Center-invest Bank Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2007

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PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Center-invest Bank:

1 We have audited the accompanying consolidated financial statements of Center-invest Bank and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of 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

2 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 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

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

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

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

Opinion

6 In our opinion, the accompanying 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 its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
31 March 2008

In thousands of Russian Roubles	Notes	31 December 2007	31 December 2006
ASSETS			
Cash and cash equivalents	7	3 974 009	2 258 101
Mandatory cash balances with the CBRF		422 059	253 585
Trading securities	8	963 633	708 568
Other securities at fair value through profit or loss	9	26 976	49 493
Due from other banks	10	1 417 650	1 808 089
Loans and advances to customers	11	27 436 108	15 130 306
Finance lease receivables	12	1 287 223	689 414
Investment in associate	13	300 386	-
Intangible assets	14	209 439	118 917
Premises and equipment	15	2 413 656	1 867 104
Other financial assets	16	798 856	697 067
Other assets	17	211 066	251 928
TOTAL ASSETS		**39 461 061**	**23 832 572**
LIABILITIES			
Due to other banks	18	4 535 891	2 528 684
Customer accounts	19	19 245 060	12 360 966
Debt securities in issue	20	1 523 329	1 617 410
Other borrowed funds	21	4 358 692	-
Borrowings from international financial institutions	22	3 538 762	2 455 799
Subordinated debt	23	373 198	131 656
Other financial liabilities	24	365 079	259 104
Deferred tax liability	30	260 999	163 592
Other liabilities	25	33 331	81 371
TOTAL LIABILITIES		**34 234 341**	**19 598 582**
EQUITY			
Share capital	26	1 258 709	1 257 145
Share premium	26	1 646 428	1 646 428
Revaluation reserve for premises and equipment		1 203 871	777 005
Retained earnings		1 117 712	507 271
Net assets attributable to the Bank's equity holders		**5 226 720**	**4 187 849**
Minority interest		**-**	**46 141**
TOTAL EQUITY		**5 226 720**	**4 233 990**
TOTAL LIABILITIES AND EQUITY		**39 461 061**	**23 832 572**

Approved for issue and signed on behalf of the Board of Directors on 31 March 2008.

A.A.Shtabnova
Chairman of the Management Board

E.A.Koujeleva
Chief Accountant

открытое акционерное общество коммерческий банк "Центр-инвест" Рег. №2225 г. Ростов-на-Дону

The notes set out on pages 7 to 72 form an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Notes	2007	2006
Interest income	27	3 676 333	2 049 898
Finance income arising from leasing	27	240 594	124 367
Interest expense	27	(1 854 936)	(893 045)
Net interest income		**2 061 991**	**1 281 220**
Provision for loan impairment and impairment of finance lease receivables	11, 12	(268 872)	(134 026)
Net interest income after impairment provisions		**1 793 119**	**1 147 194**
Heat energy revenues		-	251 452
Heat energy direct costs excluding administrative and other operating expenses		-	(122 822)
Margin on sale of heat energy		**-**	**128 630**
Gains less losses from trading securities		(13 691)	17 777
Gains less losses from other securities at fair value through profit or loss		104	(236)
Gains less losses from trading in foreign currencies		27 680	41 073
Foreign exchange translation gains less losses		215 591	634
Gains less losses from conversion operations on the interbank market		(215 596)	(4 809)
Fee and commission income	28	548 004	361 126
Fee and commission expense	28	(91 889)	(67 111)
Gain on disposal of property	17	29 299	-
Other operating income		94 449	49 558
Operating income		**2 387 070**	**1 673 836**
Administrative and other operating expenses	29	(1 435 616)	(1 007 651)
Profit before tax		**951 454**	**666 185**
Income tax expense	30	(244 892)	(149 201)
Profit for the year from current operations		**706 562**	**516 984**
Discontinued operations			
Net result of disposed subsidiary (after tax)	13	17 108	-
Gain on the disposal of subsidiary	13	(16 439)	-
Net profit from discontinued operations		**669**	-
Profit for the year		**707 231**	**516 984**
Profit attributable to:			
Equity holders of the Group		700 916	513 251
Minority interest	13	6 315	3 733
Profit for the year		**707 231**	**516 984**

In thousands of Russian Roubles	Notes	2007	2006
Cash flows from operating activities			
Interest received		3 733 600	2 061 430
Interest paid		(1 709 165)	(801 361)
(Expense)/ income received from trading in securities		(9 915)	18 091
Income received from other securities at fair value through profit or loss		311	-
Income received from trading in foreign currencies		27 680	36 264
Gains less losses from conversion operations on the interbank market		(176 581)	-
Fees and commissions received		552 177	361 126
Fees and commissions paid		(91 889)	(67 111)
Gain on disposal of property	17	29 299	-
Other operating income received		97 477	49 558
Staff costs		(732 360)	(500 048)
Operating expenses paid		(555 771)	(398 895)
Finance income arising from leasing		219 690	118 666
Heat energy revenues		-	256 840
Heat energy direct costs, excluding administrative and other operating expenses		-	(122 822)
Income tax paid		(220 747)	(166 997)
Cash flows from operating activities before changes in operating assets and liabilities		**1 163 806**	**844 741**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the CBRF		(168 474)	(77 581)
Net increase in trading securities		(256 148)	(245 025)
Net decrease in securities at fair value through profit or loss		22 082	85 650
Net decrease in due from other banks		376 310	135 079
Net increase in loans and advances to customers		(12 647 008)	(7 520 438)
Net increase in finance lease receivables		(614 289)	(239 855)
Net increase in other assets		(275 941)	(435 552)
Net increase in due to other banks		2 087 189	837 068
Net increase in customer accounts		6 838 381	4 537 396
Net decrease in promissory notes issued		(90 608)	(113 544)
Net increase in other liabilities		168 021	147 363
Net increase in cash from the operating activities of the disposed subsidiary	13	30 873	-
Net cash used in operating activities		**(3 365 806)**	**(2 044 698)**
Cash flows used in investing activities			
Acquisition of premises and equipment	15	(433 658)	(437 360)
Proceeds from disposal of premises and equipment		-	11 006
Acquisition of intangible assets	14	(96 435)	(108 027)
Net cash used in investing activities of the disposed subsidiary	13	(33 786)	-
Net cash used in investing activities		**(563 879)**	**(534 381)**

In thousands of Russian Roubles	Notes	2007	2006
Cash flows from financing activities			
Bonds issued	20	-	1 500 000
Proceeds from other borrowed funds	21	4 454 058	-
Proceeds from borrowings received from international financial institutions	22	1 576 596	1 080 555
Repayment of borrowings from international financial institutions	22	(119 827)	(70 080)
Issue of ordinary shares	26	-	1 350 000
Sale/(acquisition) of treasury shares	26	1 564	(1)
Dividends paid	31	(157 618)	(112 611)
Net increase in cash from financing activities of the disposed subsidiary	13	104 435	-
Net cash from financing activities		**5 859 208**	**3 747 863**
Effect of exchange rate changes on cash and cash equivalents		**(110 455)**	**8 913**
Net cash outflow from disposed subsidiary	13	(103 160)	-
Net increase in cash and cash equivalents		**1 715 908**	**1 177 697**
Cash and cash equivalents at the beginning of the year		2 258 101	1 080 404
Cash and cash equivalents at the end of the year	7	**3 974 009**	**2 258 101**

Investment and financial transactions that did not require the use of cash and cash equivalents were excluded from the consolidated statement of cash flows.

	Notes	Attributable to equity holders of the Bank					Minority Interest	Total equity
		Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	Total		
Balance at 1 January 2006		**1 007 146**	**546 428**	**524 495**	**100 542**	**2 178 611**	**42 408**	**2 221 019**
Premises and equipment:								
- Revaluation	15	-	-	340 262	-	340 262	-	340 262
- Deferred tax	30	-	-	(81 663)	-	(81 663)	-	(81 663)
- Realised revaluation reserve		-	-	(6 089)	6 089	-	-	-
Net income recognised directly in equity		**-**	**-**	**252 510**	**6 089**	**258 599**	**-**	**258 599**
Profit for the year		-	-	-	513 251	513 251	3 733	516 984
Total recognised income for 2006		**-**	**-**	**252 510**	**519 340**	**771 850**	**3 733**	**775 583**
Share issue	26	250 000	1 100 000	-	-	1 350 000	-	1 350 000
Treasury shares:								
- Acquisitions	26	(1)	-	-	-	(1)	-	(1)
Dividends declared and paid:								
- ordinary shares	31	-	-	-	(94 591)	(94 591)	-	(94 591)
- preference shares	31	-	-	-	(18 020)	(18 020)	-	(18 020)
Total movement of capital for 2006		**249 999**	**1 100 000**	**-**	**(112 611)**	**1 237 388**	**-**	**1 237 388**
Balance at 31 December 2006		**1 257 145**	**1 646 428**	**777 005**	**507 271**	**4 187 849**	**46 141**	**4 233 990**
Premises and equipment:								
- Revaluation	15	-	-	650 012	-	650 012	174 626	824 638
- Deferred tax	30	-	-	(156 003)	-	(156 003)	(41 910)	(197 913)
- Realised revaluation reserve		-	-	(10 403)	10 403	-	-	**-**
Net income recognised directly in equity		**-**	**-**	**483 606**	**10 403**	**494 009**	**132 716**	**626 725**
Profit for the year		-	-	-	700 916	700 916	6 315	707 231
Total recognised income for 2007		**-**	**-**	**483 606**	**711 319**	**1 194 925**	**139 031**	**1 333 956**

	Notes	Attributable to equity holders of the Bank					Minority Interest	Total equity
		Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	Total		
Share issue		-	-	-	-	-	-	-
Treasury shares:								
- Acquisitions		-	-	-	-	-	-	-
- Disposals	26	1 564	-	-	-	1 564	-	1 564
Dividends declared and paid:								
- ordinary shares	31	-	-	-	(139 591)	(139 591)	-	(139 591)
- preference shares	31	-	-	-	(18 027)	(18 027)	-	(18 027)
Total movement of capital for 2007		**1 564**	**-**	**-**	**(157 618)**	**(156 054)**	**-**	**(156 054)**
Disposal of subsidiary		-	-	(56 740)	56 740	-	(185 172)	(185 172)
Balance at 31 December 2007		**1 258 709**	**1 646 428**	**1 203 871**	**1 117 712**	**5 226 720**	**-**	**5 226 720**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2007 for Center-invest Bank (the "Bank") and its subsidiaries (together referred to as the "Group" or "Center-invest Bank Group"). Information on the consolidated subsidiaries is disclosed in Note 40. Also refer to Note 13.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with the Russian legislation.

