	283,804,037	204,662,195	204,662,195
Financial liabilities at fair value through profit or loss	3,834,200	3,834,200	947,172	947,172
Debt securities issued	44,033,359	44,232,479	33,963,427	34,296,945
Subordinated debt	6,675,569	6,675,569	3,000,000	3,000,000

The fair value of investments available-for-sale of RUR 753,291 thousand and RUR 632,825 thousand as of 31 December 2007 and 2006, respectively, 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

As of 31 December 2007 the Group's total capital amount for Capital Adequacy purposes was RUR 47,451,957 thousand and tier 1 capital amount was RUR 36,342,536 thousand with ratios of 14.4% and 11.1%, respectively.

As of 31 December 2006 the Group's total capital amount for Capital Adequacy purposes was RUR 31,147,138 thousand and tier 1 capital amount was RUR 23,478,268 thousand with ratios of 15.0% and 11.3%, respectively.

As of 31 December 2007 and 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 and other segments	Year ended 31 December 2007 Consolidated amount RUR'000
Interest income	17,542,998	13,693,600	3,449,832	34,686,430
Interest expense	(4,381,122)	(5,187,249)	(4,314,748)	(13,883,119)
(Provisions)/recovery of provision for impairment losses on interest bearing assets	(4,008,992)	(109,112)	-	(4,118,104)
Net loss on financial assets at fair value through profit or loss	-	-	(405,264)	(405,264)
Net gain on sale of investments available-for-sale	-	-	224,618	224,618
Net gain on foreign exchange operations	116,084	116,084	99,501	331,669
Net gain on precious metals operations	563	221,165	341,034	562,762
Fee and commission income	4,382,088	1,806,432	-	6,188,520
Fee and commission expense	(610,931)	(328,960)	(55,397)	(995,288)
Other provisions	(75,045)	27,772	(51,444)	(98,717)
Other income	728,641	44,588	313,726	1,086,955
External operating income	13,694,284	10,284,320	(398,142)	23,580,462
Income/(expense) from other segments	(2,059,876)	5,764,163	(3,704,287)	-
Total operating income	11,622,064	16,060,827	(4,102,429)	23,580,462
Operating expenses	(7,682,662)	(3,408,559)	(4,258,784)	(15,350,005)
Profit before income tax	3,939,402	12,652,268	(8,361,213)	8,230,457
Income tax expense	-	-	(2,065,881)	(2,065,881)
Net profit	**3,939,402**	**12,652,268**	**(10,427,094)**	**6,164,576**
Segment assets	**98,594,899**	**141,760,672**	**167,707,364**	**408,062,935**
Segment liabilities	**71,401,890**	**212,402,147**	**83,367,712**	**367,171,749**
Other segment items				
Depreciation charge on property, plant and equipment	(245,046)	(108,719)	(135,839)	(489,604)
Loans to customers	93,886,098	139,672,678	-	233,558,776
Property, plant and equipment	4,708,001	2,088,794	2,609,819	9,406,614
Customer accounts	71,401,890	212,402,147	-	283,804,037
Capital expenditure	661,576	293,521	366,735	1,321,832

	Retail banking	Corporate banking	Unallocated and other segments	Year ended 31 December 2006 Consolidated amount RUR'000
Interest income	15,112,171	10,345,804	3,557,520	29,015,495
Interest expense	(4,626,080)	(4,360,449)	(3,937,049)	(12,923,578)
Provisions for impairment losses on interest bearing assets	(3,987,720)	(259,656)	-	(4,247,376)
Net gain on financial assets at fair value through profit or loss	-	-	776,627	776,627
Net gain on sale of investments available-for-sale	-	-	374,226	374,226
Net gain on foreign exchange operations	374,854	323,150	738,216	1,436,220
Net loss on precious metals operations	(805)	(316,793)	(488,489)	(806,087)
Fee and commission income	3,562,841	2,048,829	265,276	5,876,946
Fee and commission expense	(80,768)	(944,226)	(35,722)	(1,060,716)
Other provisions	-	(28,184)	(7,033)	(35,217)
Other income	502,212	70,948	435,194	1,008,354
External operating income	10,856,705	6,879,423	1,678,766	19,414,894
Income/(expense) from other segments	(1,604,694)	2,156,289	(551,595)	-
Total operating income	9,252,011	9,035,712	1,127,171	19,414,894
Operating expenses	(6,971,052)	(2,921,485)	(3,455,662)	(13,348,199)
Profit before income tax	2,280,959	6,114,227	(2,328,491)	6,066,695
Income tax expense	-	-	(2,393,171)	(2,393,171)
Net profit	**2,280,959**	**6,114,227**	**(4,721,662)**	**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, plant and equipment	(250,880)	(105,141)	(120,094)	(476,115)
Loans to customers	76,633,219	84,609,898	-	161,243,117
Property, plant and equipment	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