Principal activity. The Group's principal business activity is commercial and retail banking and leasing operations within the Russian Federation. The Bank operates under the general banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1992. The Bank participates in the state deposit insurance scheme, which was introduced by the Federal Law #177-FZ "Insurance of deposits of individuals placed with banks operating in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 100 thousand and repayment of 90% of individual deposits in excess of RR 100 thousand up to a limit of RR 400 thousand per individual in case of withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

At 31 December 2007 the Bank has 9 (2006: 9) branches within the Russian Federation. Additionally, the Bank has representative offices in Moscow, London and 58 (2006 - 49) sub – branches in the Rostov, Volgograd, Stavropol and Krasnodar regions.

In December 2007 OAO TPTS "Teploenergo", which was at that date part of the Center-invest Bank Group, signed an agreement with the European Bank for Reconstruction and Development (EBRD, London) on the participation in the share capital of OAO TPTS "Teploenergo". Following the additional share issue in December 2007, EBRD was holding 25% of the share capital of "Teploenergo", while the Center-invest Bank Group – 47%. Thus, the Group lost its control over the Company. The Group's investment in OAO TPTS "Teploenergo" is recognised in the consolidated balance sheet as at 31 December 2007 as an investment in associate. Revenues and expenses incurred by OAO TPTS "Teploenergo" before the lost of control were fully consolidated in the consolidated statement of income.

Registered address and place of business. The Bank's registered address is: Sokolova street 62, Rostov-on-Don, Russian Federation, 344010.

The average number of the Group's employees during the year was 2 084, without the disposed subsidiary - 1 620 (2006: 1 665).

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles (thereafter "RR thousands").

2 Operating Environment of the Group

The Russian Federation displays certain characteristics of emerging markets, including relatively high inflation and strong economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity. Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the financial position of the Group.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

2 Operating Environment of the Group (Continued)

Recent volatility in global financial markets. Since the second half of 2007 there has been a sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond the US housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. Such circumstances may affect the ability of the Group to refinance its existing borrowings, customer deposits and other liabilities, as well as the value of the Group's loan portfolio. In accordance with IFRS, the decline in fair value of a financial asset below its amortised cost, conditioned by an increase in base interest rates, is usually not an indicator of its impairment.

Management is unable to reliably estimate the effects on the Group's financial position of any further possible deterioration in the liquidity of the financial markets and their increased volatility.

3 Summary of Significant Accounting Policies

Basis of Preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of premises and equipment, financial instruments at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree at each exchange transaction is recorded as goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost ("negative goodwill") is recognised immediately in the consolidated statement of income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost can be recovered. The Bank and its subsidiary use uniform accounting policies consistent with the Group's policies.

Minority interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Minority interest forms a separate component of the Group's equity.

Associates. Associates are entities over which the Bank has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in the consolidated statement of income, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3 Summary of Significant Accounting Policies (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arms length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

3 Summary of Significant Accounting Policies (Continued)

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; recognised in profit or loss for trading securities, derivatives and other financial assets at fair value through profit or loss; and recognised in equity for assets classified as available for sale.

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within one business day. All short term interbank placements, beyond overnight placements, are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated cash flow statement.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. normally within six months. Trading securities are not reclassified out of this category even when the Group's intentions subsequently change.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in the consolidated income statement as interest income. Dividends are included in dividend income within other operating income when the Group's right to receive the dividend payment is established and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading securities in the period in which they arise.

Other securities at fair value through profit or loss. Other securities at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Bank's Executive Board.

Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

When impaired financial assets are renegotiated and the renegotiated terms and conditions differ substantially from the previous terms, the new asset is initially recognised at its fair value.

3 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers whether a financial asset is impaired is its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any instalment is overdue by more than 30 days and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of Management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Credit related commitments. The Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At each balance sheet date, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date.

3 Summary of Significant Accounting Policies (Continued)

Promissory notes purchased. Promissory notes purchased are included in trading securities, or in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Premises and equipment. Fixed assets (except for land and buildings of the Group) are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required.

Land and premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Costs of minor repairs and maintenance are expensed when incurred.

If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives at the following annual rates:

Premises	2% - 2.5%
Office and computer equipment	20%
Equipment for generating heat and electric power	6.3% - 25%
Equipment for electric power transmission	4% - 14.3%
Other	6.3% - 33%

Intangible assets. All of the Group's intangible assets have a definite useful life and primarily include capitalised computer software and software licenses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 10 years.

3 Summary of Significant Accounting Policies (Continued)

Finance leases. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement using a discount rate determined at inception.

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

Inception of the lease. The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

Revenue recognition. The Group records finance lease receivables in the amount equal to the net investment in the lease. Net investment in the lease is calculated as the aggregate of the minimum lease payments, representing the amounts guaranteed by the lessee and any unguaranteed residual value (together gross investment in the lease), discounted at the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the present value of the gross investment in the lease to be equal to the fair value of the leased asset.

The difference between the gross investment in the lease and the net investment in the lease represents unearned financial income. The unearned finance income is amortised over the lease term using the discount rate implicit in the lease.

Initial direct costs incurred by lessors include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by the sales and marketing team. In case of a financial lease direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Any advances made to the supplier after the date of the inception of the lease and before the date of commencement of the lease term, are recorded as prepayments within other financial assets. Payments received by the Group from the lessee before the commencement of the lease term are recorded as advances received within other financial liabilities. These amounts are adjusted against finance lease receivables on the date of commencement of the lease term.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of finance lease receivables. Impairment losses are recognised through an allowance account to write down the receivables’ net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is initially recorded at its fair value and thereafter is carried at amortised cost. If the Group purchases its own debt, it is removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Debt securities in issue. Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

3 Summary of Significant Accounting Policies (Continued)

Loans from international financial institutions. Borrowings (including subordinated loans) are initially recorded at fair value less transaction costs. Subsequently, borrowings are stated at amortised cost and any difference between the amount at initial recognition and the redemption value is recorded in the consolidated statement of income over the period of the borrowings using the effective interest method.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in the consolidated statement of income. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated income statement except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by Management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on Management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Preference shares. Preference shares that are not redeemable and with discretionary dividends, are classified as equity.

3 Summary of Significant Accounting Policies (Continued)

Treasury shares. Where the Bank or its subsidiaries purchase the Bank's equity instruments, the consideration paid including any attributable incremental external costs net of income taxes is deducted from equity attributable to the equity holders of the Bank until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the balance sheet date and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

Income and expense recognition. Interest income and expense are recorded in the consolidated income statement for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss.

At 31 December 2007 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 24.5462 (2006: USD 1 = RR 26.3311).

3 Summary of Significant Accounting Policies (Continued)

Fiduciary assets. Assets held by the Group in its own name, but on the account of third parties, are not reported on the consolidated balance sheet. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting for the effects of hyperinflation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of the Russian Federation indicated that hyperinflation had ceased effective from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current at as 31 December 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index ("CPI"), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

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

Changes in the financial statements of prior periods. During 2007 the Group did not change the classification of its financial assets that were recorded at amortised cost and not at fair value.

Changes in presentation of prior period financial statements. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year consolidated accounts.

In thousands of Russian Roubles	2006	Changes	2006 after changes
Balance sheet			
Intangible assets	-	118 917	118 917
Other assets	370 845	(118 917)	251 928
Other financial liabilities	-	259 104	259 104
Other liabilities	340 475	(259 104)	81 371
Statement of income			
Fee and commission income	355 335	5 791	361 126
Other operating income	55 349	(5 791)	49 558
Gains less losses from trading in foreign currencies	36 264	4 809	41 073
Gains less losses from conversion operations on the interbank market	-	(4 809)	(4 809)

3 Summary of Significant Accounting Policies (Continued)

Reclassification of intangible assets into a separate balance sheet line resulted in the increase of intangible assets and decrease of other assets by RR 118 917 thousand.

The breakdown of other liabilities into financial and nonfinancial liabilities resulted in the increase of other financial liabilities and decrease of other liabilities by RR 259 104 thousand.

The reclassification of trust management income into commission income resulted in the increase of commission income and decrease of other operating income by RR 5 791 thousand.

The reclassification of gain less losses from conversion operations on the interbank market resulted in the increase of gains less losses from trading in foreign currencies and a corresponding recognition of gain less losses from conversion operations on the interbank market of RR 4 809 thousand.

Any further changes to these financial statements require approval of the Group's management who authorised these consolidated financial statements for issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Professional judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan and lease portfolios to assess impairment. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changing any of these assumptions will not result in a significant change to profits, income, total assets or total liabilities.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. To the extent practical, only observable data is applied in models, however some areas such as credit risk (both own and of the counterparty), volatilities require management estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

Revaluation of premises and equipment Given the absence of a highly liquid market for non-residential premises in Rostov, the Rostov Region and other regions of the South of Russia, the Bank and the independent appraiser have used professional judgements on comparability of existing real estate sale deals and available data on transactions with land and real estate between third parties. If the price per square meter of land had increased by 10%, the total cost of land recognised in the consolidated balance sheet would have increased by RR 46 832 thousand.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 35 Contingencies and Commitments.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to the retained earnings at 1 January 2006, unless otherwise described below.

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and some of the requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these consolidated financial statements.

Other new standards or interpretations. The Group has adopted the following other new standards or interpretations which became effective from 1 January 2007:

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006);
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006).