Geographical segments

Segment information for the main geographical segments of the Group is set out below as of 31 December 2007 and 2006 and for the years then ended.

	Russia	Other non-OECD countries	OECD countries	Year ended 31 December 2007 Consolidated amount RUR'000
Interest income	31,581,399	1,019,322	2,085,709	34,686,430
Interest expense	(9,206,807)	(2,855,001)	(1,821,311)	(13,883,119)
(Provisions)/recovery of provision for impairment losses on interest bearing assets	(3,713,990)	(316,634)	(87,480)	(4,118,104)
Net gain on financial assets at fair value through profit or loss	(272,775)	1,283	(133,772)	(405,264)
Net gain on sale of investments available-for-sale	224,182	-	436	224,618
Net gain on foreign exchange operations	870,354	(302,794)	(235,891)	331,669
Net gain on precious metals operations	780,369	60	(217,667)	562,762
Fee and commission income	5,867,185	187,045	134,290	6,188,520
Fee and commission expense	(435,850)	(19,540)	(539,898)	(995,288)
Other provisions	(96,104)	(2,613)		(98,717)
Other income	1,062,239	5,946	18,770	1,086,955
External operating income/(expense)	26,660,202	(2,282,926)	(796,814)	23,580,462
Cash and balances with Central and National banks	96,698,211	169,911	133,348	97,001,470
Financial assets at fair value through profit or loss	17,540,824	549,895	686,674	18,777,393
Precious metals	1,738,273	-	-	1,738,273
Due from banks	4,586,424	621,495	37,945,045	43,152,964
Loans to customers	210,639,394	17,957,926	4,961,456	233,558,776
Investments available-for-sale	751,219	-	2,072	753,291
Property and equipment purchased for transfer into finance lease	516,859	-	-	516,859
Property, plant and equipment	9,357,074	40,593	8,947	9,406,614
Current income tax assets	269,550	-	538	270,088
Other assets	1,928,754	47,849	320,718	2,297,321
Capital expenditure	1,285,592	29,412	6,828	1,321,832

	Russia	Other non-OECD countries	OECD countries	Year ended 31 December 2006 Consolidated amount RUR'000
Interest income	26,779,733	515,331	1,720,431	29,015,495
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	91,642	335,370	5,876,946
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	(574,165)	1,512,714	(161,922)	776,627
Net gain on sale of investments available-for-sale	323,110	8,750	42,366	374,226
Net gain on foreign exchange operations	1,488,635	(52,949)	534	1,436,220
Net gain on precious metals operations	365,311	(1,542,019)	370,621	(806,087)
Other provisions	(31,929)	(3,288)	-	(35,217)
Other income	952,143	7,678	48,533	1,008,354
External operating income/(expense)	19,521,528	(1,532,287)	1,425,653	19,414,894
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
Due from 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, plant and equipment	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

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. The method used for estimating the maturity structure is GAP analysis. It includes the analysis of absolute and relative characteristics of the gaps of the periodic structure of assets/liabilities based on basic maturity periods. 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.

The table below presents the cash flow payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), whereas the Group manages the inherent liquidity risk based on discounted expected cash inflows.

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2007 Total
LIABILITIES						
Due to banks	6,092,141	3,997,397	8,803,082	7,132,447	-	26,025,067
Customer accounts	153,953,043	29,068,412	58,495,857	50,576,470	2,743,392	294,837,174
Financial liabilities at fair value through profit or loss	3,834,200	-	-	-	-	3,834,200
Debt securities issued	1,553,205	437,982	28,524,274	12,040,057	6,991,248	49,546,766
Subordinated debt	67,308	84,507	387,324	2,056,339	7,719,530	10,315,008
Total financial liabilities	**165,499,897**	**33,588,298**	**96,210,537**	**71,805,313**	**17,454,170**	**384,558,215**

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2006 Total
LIABILITIES						
Due to banks	5,251,764	2,992,294	4,937,695	8,289,159	361	21,471,273
Customer accounts	98,506,364	45,127,304	39,067,500	24,333,076	4,324,440	211,358,684
Financial liabilities at fair value through profit or loss	947,172	-	-	-	-	947,172
Debt securities issued	4,407,144	6,809,816	8,439,038	9,714,165	11,391,186	40,761,349
Subordinated debt	142,685	39,452	180,822	960,000	4,078,356	5,401,315
Total financial liabilities	**109,255,129**	**54,968,866**	**52,625,055**	**43,296,400**	**19,794,343**	**279,939,793**

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 2007				31 December 2006			
	RUR	**USD**	**EUR**	**Precious metals**	**RUR**	**USD**	**EUR**	**Precious metals**
ASSETS								
Financial assets at fair value through profit or loss	9.94%	8.99%	-	-	9.29%	9.08%	-	-
Due from banks	10.59%	5.03%	3.98%	-	5.35%	4.59%	7.03%	-
Loans to customers	11.16%	10.26%	10.04%	-	15.86%	13.89%	9.40%	6.25%
Investments available-for-sale	-	-	-	-	7.48%	7.61%	-	-
LIABILITIES								
Due to banks	7.18%	6.26%	6.02%	1.00%	7.53%	7.29%	5.25%	1.00%
Customer accounts	7.06%	5.26%	3.22%	-	5.39%	6.14%	4.09%	4.26%
Debt securities issued	7.57%	7.18%	-	-	7.11%	7.93%	5.10%	-
Subordinated debt	8.00%	7.10%	-	-	8.00%	-	-	-

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on net profit and equity:

	As of 31 December 2007		As of 31 December 2006	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Assets:				
Financial assets at fair value through profit or loss	149,137	(149,137)	118,080	(118,080)
Due from banks	241,496	(241,496)	328,582	(328,582)
Loans to customers	2,335,588	(2,335,588)	1,612,431	(1,612,431)
Liabilities:				
Due to banks	(200,123)	200,123	(195,172)	195,172
Financial liabilities at fair value through profit or loss	(38,342)	38,342	(7,313)	7,313
Customer accounts	(2,089,110)	2,089,110	(2,089,110)	2,089,110
Debt securities issued	(440,128)	440,128	(339,361)	339,361
Subordinated debt	(66,756)	66,756	(30,000)	30,000
Net impact on profit before tax	**(108,238)**	**108,238**	**(601,863)**	**601,863**