The new IFRIC interpretations 7 to 10 did not significantly affect the Group's consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the Standard will have on segment disclosures in the Group's financial statements.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group is currently assessing the impact of the amended Standard on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

Other new standards or interpretations. The Group has not early adopted the following other new standards or interpretations:

- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	**2 007**	**2 006**
Cash on hand	1 488 219	839 285
Cash balances with the CBRF (other than mandatory cash balances)	1 181 192	658 710
Correspondent accounts and overnight placements with other banks		
- Russian Federation	205 198	111 228
- Other countries	1 099 400	648 878
Total cash and cash equivalents	**3 974 009**	**2 258 101**

Interest rate analysis of cash and cash equivalents is disclosed in Note 33. The information on related party balances is disclosed in Note 39.

8 Trading Securities

Trading securities of the Group recorded in the consolidated balance sheet as at 31 December 2007 and 31 December 2006 did not include any unquoted trading securities:

In thousands of Russian Roubles	**2007**	**2006**
Corporate bonds	846 828	408 140
Municipal bonds	36 007	7 332
Russian government bonds	9 989	132 759
Total debt securities	**892 824**	**548 231**
Corporates shares	681	139 229
Shares of closed mutual funds	70 128	21 108
Total trading securities	**963 633**	**708 568**

8 Trading Securities (Continued)

In thousands of Russian Roubles	2007	2006
Unquoted corporate bonds	-	45 000
Total unquoted trading securities	**-**	**45 000**

Trading securities are carried at fair value, which also reflects any write-off attributable to credit risk. As trading securities are carried at their fair values based on observable market data, the Group does not analyse or monitor impairment indicators. Analysis by credit quality of debt trading securities outstanding at 31 December 2007 is as follows:

In thousands of Russian Roubles	Russian government bonds	Municipal bonds	Corporate bonds	Total
Moody's BA	-	-	145 356	145 356
Standard&Poor's ruAAA	9 989	-	-	9 989
Standard&Poor's ruAA	-	36 007	5 037	41 044
Moody's Interfax Rating Agency AAA.ru	-	-	30 159	30 159
Moody's Interfax Rating Agency A.ru	-	-	20 059	20 059
Fitch BBB+(rus)	-	-	202 866	202 866
Russian rating agency Expert A	-	-	12 205	12 205
Russian rating agency Expert B	-	-	20 263	20 263
Issues without rating	-	-	410 883	410 883
Total current amounts	**9 989**	**36 007**	**846 828**	**892 824**
Total past due amounts	-	-	-	-
Total debt trading securities	**9 989**	**36 007**	**846 828**	**892 824**

Analysis by credit quality of debt trading securities outstanding at 31 December 2006 is as follows:

In thousands of Russian Roubles	Russian government bonds	Municipal bonds	Corporate bonds	Total
Standard&Poor's ruAAA	132 759	-	-	132 759
Standard&Poor's ruA	-	-	19 906	19 906
Standard&Poor's ruBBB/B-	-	-	15 194	15 194
Moody's Interfax Rating Agency A.ru	-	-	20 305	20 305
Moody's Interfax Rating Agency Baa.ru	-	-	20 153	20 153
Russian rating agency AK&M A	-	-	5 126	5 126
Russian rating agency Expert B	-	-	9 179	9 179
Issues without rating	-	7 332	318 277	325 609
Total current amounts	**132 759**	**7 332**	**408 140**	**548 231**
Total past due amounts	-	-	-	-
Total debt trading securities	**132 759**	**7 332**	**408 140**	**548 231**

The total trading securities portfolio is non-overdue and not impaired. Debt trading securities are not collateralised.

8 Trading Securities (Continued)

At 31 December 2007 and 31 December 2006 the Group did not have any securities pledged under sale and repurchase agreements with respect to term placements of other banks and other borrowed funds.

Interest rate analysis of trading securities is disclosed in Note 33. The information on trading securities issued by related parties is disclosed in Note 39.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

The Group's maximum exposure to credit risk in respect of trading securities is generally reflected in their carrying value.

9 Other securities at fair value through profit or loss

In thousands of Russian Roubles		
Corporate bonds	20 078	30 827
Total debt securities	**20 078**	**30 827**
Corporate shares – quoted	890	7 084
Corporate shares – unquoted	8	8
Shares in OOO unquoted	6 000	11 574
Total other securities at fair value through profit or loss	**26 976**	**49 493**

The Group irrevocably designated the above securities that are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because the Assets and Liabilities Committee assesses performance of the investments based on their fair values in accordance with the business plan.

At 31 December 2007 no securities are pledged under sale and repurchase agreements in respect to term placements of other banks and other borrowed funds.

Securities at fair value through profit or loss are carried at fair value, which also reflects the write-off attributable to credit risk. As these securities are recorded at fair value based on valuation techniques that use observable market data, the Group does not analyse or monitor impairment characteristics.

The analysis of the Group's corporate bonds at fair value through profit and loss is set out below:

In thousands of Russian Roubles	**2007**	**2006**
Current (at fair value)		
- large Russian corporations	20 078	30 827
Total other securities at fair value through profit or loss	**20 078**	**30 827**

All other securities at fair value through profit or loss are neither overdue, nor impaired.

Debt securities are not secured.

Interest rate analysis of other securities at fair value through profit or loss is disclosed in Note 33. The information on other securities at fair value through profit or loss issued by related parties is disclosed in Note 39.

The Group's maximum exposure to credit risk in relation to other securities at fair value through profit or loss is primarily reflected in the carrying amounts of other securities at fair value through profit or loss.

10 Due From Other Banks

In thousands of Russian Roubles	2007	2006
Short-term placements with other banks with original maturity of less than three months	639 366	1 697 413
Short-term placements with other banks with original maturity of more than three months	778 284	110 676
Total due from other banks	**1 417 650**	**1 808 089**

Amounts due from other banks are not secured. The analysis of the Group's due from other banks by credit quality as at 31 December 2007 is set out below:

In thousands of Russian Roubles	Short-term placements with other banks with original maturity of less than three months	Short-term placements with other banks with original maturity of more than three months	Total
Standard&Poor's B-	70 036	-	70 036
Standard&Poor's ruBBB/B-	100 041	-	100 041
Moody's Interfax Rating Agency AA.ru	100 033	86 100	186 133
Moody's Interfax Rating Agency A.ru	-	251 059	251 059
Moody's Interfax Rating Agency Baa.ru	249 203	194 996	444 199
Fitch B-(rus)	-	175 867	175 867
Russian rating agency AK&M B+	-	70 262	70 262
Banks without rating	120 053	-	120 053
Total due from other banks	**639 366**	**778 284**	**1 417 650**

All amounts due from other banks are neither overdue, nor impaired.

The analysis of due from other banks by credit quality as at 31 December 2006 is set out below:

In thousands of Russian Roubles	Short-term placements with other banks with original maturity of less than three months	Short-term placements with other banks with original maturity of more than three months	Total
Moody's Interfax Rating Agency AA.ru	543 173	-	543 173
Moody's Interfax Rating Agency A.ru	-	25 057	25 057
Moody's Interfax Rating Agency Baa.ru	325 412	-	325 412
Fitch A-(rus)	100 063	-	100 063
Fitch B-(rus)	70 081	-	70 081
Russian rating agency RusRating BB	-	20 827	20 827
Russian rating agency RusRating B+	35 029	64 792	99 821
Banks without rating	623 655	-	623 655
Total due from other banks	**1 697 413**	**110 676**	**1 808 089**

10 Due from Other Banks (Continued)

All amounts due from other banks are neither overdue, nor impaired.

The main factor the Group takes into account when considering impairment of a deposit is its overdue status.

The carrying value of every category of due from other banks approximates its fair value as at 31 December 2007 and 31 December 2006.

The interest rate analysis of due from other banks is disclosed in Note 33. The information on related party balances is disclosed in Note 39.

11 Loans and advances to customers

In thousands of Russian Roubles	**2 007**	**2 006**
Corporate loans	15 595 476	9 324 222
Loans to individuals – consumer and car loans	6 941 446	4 116 288
Loans to individual entrepreneurs	3 121 399	1 202 568
Mortgage Loans	2 378 720	869 078
Factoring	41 561	27 500
Less: Provision for loan impairment	(642 494)	(409 350)
Total loans and advances to customers	**27 436 108**	**15 130 306**

The movement in the provision for loan impairment during 2007 was as follows:

In thousands of Russian Roubles	**Corporate loans**	**Consu-mer and car loans**	**Individual entrepre-neurs**	**Mortgage loans**	**Facto-ring**	**Total**
Provision for loan impairment as at 1 January 2007	268 478	89 992	50 018	37	825	409 350
Provision for loan impairment during the year	10 422	212 422	15 703	25 660	422	264 629
Write-offs during the year	(8 961)	(16 161)	(6 363)	-	-	(31 485)
Provision for loan impairment as at 31 December 2007	**269 939**	**286 253**	**59 358**	**25 697**	**1 247**	**642 494**

The movement in the provision for loan impairment during 2006 was as follows:

In thousands of Russian Roubles	**Corporat e loans**	**Consume r and car loans**	**Individual entrepre-neurs**	**Mortgage loans**	**Facto-ring**	**Total**
Provision for loan impairment as at 1 January 2006	192 087	55 181	29 285	12 480	807	289 840
(Recovery of provision)/Provision for loan impairment during the year	87 449	35 105	24 015	(12 443)	18	134 144
Write-offs during the year	(11 058)	(294)	(3 282)	-	-	(14 634)
Provision for loan impairment as at 31 December 2006	**268 478**	**89 992**	**50 018**	**37**	**825**	**409 350**

11 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

In thousands of Russian Roubles	2007 Amount	2007 %	2006 Amount	2006 %
Individuals (total), including	9 320 166	33,2	4 985 299	32,1
- consumer loans	*4 149 283*	*14,8*	*2 788 940*	*18,0*
- car loans	*2 792 163*	*9,9*	*1 327 281*	*8,5*
- mortgages	*2 378 720*	*8,5*	*869 078*	*5,6*
Trade	7 652 896	27,3	3 925 465	25,3
Agriculture	3 453 293	12,3	2 674 760	17,2
Manufacturing	2 824 268	10,1	1 507 527	9,7
Transport	1 231 960	4,3	922 794	5,9
Construction	1 195 564	4,2	572 458	3,7
Energy	439 003	1,6	115 389	0,7
Hotel business	309 597	1,1	-	-
Utilities	64 784	0,2	42 995	0,3
Other	1 587 071	5,7	792 969	5,1
Total loans and advances to customers (before impairment)	**28 078 602**	**100**	**15 539 656**	**100**

As at 31 December 2007 the Group had 10 large borrowers with aggregate loan amounts (including finance lease investments) of RR 4 056 435 thousand or 13.7% of the loan portfolio and finance lease receivables before impairment; the Group had 20 large borrowers with aggregate loan amounts (including finance lease receivables) of RR 6 096 437 thousand or 20.5% of the loan portfolio and finance lease receivables before impairment (2006: the Group had 10 and 20 large borrowers with aggregate loan amounts of RR 2 848 555 thousand and RR 4 023 210 thousand correspondingly, or 17.5% and 24.8% of the loan portfolio and finance lease receivables before impairment).