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 2007 RUR'000 Total
ASSETS							
Interest bearing assets							
Financial assets at fair value through profit or loss	14,913,684	-	-	-	-	-	14,913,684
Due from banks	23,559,872	170,796	31,997	386,953	-	-	24,149,618
Loans to customers	24,882,189	38,285,752	77,444,769	86,305,422	6,640,644	-	233,558,776
Total interest bearing assets	**63,355,745**	**38,456,548**	**77,476,766**	**86,692,375**	**6,640,644**	**-**	**272,622,078**
Cash and balances with Central and National banks	89,347,852	-	-	-	-	7,653,618	97,001,470
Financial assets at fair value through profit or loss	3,863,709	-	-	-	-	-	3,863,709
Precious metals	1,738,273	-	-	-	-	-	1,738,273
Due from banks	19,003,346	-	-	-	-	-	19,003,346
Investments available-for-sale	-	-	-	753,291	-	-	753,291
Property and equipment purchased for transfer into finance lease	-	-	-	516,859	-	-	516,859
Property, plant and equipment	-	-	-	-	-	9,406,614	9406,614
Current income tax assets	-	-	270,088	-	-	-	270,088
Deferred tax asset	-	-	589,886	-	-	-	589,886
Other assets	98,668	1,305,893	600,394	292,366	-	-	2,297,321
Total non- interest bearing assets	**114,051,848**	**1,305,893**	**1,460,368**	**1,562,516**	**-**	**17,060,232**	**135,440,857**
TOTAL ASSETS	**177,407,593**	**39,762,441**	**78,937,134**	**88,254,891**	**6,640,644**	**17,060,232**	**408,062,935**
LIABILITIES							
Interest bearing liabilities							
Due to banks	1,597,724	3,499,739	8,327,518	6,587,271	-	-	20,012,252
Customer accounts	78,186,142	27,491,213	53,911,071	47,188,125	2,134,400	-	208,910,951
Financial liabilities at fair value through profit or loss	3,834,200	-	-	-	-	-	3,834,200
Debt securities issued	1,507,505	425,626	27,475,579	10,547,952	4,056,096	-	44,012,758
Subordinated debt	25,054	-	-	-	6,650,515	-	6,675,569
Total interest bearing liabilities	**85,150,625**	**31,416,578**	**89,714,168**	**64,323,348**	**12,841,011**	**-**	**283,445,730**
Due to banks	4,421,945	-	-	-	-	-	4,421,945
Customer accounts	74,893,086	-	-	-	-	-	74,893,086
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Debt securities issued	20,601	-	-	-	-	-	20,601
Other provisions	83,475	23,605	77,560	59,012	-	-	243,652
Current income tax liabilities	-	-	351,716	-	-	-	351,716
Deferred income tax liabilities	-	-	100,904	-	-	1,434,912	1,535,816
Other liabilities	233,531	1,781,744	243,700	228	-	-	2,259,203
Total non-interest bearing liabilities	**79,652,638**	**1,805,349**	**773,880**	**59,240**	**-**	**1,434,912**	**83,726,019**
TOTAL LIABILITIES	**164,803,263**	**33,221,927**	**90,488,048**	**64,382,588**	**12,841,011**	**1,434,912**	**367,171,749**
Liquidity gap	12,604,330	6,540,514	(11,550,914)	23,872,303	(6,200,367)		
Interest sensitivity gap	(21,794,880)	7,039,970	(12,237,402)	22,369,027	(6,200,367)		
Cumulative interest sensitivity gap	(21,794,880)	(14,754,910)	(26,992,311)	(4,623,284)	(10,823,651)		
Cumulative interest sensitivity gap as a percentage of total assets	(5.3%)	(3.6%)	(6.6%)	(1.1%)	(2.7%)		

	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
Due from 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
Due from 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, plant and equipment	-	-	-	-	-	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							
Due to banks	4,962,311	2,833,930	4,367,323	7,353,287	361	-	19,517,212
Customer accounts	49,487427	44,073,718	36,637,394	21,978,988	4,316,113	-	156,493,640
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
Subordinated debt	-	-	-	-	3,000,000	-	3,000,000
Total interest bearing liabilities	**59,551,535**	**53,640,195**	**48,977,422**	**37,367,353**	**14,141,727**	**-**	**213,678,232**
Due to 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%)		

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.

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.

The Group's exposure to market risk by using a value at risk (VAR) methodology is presented in the table below:

Type of securities	**31 December 2007 RUR'000**	**95% 1day VaR**	**95% 10 days VaR**	**Risk_1 day**	**Risk_10 days**
Debt securities of corporates	10,443,161	16,429	51,493	0.16%	0.49%
Equity investments	3,886,222	69,863	208,096	1.80%	5.35%
Debt securities of financial institutions	1,694,601	5,259	13,927	0.31%	0.82%
Debt securities of local authorities	1,342,586	3,613	6,403	0.27%	0.48%
Debt securities of central governments	668,547	3,482	11,081	0.52%	1.66%
Total	**18,035,117**	**90,117**	**281,184**	**0.50%**	**1.56%**