As at 31 December 2007 the aggregate credit risk related to borrowers with total loan amounts in excess of 10% of the Group's capital amounted to RR 1 501 353 thousand or 28.7% of capital; (2006: RR 473 329 thousand or 11.2% of capital).

Information about collateral at 31 December 2007 is as follows:

In thousands of Russian Roubles	Corporate loans	Consumer and car loans	Individuals entrepre-neurs	Mortgage loans	Factoring	Total
Loans collateralised by:	15 073 478	6 531 251	3 116 347	2 378 720	-	27 099 796
- real estate items	6 521 975	357 257	1 307 935	1 733 481	-	9 920 648
- tradable securities	76 500	14 440	3 200	-	-	94 140
- motor transport	2 348 296	3 556 497	1 104 131	8 918	-	7 017 842
- agricultural equipment	766 446	7 753	98 979	-	-	873 178
- property	1 725 332	366 299	243 569	262 132	-	2 597 332
- pledge of harvest	194 794	-	10 000	-	-	204 794
- pledge of rights	129 445	2 703	3 000	118 819	-	253 967
- shifting stock	2 072 749	142	223 925	-	-	2 296 816
- third parties' guarantees	1 237 941	2 226 160	121 608	255 370	-	3 841 079
Unsecured loans	521 998	410 195	5 052	-	41 561	978 806
Total loans and advances to customers	**15 595 476**	**6 941 446**	**3 121 399**	**2 378 720**	**41 561**	**28 078 602**

11 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2006 is as follows:

In thousands of Russian Roubles	**Corporate loans**	**Consumer and car loans**	**Individual entrepre-neurs**	**Mortgage loans**	**Factoring**	**Total**
Loans collateralised by:	9 135 080	3 777 115	1 189 922	869 078	-	14 971 195
- real estate	2 644 674	79 118	228 854	430 561	-	3 383 207
- tradable securities	-	39 141	600	-	-	39 741
- motor transport	1 580 168	1 865 600	411 163	7 573	-	3 864 504
- property	4 219 853	344 498	467 095	243 796	-	5 275 242
- pledge of rights	1 966	1 568	-	50 401	-	53 935
- third parties' guarantees	688 419	1 447 190	82 210	136 747	-	2 354 566
Unsecured loans	189 142	339 173	12 646	-	27 500	568 461
Total loans and advances to customers	**9 324 222**	**4 116 288**	**1 202 568**	**869 078**	**27 500**	**15 539 656**

Analysis of loans and advances to customers by credit quality at 31 December 2007 is as follows:

In thousands of Russian Roubles	**Corporate loans**	**Consumer and car loans**	**Individual entrepre-neurs**	**Mortgage loans**	**Factoring**	**Total**
Current and not impaired						
- Large borrowers with credit history over two years	3 587 443	-	-	-	-	3 587 443
- Large new borrowers	2 445 854	-	-	-	-	2 445 854
- Loans to medium size entities	1 409 382	-	-	-	-	1 409 382
- Loans to small entities	7 871 184		3 043 955	-	41 003	10 956 142
- Loans to the general public	-	6 419 273	-	2 265 555	-	8 684 827
Total current and not impaired	**15 313 863**	**6 419 273**	**3 043 955**	**2 265 555**	**41 003**	**27 083 648**
Past due but not impaired						
- less than 30 days overdue	22 034	196 348	-	49 547	-	267 929
Total past due but not impaired	**22 034**	**196 348**	**-**	**49 547**	**-**	**267 929**
Loans determined to be impaired (gross)						
- less than 180 days overdue	132 648	130 276	66 888	24 401	-	354 213
- 180 to 360 days overdue	90 850	113 775	2 039	38 543	558	245 765
- over 360 days overdue	36 082	81 774	8 517	674	-	127 047
Total impaired loans (gross)	**259 580**	**325 825**	**77 444**	**63 618**	**558**	**727 025**
Gross carrying value of other loans and advances	**15 595 477**	**6 941 446**	**3 121 399**	**2 378 720**	**41 561**	**28 078 602**
Less: Impairment provision	(269 939)	(286 253)	(59 358)	(25 697)	(1 247)	(642 494)
Total loans and advances to customers	**15 325 538**	**6 655 192**	**3 062 040**	**2 353 023**	**40 314**	**27 436 108**

11 Loans and Advances to Customers (Continued)

The primary factors that the Group considers in assessing loan impairment, is overdue of principle or interest by more than 30 days and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of loans that are individually determined to be impaired.

The analysis of loans and advances to customers by credit quality at 31 December 2006 is as follows:

In thousands of Russian Roubles	**Corporate loans**	**Consumer and car loans**	**Individual entrepre-neurs**	**Mortgage loans**	**Factoring**	**Total**
Current and not impaired						
- Large borrowers with credit history over two years	3 004 094	-	-	-	-	3 004 094
- Large new borrowers	4 679 063	-	-	-	-	4 679 063
- Loans to medium size entities	1 434 557	-	-	-	-	1 434 557
- Loans to small entities	136 071	-	1 173 769	-	25 195	1 335 035
- Loans to the general public	-	3 815 231	-	869 078	-	4 684 309
Total current and not impaired	**9 253 785**	**3 815 231**	**1 173 769**	**869 078**	**25 195**	**15 137 058**
Past due but not impaired						
- less than 30 days overdue	9 874	140 095	10 426	-	822	161 217
Total past due but not impaired	**9 874**	**140 095**	**10 426**	**-**	**822**	**161 217**
Loans determined to be impaired (gross)						
- less than 180 days overdue	19 175	97 722	4 489	-	1 483	122 869
- 180 to 360 days overdue	32 105	48 321	7 716	-	-	88 142
- over 360 days overdue	9 283	14 919	6 168	-	-	30 370
Total impaired loans and advances (gross)	**60 563**	**160 962**	**18 373**	**-**	**1 483**	**241 381**
Gross carrying value of other loans	**9 324 222**	**4 116 288**	**1 202 568**	**869 078**	**27 500**	**15 539 656**
Less: Impairment provision	(268 478)	(89 992)	(50 018)	(37)	(825)	(409 350)
Total loans and advances to customers	**9 055 744**	**4 026 296**	**1 152 550**	**869 041**	**26 675**	**15 130 306**

Past due but not impaired loans represent collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired represents the entire balance of such loans, not only the individual instalments that are past due.

11 Loans and Advances to Customers (Continued)

Fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2007 is as follows:

In thousands of Russian Roubles	Corporate loans	Consumer and car loans	Individual entrepre-neurs	Mortgage loans	Total
Fair value of collateral - loan past due but not impaired					
Real estate	17 440	-	4 570	4 405	26 415
Property	30 190	8 145	-	-	38 335
Motor transport	3 329	43 620	-	-	46 949
Shifting stock	15 646	-	822	-	16 468
Agricultural equipment	2 857	-	-	-	2 857
Harvest	-	-	-	-	-
Third parties' guarantees	168 490	16 413	200	300	185 403
Fair value of collateral - loans past due and impaired					
Real estate	240 624	7 832	53 167	18513	320 136
Property	90 012	156 320	59 040	4551	309 923
Motor transport	41 172	223 083	14 021	-	278 276
Shifting stock	121 494	-	2 042	-	123 536
Agricultural equipment	18 751	-	4 222	-	22 973
Harvest	19 143	-	1 771	-	20 914
Third parties' guarantees	946 186	111 348	313 886	13662	1 385 082
Total	**1 715 334**	**566 761**	**453 741**	**41 431**	**2 777 267**

Fair value of collateral in respect of loans past due but not impaired and in respect of loans determined to be impaired at 31 December 2006 is as follows:

In thousands of Russian Roubles	Corporate loans	Consumer and car loans	Individual entrepre-neurs	Total
Fair value of collateral - loan past due but not impaired				
Real estate	1 300	8 281	1 300	10 881
Motor vehicles	8 050	110 096	3 443	121 589
Property	58 964	54 736	13 844	127 544
Guarantee	31 760	104 884	21 900	158 544
Fair value of collateral - loans past due and impaired				
Real estate	5 610	9 400	5 945	20 955
Motor vehicles	3 171	102 629	571	106 371
Property	98 364	94 487	37 313	230 164
Pledge of rights	-	751	-	751
Guarantee	144 950	85 201	26 700	256 851
Total	**352 169**	**570 465**	**111 016**	**1 033 650**

Fair value of residential real estate at the balance sheet date was estimated using reports of accredited appraiser and approved by relevant Bank Departments based on a comparative assessment approach, which reflects the property value in relation to equivalent objects, with available market value taking into account adjustments, and information on the trends in residential real estate prices.

11 Loans and Advances to Customers (Continued)

The carrying value of each class of loans and advances to customers approximates its fair value at 31 December 2007 and 31 December 2006. At 31 December 2007 the estimated fair value of loans and advances to customers was RR 27 519 683 thousand (2006: RR 15 082 133 thousand). Refer to Note 37.

Interest rate analysis of loans and advances to customers is disclosed in Note 33. The information on related party balances is disclosed in Note 39.

12 Finance lease receivables

In thousands of Russian Roubles	**2007**	**2006**
Total investments in financial lease	1 600 978	846 677
Less: Unearned future finance income on finance lease receivables	(302 548)	(150 299)
Less: Impairment provision	(11 207)	(6 964)
Total finance lease receivables	**1 287 223**	**689 414**

The primary factors the Group considers relating to finance lease receivables impairment, is its overdue status and realisability of related collateral, if any. The rights to the leased assets revert to the Group in the event of lessee's default.

Analysis of finance lease receivables by credit quality at 31 December 2007 is as follows:

In thousands of Russian Roubles	**Corporate business**	**Small business**	**Total**
Current and not impaired	451 706	841 594	1 293 300
Total current and not impaired	**451 706**	**841 594**	**1 293 300**
Past due but not impaired			
- less than 30 days overdue	2 707	-	2 707
Total past due but not impaired	**2 707**	**-**	**2 707**
Receivables determined to be impaired (gross)			
- less than 180 days overdue	1 691	596	2 287
- 180 to 360 days overdue	-	136	136
Total impaired (gross)	**1 691**	**732**	**2 423**
Gross carrying value of finance lease receivables	**456 104**	**842 326**	**1 298 430**
Less: Impairment provision	(3 937)	(7 270)	(11 207)
Total financial lease receivables	**452 167**	**835 056**	**1 287 223**

12 Finance lease receivables (Continued)

Analysis of finance lease receivables by credit quality at 31 December 2006 is as follows:

In thousands of Russian Roubles	Corporate business	Small business	Total
Current and not impaired	262 740	431 543	694 283
Total current and not impaired	**262 740**	**431 543**	**694 283**
Past due but not impaired			
- less than 30 days overdue	-	-	-
Total past due but not impaired	**-**	**-**	**-**
Receivables determined to be impaired (gross)			
- less than 180 days overdue	-	1 560	1 560
- 180 to 360 days overdue	-	193	193
- over 360 days overdue	342	-	342
Total impaired (gross)	**342**	**1 753**	**2 095**
Gross carrying value of finance lease receivables	**263 082**	**433 296**	**696 378**
Less: Impairment provision	(2 631)	(4 333)	(6 964)
Total finance lease receivables	**260 451**	**428 963**	**689 414**

The movement in impairment provision during 2007 and 2006 was as follows:

In thousands of Russian Roubles	2007	2006
Impairment provision at 1 January	**6 964**	**7 082**
Provision / (recovery of provision) during the year	4 243	(118)
Impairment provision at 31 December	**11 207**	**6 964**

The fair value of collateral in respect of finance lease receivables at 31 December 2007 and 31 December 2006 is as follows:

In thousands of Russian Roubles	2007	2006
- agricultural equipment	998 292	825 060
- motor vehicles	663 288	340 969
- industrial equipment	474 270	168 853
- construction equipment	434 787	91 040
- real estate	52 884	33 747
- office equipment	38 738	11 768
- trading equipment	26 531	42 698
Fair value of collateral in respect of finance lease receivables	**2 688 790**	**1 514 135**

The collateral in respect of finance lease receivables is at the same time the subject of the lease.

12 Finance lease receivables (Continued)

The structure of finance lease receivables by leased assets is as follows:

	2007		2006	
In thousands of Russian Roubles	Amount	%	Amount	%
- agricultural equipment	426 205	32,9	358 013	51,4
- motor vehicles	331 352	25,5	171 887	24,7
- industrial equipment	258 048	19,9	84 400	12,1
- construction equipment	226 370	17,4	43 695	6,3
- office equipment	22 541	1,7	6 073	0,9
- real estate	22 431	1,7	14 595	2,1
- trading equipment	11 483	0,9	17 715	2,5
Total finance lease receivables (before impairment)	**1 298 430**	**100**	**696 378**	**100**

The structure of finance lease receivables by economic sector is as follows:

	2007		2006	
In thousands of Russian Roubles	Amount	%	Amount	%
Agriculture	434 252	33,4	378 462	54,3
Construction	263 029	20,3	53 745	7,7
Manufacturing	183 212	14,1	78 964	11,3
Trade	151 500	11,7	79 796	11,5
Transport	115 769	8,9	44 478	6,4
Energy	10 133	0,8	7 642	1,1
Other	140 535	10,8	53 291	7,7
Total finance lease receivables (before impairment)	**1 298 430**	**100**	**696 378**	**100**

The analysis of gross investment in finance lease receivables and the net investment in finance lease receivables by maturity is disclosed below:

In thousands of Russian Roubles	Less than 1 year	From 1 to 5 years	Total
Gross investments in finance lease at 31 December 2007	**821 491**	**779 487**	**1 600 978**
Unearned finance income	(190 593)	(111 955)	(302 548)
Less: Impairment provision	(5 751)	(5 456)	(11 207)
Finance lease receivables at 31 December 2007	**625 147**	**662 076**	**1 287 223**
Gross investments in finance lease at 31 December 2006	**482 930**	**363 747**	**846 677**
Unearned finance income	(102 574)	(47 725)	(150 299)
Less: Impairment provision	(3 804)	(3 160)	(6 964)
Finance lease receivables at 31 December 2006	**376 552**	**312 862**	**689 414**

The carrying value of finance lease receivables approximates its fair value at 31 December 2007 and 31 December 2006. At 31 December 2007, the estimated fair value of finance lease receivables was RR 1 290 991 thousand (2006: RR 710 438 thousand). Refer to Note 37.

Geographical, currency, maturity and interest rate analyses of finance lease receivables are disclosed in Note 33.

13 Investment in Associate

In December 2007 OAO TPTS "Teploenergo", which was part of the Center-invest Bank Group, signed an agreement with the European Bank for Reconstruction and Development (EBRD, London) on the participation in the share capital of OAO TPTS "Teploenergo". Following the additional share issue, held in December 2007, EBRD holds 25% of the share capital of OAO TPTS "Teploenergo", and Center-invest Bank Group – 47.31%.

The Group lost its control over the company at 31 December 2007. The Group's investments in OAO TPTS "Teploenergo" are recorded in the consolidated financial statements as at 31 December 2007 as investment in associate.

The table below summarises the movements in the carrying amount of the Group's investment in associate.

In thousands of Russian Roubles	**2007**	**2006**
The Group's share in the fair value of net assets of subsidiary before loss of control	316 825	-
Loss from disposal of subsidiary	(16 439)	-
Fair value of net assets of associate acquired at 31 December 2007	**300 386**	**-**

Information about net assets of OAO TPTS "Teploenergo" at 28 December 2007 (date of disposal) and 31 December 2007 is as follows:

In thousands of Russian Roubles	**Notes**	**28 December 2007**	**31 December 2007**
Cash and cash equivalents		4 222	4 222
Due from other banks		98 938	98 938
Trade receivables		82 456	82 456
Other assets		9 560	9 560
Premises and equipment	15	593 726	593 726
Trade payables		(14 453)	(14 453)
Other payables		(148 715)	(15 964)
Deferred tax liability	30	(123 554)	(123 554)
Net assets of associate at 31 December 2007		**502 180**	**634 931**
Group's share in net assets of associate		**316 825**	**300 386**

Cash received from EBRD during the additional share issue process (Note 1) were recognised as other payables upon their receipt. Subsequently, upon registration of issuance of new shares, these funds were recognised as additional share capital of OAO TPTS "Teploenergo" at 31 December 2007.

13 Investment in Associates (Continued)

Information about the result of subsidiary's operations during 2007 till the moment of its reclassification to associate and for the period ended 31 December 2007 and 31 December 2006 is as follows:

In thousands of Russian Roubles	From 1 January 2007 to 28 December 2007	2006
Heat energy revenue	271 807	251 452
Heat energy direct costs excluding administrative and other operating expenses	(132 819)	(122 822)
Other revenue / (expenses)	6 585	(355)
Staff costs	(68 007)	(60 940)
Depreciation	(12 394)	(10 957)
Other expenses related to fixed assets	(27 641)	(17 717)
Other taxes, excluding profit tax	(6 114)	(2 013)
Other	(10 207)	(19 718)
Profit for the period	**21 210**	**16 930**
Income tax expenses	(4 102)	(6 816)
Net profit for the period	**17 108**	**10 114**
Net profit attributable to:		
Equity holders of the Group	10 793	6 381
Minority interest	6 315	3 733

Information on cash flow of disposed subsidiary during year 2007 and 2006 is as follows:

In thousands of Russian Roubles	From 1 January 2007 to 28 December 2007	2006
Net cash flows from operating activities	30 873	27 353
Net cash used in investing activities	(33 786)	(16 167)
Net cash received from / (used in) investing activities	104 435	(9 477)
Nett increase in cash and cash equivalents	**101 522**	**1 709**

14 Intangible assets

In thousands of Russian Roubles		2007	2006
Carrying value			
Balance at the beginning of the year		147 395	42 310
Additions		96 435	108 027
Disposals		(3 879)	(2 942)
Balance at the end of the year		**239 951**	**147 395**
Accumulated amortisation			
Balance at the beginning of the year		28 478	28 869
Amortisation charge	29	5 913	2 551
Disposals		(3 879)	(2 942)
Balance at the end of the year		**30 512**	**28 478**
Net carrying value at 1 January		**118 917**	**65 857**
Net carrying value at 31 December		**209 439**	**118 917**

The major part of investments in intangible assets represents investments into a new integrated computerised banking system - SAP for Banking and front-office operating systems in the amount of RR 134 673 thousand (2006: RR 93 605 thousand). The Group selected the computerised banking system SAP for Banking in an international tender during which it reviewed more than 50 criteria for every 11 systems from the vendor list. Currently the SAP for Banking and operating systems modules are being customised. The systems were not yet put into operation, amortisation is not being accrued.