Type of securities	**31 December 2006 RUR'000**	**95% 1 day VaR**	**95% 10 days VaR**	**Risk_1 day**	**Risk_10 days**
Debt securities of corporates	7,007,865	7,308	19,009	0.10%	0.27%
Equity investments	3,694,351	17,178	48,132	0.46%	1.30%
Debt securities of financial institutions	2,081,773	5,877	15,553	0.28%	0.75%
Debt securities of local authorities	1,767,901	2,537	5,551	0.14%	0.31%
Debt securities of central governments	1,215,440	3,218	10,613	0.26%	0.87%
Total	**15,767,330**	**31,393**	**90,210**	**0.20%**	**0.57%**

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 = 24.5462 RUR	**EUR** 1 EUR = 35.9332 RUR	**Precious metals**	**Other currency**	**31 December 2007 RUR'000 Total**
ASSETS						
Cash and balances with Central and National banks	95,271,128	864,498	646,818	-	219,026	97,001,470
Financial assets at fair value through profit or loss	12,871,317	4,976,020	94,642	266,409	569,005	18,777,393
Precious metals	-	-	-	1,738,273	-	1,738,273
Due from banks, less allowance for impairment losses	2,600,123	32,098,505	7,964,671	14	489,651	43,152,964
Loans to customers, less allowance for impairment losses	143,423,389	86,517,943	3,187,959		429,485	233,558,776
Investments available-for-sale, less allowance for impairment loss	751,220	1,486	585	-	-	753,291
Property and equipment purchased for transfer into finance lease	516,859	-	-	-	-	516,859
Property, plant and equipment	9,357,074	-	-	-	49,540	9,406,614
Current income tax assets	269,550	-	538	-	-	270,088
Deferred income tax asset	589,886	-	-	-	-	589,886
Other assets	2,217,669	27,409	20,820	290	31,133	2,297,321
TOTAL ASSETS	**267,868,215**	**124,485,861**	**11,916,033**	**2,004,986**	**1,787,840**	**408,062,935**
LIABILITIES						
Due to banks	4,490,614	8,679,266	3,292,493	7,760,156	211,668	24,434,197
Customer accounts	146,218,237	128,823,122	7,490,432	428,373	843,873	283,804,037
Financial liabilities at fair value through profit or loss	194,000	3,515,237	117,573	712	6,678	3,834,200
Debt securities issued	36,297,627	7,440,591	295,141	-	-	44,033,359
Other provisions	148,420	67,010	20,161	-	8,061	243,652
Current income tax liabilities	351,716	-	-	-	-	351,716
Deferred income tax liabilities	1,535,816	-	-	-	-	1,535,816
Subordinated debt	4,668,049	2,007,520	-	-	-	6,675,569
Other liabilities	2,080,807	95,380	14,160	-	68,856	2,259,203
TOTAL LIABILITIES	**195,985,286**	**150,628,126**	**11,229,960**	**8,189,241**	**1,139,136**	**367,171,749**
OPEN BALANCE SHEET POSITION	**71,882,929**	**(26,142,265)**	**686,073**	**(6,184,255)**	**648,704**	

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 2007:

	RUR	**USD** 1 USD = 24.5462 RUR	**EUR** 1 EUR = 35.9332 RUR	**Precious metals**	**Other Currency**	**31 December 2007 RUR'000 Total**
Receivables on spot and derivative contracts	21,521,361	63,450,745	8,162,807	7,515,342	4,069,706	104,719,962
Payables on spot and derivative contracts	(52,857,968)	(37,967,009)	(12,431,909)	(925,600)	(537,476)	(104,719,962)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	**(31,336,607)**	**25,483,736**	**(4,269,102)**	**6,589,742**	**3,532,230**	
TOTAL OPEN POSITION	**40,546,322**	**(658,529)**	**(3,583,029)**	**405,487**	**4,180,934**	
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
Due from 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, plant and equipment	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						
Due to banks	3,868,811	11,150,049	1,567,136	3,043,962	87,696	19,717,654
Customer accounts	110,987,731	83,880,315	7,444,151	510,872	1,839,126	204,662,195
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
Subordinated debt	3,000,000	-	-	-	-	3,000,000
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	6,274,500	25,427,194	1,409,064	2,966,444	1,982,210	38,059,412
Payables on spot and derivative contracts	(21,132,151)	(12,141,958)	(3,507,741)	(917,273)	(360,289)	(38,059,412)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	**(14,857,651)**	**13,285,236**	**(2,098,677)**	**2,049,170**	**1,621,921**	
TOTAL OPEN POSITION	**29,436,230**	**(1,080,349)**	**(1,760,158)**	**375,706**	**1,192,444**	