15 Premises and equipment

In thousands of Russian Roubles	Notes	Land	Premises	Heat power production equipment	Heat power transmis-sion equipment	Other	Total
Net carrying value at 31 December 2005		**256 247**	**699 953**	**30 716**	**23 171**	**184 801**	**1 194 888**
Carrying value							
Balance at 31 December 2005		256 247	712 339	52 773	54 269	302 272	1 377 900
Additions		24 750	222 328	6 839	6 601	176 842	437 360
Disposals		-	(113)	(2 944)	(2 767)	(12 299)	(18 123)
Revaluation		79 681	242 881	-	-	-	322 562
Balance at 31 December 2006		**360 678**	**1 177 435**	**56 668**	**58 103**	**466 815**	**2 119 699**
Accumulated depreciation							
Balance at 31 December 2005		-	12 387	22 056	31 098	117 471	183 012
Depreciation charge	29	-	18 747	2 913	2 809	69 931	94 400
Disposals		-	-	(1 081)	(2 510)	(3 526)	(7 117)
Revaluation		-	(17 700)	-	-	-	(17 700)
Balance at 31 December 2006		**-**	**13 434**	**23 888**	**31 397**	**183 876**	**252 595**
Net carrying value at 31 December 2006		**360 678**	**1 164 001**	**32 780**	**26 706**	**282 939**	**1 867 104**
Carrying value							
Balance at 31 December 2006		360 678	1 177 435	56 668	58 103	466 815	2 119 699
Additions		2 734	218 446	13 953	10 924	222 266	468 323
Disposals		-	(1 972)	(982)	-	(25 971)	(28 925)
Revaluation		354 560	441 049	-	-	-	795 609
Disposal of subsidiary	13	(249 654)	(271 689)	(69 639)	(69 027)	(25 293)	(685 302)
Balance at 31 December 2007		**468 318**	**1 563 269**	**-**	**-**	**637 817**	**2 669 404**
Accumulated depreciation							
Balance at 31 December 2006		-	13 434	23 888	31 397	183 876	252 595
Depreciation charge	13,29	-	30 146	3 880	3 178	101 273	138 477
Disposals		-	(200)	(982)	-	(13 537)	(14 719)
Revaluation		-	(29 029)	-	-	-	(29 029)
Disposal of subsidiary	13	-	(14 351)	(26 786)	(34 575)	(15 864)	(91 576)
Balance at 31 December 2007		**-**	**-**	**-**	**-**	**255 748**	**255 748**
Net carrying value at 31 December 2007		**468 318**	**1 563 269**	**-**	**-**	**382 069**	**2 413 656**

15 Premises and Equipment (Continued)

Premises and land were independently valued at 31 December 2007 by an independent firm of valuers, OOO BDO Unikon Rostov-on-Don, who hold a recognised and relevant professional qualification and recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value.

The carrying amount at 31 December 2007 includes RR 1 368 339 thousand (2006: RR 1 013 784 thousand) of revaluation surplus relating to premises and land of the Group. At 31 December 2007 the carrying amount of premises and land would have been RR 663 248 thousand (2006: RR 510 896 thousand), had the assets been carried at cost less depreciation.

16 Other Financial Assets

In thousands of Russian Roubles	2007	2006
Equipment purchased for leasing purposes	404 833	171 745
Prepayments to suppliers of equipment for leasing purposes	145 390	243 542
Receivables related to plastic cards transactions	99 671	88 650
Trade receivables and prepayments	84 519	163 520
Special capital fund	30 000	
Settlements on brokerage operations	19 636	9 509
Settlements on conversion operations	12 455	14 370
Settlements on other operations	2 352	5 731
Total other financial assets	**798 856**	**697 067**

Other financial assets are non-overdue and not impaired.

The Education and Science YUFO special capital fund commenced its work in May 2007, and the Center-invest Bank Group was one of its initiators and founders. The Bank made its first contribution to the Fund in the amount of RR 30 000 thousand in June 2007 on a repayable basis, for a term of 10 years.

The carrying value of each class of other financial assets approximates fair value at 31 December 2007 and 31 December 2006. At 31 December 2007, the estimated fair value of other financial assets was RR 798 856 thousand (2006: RR 697 067 thousand). Refer to Note 37.

17 Other Assets

In thousands of Russian Roubles	2007	2006
Prepaid taxes and recoverable taxes	114 499	114 329
Repossessed collateral	81 280	109 149
Other	15 287	28 450
Total other assets	**211 066**	**251 928**

Tax prepayment at 31 December 2007 includes recoverable VAT in the amount of RR 102 951 thousand (2006: RR 98 357 thousand).

Repossessed collateral represents assets obtained by the Group in settlement of overdue loans. The Group expects to dispose of these assets in the foreseeable future. The assets are not classified as held for sale under IFRS 5, because the Group has not yet started to actively market them for sale. The assets were initially recognised at fair value when obtained.

The Group sold part of the repossessed collateral in 2007 with a net profit of RR 29 299 thousand (2006: nil). The carrying value of disposed assets amounted to RR 70 701 thousand.

The information on related party balances is disclosed in Note 39.

18 Due to Other Banks

In thousands of Russian Roubles	2007	2006
Current term placements of other banks	4 535 737	2 528 531
Correspondent accounts and overnight placements of other banks	154	153
Total due to other banks	**4 535 891**	**2 528 684**

The structure of current term deposits of other banks as at 31 December 2007 and 31 December 2006:

In thousands of Russian Roubles	2007	2006
Syndicated loan from Commerzbank	1 915 922	-
Syndicated loan from Raiffeisenbank	1 008 437	-
Credit line from National City Bank	400 274	-
Syndicated loan from UniCredit Bank (formerly International Moscow Bank)	298 697	1 510 861
Loans from Russian Development Bank for small business financing	167 790	268 100
Loan from ICICI Bank Eurasia	122 731	-
Loans from Commerzbank for trade financing	78 965	2 285
Loans from Raiffeisenlandesbank for trade financing	21 606	11 885
Current term deposits of other banks	521 315	735 400
Total current term deposits	**4 535 737**	**2 528 531**

Carrying value of each class of due to other banks approximates fair value at 31 December 2007 and 31 December 2006. At 31 December 2007, the estimated fair value of due to other banks was RR 4 535 891 thousand (2006: RR 2 528 684 thousand). Refer to Note 37.

Interest rate analysis of due to other banks is disclosed in Note 33. The information on related party balances is disclosed in Note 39.

19 Customer Accounts

In thousands of Russian Roubles	2007	2006
State and public organisations		
- Current/settlement accounts	482 612	447 470
- Term deposits	37 568	30 700
Other legal entities		
- Current/settlement accounts	5 267 982	3 124 868
- Term deposits	1 430 172	816 933
Individuals		
- Current/demand accounts	1 509 665	1 305 498
- Term deposits	10 517 061	6 635 497
Total customer accounts	**19 245 060**	**12 360 966**

State and public organisations exclude government owned profit orientated companies.

19 Customer Accounts (Continued)

The structure of customer accounts by economic sector is as follows:

	2007		2006	
	Amount	**%**	**Amount**	**%**
Individuals	12 026 726	62,5	7 940 995	64,2
Trade	2 208 169	11,5	1 124 051	9,1
Construction	925 076	4,8	550 207	4,5
Manufacturing	522 539	2,7	468 619	3,8
Power industry	314 751	1,6	360 291	2,9
Telecommunication	320 543	1,7	358 416	2,9
Agriculture	608 532	3,2	252 864	2,1
Municipal organisations	266 884	1,4	174 048	1,4
Insurance sector	191 739	1,0	107 968	0,9
Transport	150 593	0,8	99 532	0,8
Education	44 723	0,2	41 525	0,3
Other	1 664 785	8,6	882 450	7,1
Total customer accounts	**19 245 060**	**100**	**12 360 966**	**100**

At 31 December 2007 the total aggregate balance of 10 largest clients of the Group was RR 1 470 124 thousand or 7.6% of customer accounts; the total aggregate balance of 20 largest clients was RR 1 966 924 thousand or 10.2% of customer accounts (2006: the total aggregate balance of 10 and 20 largest customers amounted to RR 1 166 063 thousand and RR 1 509 769 thousand correspondingly, or 9.4% and 12.2% of customer accounts).

The carrying value of each class of customer accounts approximates its fair value at 31 December 2007 and 31 December 2006. At 31 December 2007, the estimated fair value of customer accounts was RR 19 245 060 thousand (2006: RR 12 360 966 thousand). Refer to Note 37.

Interest rate analysis of customer accounts is disclosed in Note 33. The information on related party balances is disclosed in Note 39.

20 Debt Securities in Issue

In thousands of Russian Roubles	**2007**	**2006**
Bonds	1 499 341	1 513 443
Promissory notes	23 988	103 967
Total debt securities in issue	**1 523 329**	**1 617 410**

In November 2006 the Bank placed at par RR 1 500 000 thousand Rouble denominated bond issue on MICEX. These bonds have maturity in November 2009. Each bond has an embedded put option with maturity in November 2007 and exercisable at par.

In November 2007 the Bank fully met the claims of bond holders who exercised their put options of RR 1 224 065 thousand at par. Coupon income for the 3rd and 4th coupon periods was set at 10% p.a. By the end of 2007, all repurchased bonds were sold on the market.

20 Debt Securities in Issue (Continued)

Fair value of issued bonds at 31 December 2007 and 31 December 2006 was as follows:

	2007		2006	
In thousands of Russian Roubles	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Bonds issued on the local market	1 505 055	1 499 341	1 518 375	1 513 443
Total bonds issued	**1 505 055**	**1 499 341**	**1 518 375**	**1 513 443**

The carrying value of issued notes approximates fair value at 31 December 2007 and 31 December 2006. At 31 December 2007, the estimated fair value of issued notes was RR 23 988 thousand (2006: RR 103 967 thousand). Refer to Note 37. The interest rate analysis of debt securities in issue is disclosed in Note 33.

21 Other Borrowed Funds

In thousands of Russian Roubles	2007	2006
Term borrowings	4 358 692	-
Total other borrowed funds	**4 358 692**	**-**

In April 2007, the Group raised USD 175 000 thousand through placement of two-year CLN in international markets. The issuer of CLN was CRR.B.V. , a Dutch Company. The organiser of the issue was IB Trust, the co-organiser – Commerzbank AG. The CLN were placed through open subscription via trade organisers.

The carrying value of other borrowed funds approximates fair value at 31 December 2007 and 31 December 2006. At 31 December 2007, the estimated fair value of other borrowed funds was RR 4 327 344 thousand (2006: nil). Refer to Note 37.

The interest rate analysis of other borrowed funds is disclosed in Note 33. The information on related party balances is disclosed in Note 39.