Currency risk sensitivity

The Group's exposure to foreign currency exchange rate risk by using a value at risk (VaR) methodology is presented in the table below:

CURRENCY	TOTAL OPEN POSITION 31 December 2007 RUR'000	CURRENCY	TOTAL OPEN POSITION 31 December 2006 RUR'000
USD	(658,529)	**USD**	(1,080,349)
EUR	(3,583,029)	**EUR**	(1,760,158)
CHF	2,086,361	**CHF**	876,241
GBP	92,997	**GBP**	6,162
JPY	33,895	**JPY**	(11,111)
BYR	452,021	**BYR**	305,212
KZT	3,090	**KZT**	729
NOK	1,192	**NOK**	6,469
SEK	2,912	**SEK**	4,993
DKK	2,085	**DKK**	2,095
UAH	1,346	**UAH**	1,655
AED	1,505,032	**XAU**	3,742
XAU	(37,974)	**XAG**	(486)
XAG	(1,031)	**XPD**	172,737
XPD	45,503	**XPT**	199,714
XPT	398,988		
95% 1 day VaR	**14,638**	**95% 1 day VaR**	**7,197**
95% 10 days VaR	**37,526**	**95% 10 days VaR**	**21,047**
95% 1 day volatility	**0.16%**	**95% 1 day volatility**	**0.16%**
95% 10 days volatility	**0.42%**	**95% 10 days volatility**	**0.47%**

Limitations of VaR analysis

VaR analysis is based on a model and a certain number of assumptions and approximations. Its limitations are as follows:

- the use of "1-day" and "10-days" holding periods assumes that all positions can be unwound and managed within one or ten days which may not the case for some products and in/or some crisis situations;
- the use of 95% confidence interval does not take into account any losses arising beyond this interval; VaR is therefore an indicator of losses under normal market conditions and does not take into account exceptionally large fluctuations; there is a one per cent probability that the losses incurred could exceed the VaR
- VaR is calculated using closing prices, so intra-day fluctuations are not taken into account.

Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.

Should the price for securities portfolio designated as fair value through profit or loss changes on 5% it would affect the income statement and equity for RUR 193,185 thousand and RUR 44,951 thousand as of 31 December 2007 and 2006, respectively.

The effect of 5% change in price of the available-for-sale securities portfolio on the income statement is illustrated in the table below:

As of 31 December 2007 Equity price RUR'000			
+5%		-5%	
Impact on profit	Impact on equity	Impact on profit	Impact on equity
985	1,126	1,126	1,126

As of 31 December 2006 there were no quoted equity investments in the available-for-sale securities portfolio.

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.

Maximum Exposure

The Groups maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**	**31 December 2007 Net exposure after offset and collateral**
Balance with Central and National banks	88,683,957	-	88,683,957	-	88,683,957
Financial assets at fair value through profit or loss	14,148,895	-	14,148,895	-	14,148,895
Due from banks	43,152,964	-	43,152,964	-	43,152,964
Loans to customers	233,558,776	393,978	233,164,798	113,003,934	120,160,864
Commitments on loans and unused credit lines	51,741,290	-	51,741,290	10,886,001	40,855,289