22 Borrowings from International Financial Institutions

In thousands of Russian Roubles	2007	2006
Term borrowings from EBRD	2 853 078	1 661 719
Term borrowings from KfW-Bank	214 506	206 978
Term borrowings from IFC	210 394	254 228
Term borrowings from Landesbank Berlin	161 834	180 879
Term borrowings from DEG	97 551	149 303
Term borrowings from Public Bank of Vicenza	1 399	2 692
Total borrowings from international financial institutions	**3 538 762**	**2 455 799**

During 2002-2007, the Group opened several credit lines with International Finance Corporation ("IFC"), Landesbank Berlin (formerly Gesellschaft Berlin Bank), European Bank for Reconstruction and Development ("EBRD"), German governmental finance and consulting company DEG, KfW Bank and Public Bank of Vicenza.

The carrying value of other borrowings from international financial institutions approximates fair value at 31 December 2007 and 31 December 2006. At 31 December 2007, the estimated fair value of borrowings from international financial institutions was RR 3 538 762 thousand (2006: RR 2 455 799 thousand). Refer to Note 37. Geographical, currency, maturity and interest rate analyses of borrowings from international financial institutions are disclosed in Note 33. The information on related party balances is disclosed in Note 39.

23 Subordinated Debt

In thousands of Russian Roubles	2007	2006
Subordinated loan from Black Sea Bank of Reconstruction and Development (Greece)	247 394	-
Subordinated loan from IFC	125 804	131 656
Total subordinated debt	**373 198**	**131 656**

At the end of 2004, the Group received a subordinated loan of USD 5 000 thousand from the IFC payable by January 2011. In April 2007, the Group received a subordinated loan of USD 10 000 from the Black Sea Bank for Reconstruction and Development (Greece) payable by April 2014.

The carrying value of subordinated debt approximates its fair value at 31 December 2007 and 31 December 2006. At 31 December 2007, the estimated fair value of subordinated loans was RR 373 198 thousand (2006: RR 131 656 thousand).

The claims of the above lenders against the Group in respect of principal and interest due to them will be subordinated to the claims of other creditors in accordance with the legislation of the Russian Federation.

Geographical, currency, maturity and interest rate analyses of subordinated debt are disclosed in Note 33.

24 Other Financial Liabilities

Other financial liabilities comprise the following:

In thousands of Russian Roubles	2007	2006
Prepayment under lease contracts	208 907	167 088
Payables related to plastic cards transactions	97 189	69 594
Foreign exchange forward contracts	39 015	-
Settlements on conversion operations	12 273	-
Credit related commitments	3 214	1 501
Trade payables	511	19 965
Other accrued liabilities	3 970	956
Total other financial liabilities	**365 079**	**259 104**

Foreign exchange forward contracts and contingent credit related commitments are shown in the consolidated balance sheet at fair value.

The carrying value of each class of other financial liabilities approximates its fair value at 31 December 2007 and 31 December 2006. At 31 December 2007, the estimated fair value of other financial liabilities was RR 365 079 thousand (2006: RR 259 104 thousand). Refer to Note 37.

25 Other Liabilities

Other liabilities comprise the following:

In thousands of Russian Roubles	Notes	2007	2006
Taxes payable, other than taxes on income		8 153	25 519
Accrued employee benefit costs		7 203	4 083
Other		17 975	20 160
Payables to suppliers		-	31 609
Total other liabilities		**33 331**	**81 371**

26 Share Capital

In thousands of RR except for number of shares	**Number of outstanding shares**	**Ordinary shares**	**Share premium**	**Preference shares**	**Treasury shares**	**Total**
At 1 January 2006	**52 665 777**	**912 786**	**546 428**	**95 923**	**(1 563)**	**1 553 574**
New shares issued	25 000 000	250 000	1 100 000	-	-	1 350 000
Treasury shares purchased	(328)	-	-	-	(1)	(1)
Treasury shares sold	-	-	-	-	-	-
At 31 December 2006	**77 665 449**	**1 162 786**	**1 646 428**	**95 923**	**(1 564)**	**2 903 573**
New shares issued	-	-	-	-	-	-
Treasury shares purchased	-	-	-	-	-	-
Treasury shares sold	98 426	-	-	-	1 564	1 564
At 31 December 2007	**77 763 875**	**1 162 786**	**1 646 428**	**95 923**	**-**	**2 905 137**

Nominal registered amount of the Bank's issued share capital prior to restatement of capital contributions made before 1 January 2006 to the purchasing power of the Russian Rouble at 31 December 2002 is RR 866 000 thousand (2006: RR 866 000 thousand). At 31 December 2007, all of the Bank's outstanding shares were authorised, issued and fully paid.

All ordinary shares have a nominal value of RR 10 per share (2006: RR 10 per share) and carry one vote

The preference shares have a nominal value of RR 4 and RR 1 000 and carry no voting rights, but rank in priority of the ordinary shares in the event of Bank's liquidation. The preference shares are not redeemable. Preference share dividends are set at 20% p.a. (2006: 20% p.a.) and rank above ordinary dividends. If preference dividends are not declared by the shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time as the dividend are paid.

During 2007, the Bank sold all treasury shares (2006: 98 426 preference shares belonging to the Group's subsidiaries were fully owned by the Group).

Share premium represents the excess of contributions received over the nominal value of shares issued.

27 Interest Income and Expense

In thousands of Russian Roubles	**2 007**	**2 006**
Interest income		
Loans and advances to legal entities	1 772 821	1 151 851
Loans and advances to individuals	1 034 355	527 488
Loans and advances to individual entrepreneurs	325 655	158 897
Finance income arising from leasing operations	240 594	124 367
Due from other banks	226 327	61 812
Mortgage loans	203 428	87 311
Debt trading securities	68 059	55 583
Overnight placements with other banks	43 618	5 034
Other debt securities, recorded as at fair value through profit or loss	1 516	646
Correspondent accounts with other banks	554	1 160
Other	-	116
Total interest income	**3 916 927**	**2 174 265**
Interest expense		
Term deposits of individuals	726 632	472 346
Borrowings from international financial institutions and subordinated loans	328 485	152 936
Other borrowed funds	310 982	-
Term placements of other banks	287 960	207 930
Bonds issued	149 107	21 769
Term deposits of legal entities	46 516	30 311
Promissory notes issued	5 254	7 753
Total interest expense	**1 854 936**	**893 045**
Net interest income	**2 061 991**	**1 281 220**

28 Fee and Commission Income and Expense

In thousands of Russian Roubles	2007	2006
Fee and commission income		
- Commission on cash transactions	199 717	133 258
- Commission on settlement transactions	156 937	112 546
- Commission on operations with plastic cards	75 150	37 399
- Commission on currency transactions	20 814	28 789
- Commission on issued guarantees	7 957	9 385
- Commission on fiduciary operations	4 549	5 791
- Commission on cash collection	3 277	3 119
- Other	79 603	30 839
Total fee and commission income	**548 004**	**361 126**
Fee and commission expense		
- Commission on operations with plastic cards	41 713	29 491
- Commission on cash collection	22 078	16 539
- Settlement transactions	23 395	12 704
- Cash transactions	2 665	1 128
- Commission on received guarantees	81	3 252
- Other	1 957	3 997
Total fee and commission expense	**91 889**	**67 111**
Net fee and commission income	**456 115**	**294 015**

29 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Notes	2007	2006
Staff costs		735 486	500 048
Administrative expenses		158 130	100 436
Depreciation of premises and equipment	15	126 083	94 400
Other costs of premises and equipment		93 467	83 388
Taxes other than on income		61 525	47 710
Advertising and marketing services		52 219	38 776
Insurance of individual deposits		50 158	32 583
Rent		35 160	16 133
Losses on disposal of premises an equipment		12 364	412
Professional services		10 462	10 840
Amortisation of intangible assets	14	5 913	2 551
Other		94 649	80 374
Total administrative and other operating expenses		**1 435 616**	**1 007 651**

Included in staff costs are statutory social security and pension contributions (unified social tax) of RR 109 267 thousand (2006: RR 79 613 thousand).

30 Income Taxes

Income tax expense comprises the following:

In thousands of Russian Roubles	2007	2006
Current tax	221 844	164 568
Deferred tax	23 048	(15 367)
Income tax expense for the year	**244 892**	**149 201**

The income tax rate applicable to the Group's income is 24% (2006: 24%). Reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Russian Roubles	2007	2006
Profit before tax	**951 454**	**666 185**
Theoretical tax charge at statutory rate (2007: 24%; 2006: 24%)	228 349	159 884
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	17 293	11 618
- Income on securities taxed at different rates	(750)	(22 301)
Income tax expense for the year	**244 892**	**149 201**

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 24% (2006: 24%), except for income on state securities that is taxed at 15% (2006: 15%).

30 Income Taxes (Continued)

In thousands of Russian Roubles	31 December 2006	Credited / (charged) to consolidated statement of income	Charged directly to equity	Disposal of subsidiary	31 December 2007
Tax effect of deductible temporary differences					
Loans and advances to customers	41 515	(22 572)	-	-	18 943
Finance lease receivables	20 639	(6 022)	-	-	14 617
Other	2 523	11 114	-	-	13 637
Gross deferred tax asset	**64 677**	**(17 480)**	**-**	**-**	**47 197**
Tax effect of taxable temporary differences					
Premises and equipment	(220 925)	4 569	(197 913)	123 554	(290 715)
Other	(7 344)	(10 137)	-	-	(17 481)
Gross deferred tax liability	**(228 269)**	**(5 568)**	**(197 913)**	**123 554**	**(308 196)**
Less offsetting with deferred tax assets	64 677	(17 480)	-	-	47 197
Recognised deferred tax liability	**(163 592)**	**(23 048)**	**(197 913)**	**123 554**	**(260 999)**

In thousands of Russian Roubles	31 December 2005	Credited / (charged) to consolidated statement of income	Charged directly to equity	31 December 2006
Tax effect of deductible temporary differences				
Loans and advances to customers	32 691	8 824	-	41 515
Finance lease receivables	8 830	11 809	-	20 639
Other	-	2 523	-	2 523
Gross deferred tax asset	**41 521**	**23 156**	**-**	**64 677**
Tax effect of taxable temporary differences				
Premises and equipment	(138 459)	(803)	(81 663)	(220 925)
Other	(358)	(6 986)	-	(7 344)
Gross deferred tax liability	**(138 817)**	**(7 789)**	**(81 663)**	**(228 269)**
Less offsetting with deferred tax assets	41 521	23 156	-	64 677
Recognised deferred tax liability	**(97 296)**	**15 367**	**(81 663)**	**(163 592)**

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

31 Dividends

In thousands of Russian Roubles	2007 Ordinary shares	2007 Preference shares	2006 Ordinary shares	2006 Preference shares
Dividends payable at 1 January	-	-	-	-
Dividends declared and paid during the year	139 591	18 027	94 591	18 020
Dividends payable at 31 December	**-**	**-**	**-**	**-**

All dividends are declared and paid in Russian Roubles.