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**	**31 December 2006 Net exposure after offset and collateral**
Balance with Central and National banks	30,561,746	-	30,561,746	-	30,561,746
Financial assets at fair value through profit or loss	11,808,022	-	11,808,022	-	11,808,022
Due from banks	64,759,001	-	64,759,001	-	64,759,001
Loans to customers	161,243,117	373,324	160,869,793	89,036,895	71,832,898
Investments available-for-sale	3,024,042	-	3,024,042	-	3,024,042
Commitments on loans and unused credit lines	27,891,598	-	27,891,598	8,480,515	19,411,083

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets and loan commitments that are neither past due nor impaired held by the Group:

	AAA	AA	A	BBB	>BBB	Not rated	31 December 2007 Total
Balance with Central and National banks	-	-	-	-	-	88,683,957	88,683,957
Financial assets at fair value through profit or loss	-	-	74,191	2,661,412	4,072,216	11,969,574	18,777,393
Due from banks	-	26,197,457	12,248,034	311,549	384,476	4,011,448	43,152,964
Loans to customers	-	-	-	808,833	1,101,858	33,898,249	35,808,940
Investments available-for-sale	-	-	-	5,203	-	559,313	564,516
Unused credit lines	-	-	-	2,503,200	1,972,401	28,213,940	32,689,541

	AAA	AA	A	BBB	>BBB	Not rated	31 December 2006 Total
Balance with Central and National banks	-	-	-	-	-	30,561,746	30,561,746
Financial assets at fair value through profit or loss	-	854,384	254,037	1,691,212	3,870,181	6,150,424	12,820,238
Due from banks	762,828	47,810,037	3,380,945	3,635,107	1,587,953	7,582,131	64,759,001
Loans to customers	-	-	-	-	662,047	26,494,445	27,156,492
Investments available-for-sale	-	-	-	-	-	3,231,691	3,231,691
Unused credit lines	-	-	-	2,503,200	295,800	23,114,399	25,913,399

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Russian Federation.
The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

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 2007 RUR'000 Total
ASSETS					
Cash and balances with Central and National banks	96,698,211	169,911	133,348	-	97,001,470
Financial assets at fair value through profit or loss	17,540,824	549,895	686,674	-	18,777,393
Precious metals	1,738,273	-	-	-	1,738,273
Due from banks	4,586,424	309,686	37,945,045	311,809	43,152,964
Loans to customers	210,639,394	16,155,974	4,961,456	1,801,952	233,558,776
Investments available-for-sale	751,219	-	2,072	-	753,291
Property and equipment purchased for transfer into finance lease	516,859		-	-	516,859
Property, plant and equipment	9,357,074	40,593	8,947	-	9,406,614
Current income tax assets	269,550	-	538	-	270,088
Deferred tax asset	589,886	-	-	-	589,886
Other assets	1,928,754	47,849	320,718	-	2,297,321
TOTAL ASSETS	**344,616,468**	**17,273,908**	**44,058,798**	**2,113,761**	**408,062,935**
LIABILITIES					
Due to banks	4,738,369	3,610,067	15,272,308	813,453	24,434,197
Customer accounts	193,202,245	2,687,451	31,446,473	56,467,868	283,804,037
Financial liabilities at fair value through profit or loss	902,802	-	2,928,470	2,928	3,834,200
Debt securities issued	38,932,730	-	3,643,240	1,457,389	44,033,359
Other provisions	169,898	22,305	49,773	1,676	243,652
Current income tax liabilities	351,716	-	-	-	351,716
Deferred income tax liabilities	1,535,816	-	-	-	1,535,816
Subordinated debt	-	-	6,675,569	-	6,675,569
Other liabilities	1,855,131	19,649	207,798	176,625	2,259,203
TOTAL LIABILITIES	**241,688,707**	**6,339,472**	**60,223,631**	**58,919,939**	**367,171,749**
NET POSITION	**102,927,761**	**10,934,436**	**(16,164,833)**	**(56,806,178)**	

	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
Due from 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, plant and equipment	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					
Due to banks	3,833,674	2,116,981	13,211,788	555,211	19,717,654
Customer accounts	93,639,293	28,100,687	2,607,588	80,314,627	204,662,195
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
Subordinated debt	-	-	-	3,000,000	3,000,000
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)**	