During 2007 the Bank declared and paid the following dividends: on ordinary shares – RR 1.8 per share (2006: RR 1.8 per share); on preference shares with nominal value of RR 1 000 – RR 200 per share (2006: RR 200 per share) and on preference shares with nominal value of RR 4 – RR 0.8 per share (2006: RR 0.8 per share).

At 31 December 2007 ordinary shares include 77 550 750 shares (2006: 77 550 750 shares). Total preference shares less treasury shares with nominal value of RR 1 000 and RR 4 per share comprise 90 000 shares (2006: 90 000 shares) and 123 125 (2006: 24 699 shares) respectively.

32 Segment Analysis

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group is organised on a basis of four main business segments:

- *Retail banking* – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- *Corporate banking* – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- *Finance leasing*.
- *Heat energy production* (as a result of disposal of the heat energy producing subsidiary, there are no balances relating to this segment).

The Group does not apply transfer pricing for distribution of assets and capital between the segments and, consequently, there are no significant income and expense items between the segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding taxation.

32 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group for the years ended 31 December 2007 and 2006 is set out below:

In thousands of Russian Roubles	Retail banking	Corporate banking	Finance leasing	Heat energy production	Elimina-tions	Total
2007						
External revenues	1 356 332	2 993 637	254 339	12 155	-	4 616 458
Revenues from other segments	-	64 165	766	-	(64 931)	-
Total revenues	**1 356 332**	**3 057 802**	**255 105**	**12 155**	**(64 931)**	**4 616 458**
Total revenues comprise:						
- Interest income	1 237 783	2 495 226	1 035	138	(57 849)	3 676 333
- Finance income arising from leasing	-	-	241 360	-	(766)	240 594
- Fee and commission income	88 209	466 111	-	-	(6 316)	548 004
- Other operating income	30 340	96 465	12 710	12 017	-	151 527
Total revenues	**1 356 332**	**3 057 802**	**255 105**	**12 155**	**(64 931)**	**4 616 458**
Segment result	**341 460**	**1 772 865**	**218 798**	**5 226**	**-**	**2 338 349**
Unallocated costs						(1 386 895)
Profit before tax						**951 454**
Income taxes						(244 892)
Profit						**706 562**
Result from discontinued operations						
Heat energy revenue	-	-	-	271 807	-	271 807
Heat energy direct cost excluding administrative and other operating expense	-	-	-	(132 819)	-	(132 819)
Other expense	-	-	-	(117 778)	-	(117 778)
Income tax expense	-	-	-	(4 102)	-	(4 102)
Loss on disposal of subsidiary	-	-	-	(16 439)	-	(16 439)
Result from discontinued operations	-	-	-	**669**	**-**	**669**
Profit for the year						**707 231**

32 Segment Analysis (Continued)

In thousands of Russian Roubles	**Retail banking**	**Corporate banking**	**Finance leasing**	**Heat energy production**	**Elimina-tions**	**Total**
Mandatory cash balances with CBRF	263 755	158 304	-	-	-	422 059
Trading securities	-	963 633	-	-	-	963 633
Other securities at fair value through profit or loss	-	26 976	-	-	-	26 976
Due from other banks	-	1 417 650	-	-	-	1 417 650
Loans and advances to customers	9 008 216	18 427 892	-	-	-	27 436 108
Finance lease receivables	-	-	1 287 223	-	-	1 287 223
Other financial assets	-	248 633	550 223	-	-	798 856
Total segment assets	**9 271 971**	**21 243 088**	**1 837 446**	**-**	**-**	**32 352 505**
Unallocated assets						**7 108 556**
Total assets						39 461 061
Due to other banks	-	4 535 891	-	-	-	4 535 891
Customer accounts	12 026 726	7 218 334	-	-	-	19 245 060
Promissory notes issued	-	1 523 329	-	-	-	1 523 329
Other borrowed funds	-	4 358 692	-	-	-	4 358 692
Loans from international financial institutions	-	3 538 762	-	-	-	3 538 762
Subordinated debt	-	373 198	-	-	-	373 198
Other financial liabilities	-	155 661	209 418	-	-	365 079
Total segment liabilities	**12 026 726**	**21 703 867**	**209 418**	**-**	**-**	**33 940 011**
Deferred tax liabilities						260 999
Other unallocated liabilities						33 331
Total liabilities						**34 234 341**
Other segment items						
Impairment provision charged to profit or loss	(238 082)	(26 547)	(4 243)	-	-	(268 872)

32 Segment Analysis (Continued)

In thousands of Russian Roubles	**Retail banking**	**Corporate banking**	**Financel leasing**	**Heat energy production**	**Elimina-tions**	**Total**
2006						
External revenues	699 253	1 749 983	129 896	257 269	-	2 836 401
Revenues from other segments	-	23 034	1 556	-	(24 590)	-
Total revenues	**699 253**	**1 773 017**	**131 452**	**257 269**	**(24 590)**	**2 836 401**
Total revenues comprise:						
- Interest income	614 799	1 456 736	1 724	14	(23 375)	2 049 898
- Finance income arising from leasing	-	-	124 367	-	-	124 367
- Fee and commission income	84 454	269 393	2 703	-	(1 215)	355 335
- Heat energy revenues	-	-	-	251 452	-	251 452
- Other operating income	-	46 888	2 658	5 803	-	55 349
Total revenues	**699 253**	**1 773 017**	**131 452**	**257 269**	**(24 590)**	**2 836 401**
Segment result	**177 955**	**1 224 511**	**105 568**	**16 930**	**-**	**1 524 964**
Unallocated costs	-	-	-	-	-	(858 779)
Profit before tax						**666 185**
Income taxes						(149 201)
Profit						**516 984**

32 Segment Analysis (Continued)

In thousands of Russian Roubles	Retail banking	Corporate banking	Finance leasing	Heat energy production	Elimina-tions	Total
Mandatory cash balances with CBRF	162 909	90 676	-	-	-	253 585
Trading securities	-	708 568	-	-	-	708 568
Other securities at fair value through profit or loss	-	49 493	-	-	-	49 493
Due from other banks	-	1 808 089	-	-	-	1 808 089
Loans and advances to customers	4 895 270	10 235 036	-	-	-	15 130 306
Finance lease receivables	-	-	689 414	-	-	689 414
Other assets	-	-	513 644	90 973	-	604 617
Total segment assets	**5 058 179**	**12 891 862**	**1 203 058**	**90 973**	**-**	**19 244 072**
Unallocated assets						4 588 500
Total assets						**23 832 572**
Due to other banks	-	2 528 684	-	-	-	2 528 684
Customer accounts	7 940 995	4 419 971	-	-	-	12 360 966
Promissory notes issued	-	1 617 410	-	-	-	1 617 410
Loans from international financial institutions	-	2 455 799	-	-	-	2 455 799
Subordinated debt	-	131 656	-	-	-	131 656
Other liabilities	-	-	167 088	32 380	-	199 468
Total segment liabilities	**7 940 995**	**11 153 520**	**167 088**	**32 380**	**-**	**19 293 983**
Deferred tax liabilities	-	-	-	-	-	163 592
Other unallocated liabilities	-	-	-	-	-	141 007
Total liabilities					**-**	**19 598 582**
Other segment items						
Impairment provision charged to profit or loss	(38 061)	(96 083)	-	-	-	(134 144)
Recovery of impairment provision charged to profit or loss	-	-	118	-	-	118

Geographical segments. The Group operates only in the Southern Federal District of the Russian Federation. Refer to Note 33 for analysis of assets and liabilities of the Russian operations outstanding with foreign counterparts.

33 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objective of the financial risk management function is to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Bank manages risks on the basis of the document "Risk Management Policy of OAO CB Center-invest" approved by the Bank's Board of Directors. The policy regulates the Bank's risk management strategy and implementation procedures; mandatory business lines and types of risks for monitoring; interaction in the process of managing OAO CB Center-invest's risks.

The risk management strategy described in this document includes:

- Accepting risks on the basis of the level of profitability and risks associated with business lines;
- Priority of developing lending operations;
- Regular revaluation of market risks associated with assets;
- Consideration of the level of risk in evaluating business lines' efficiency;
- Efficient capital and reserves management.

Credit risk. The Group takes on exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

The Bank manages credit risks on the basis of the following principles:

- Avoiding risks through refusing from transactions that fall beyond the Bank's Credit Policy or Risk Management Policy;
- Setting concentration limits, limits per one borrower (a group of related borrowers) covering on-balance sheet and off-balance sheet risks ("one obligor" principle);
- Creating and adequately evaluating collateral;
- Using a system of corporate and personal guarantees;
- Limiting officials' authority in making lending decisions without consideration by collegial bodies (credit committees);
- Improving methods of reviewing borrowers' financial and business activity enabling to adequately evaluate the level of risk associated with loans and other credit instruments;
- Regular monitoring of borrowers' financial position, state of collateral and debt servicing;
- Use of same credit policies in relation to contingent liabilities and on-balance sheet financial instruments through established credit approvals, risk control limits, monitoring procedures, etc.;
- Using selective approaches and procedures for evaluating credit risks and decision-making procedures with consideration of products, risk levels and aggregate outstanding balances per borrower (a group of borrowers);
- Covering credit risks by maintaining an adequate level of capital and reserves.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated balance sheet. For guarantees the maximum exposure to credit risk is the amount of the commitment. Refer to Note 35.

Such risks are monitored on a regular basis.

33 Financial Risk Management (Continued)

The Group established a number of credit committees which are responsible for approving lending transactions with individual borrowers:

The Big Credit Committee of the Bank's Head Office approves credit limits for borrowers or groups of related borrowers with aggregate outstanding balances in the range from RR 10 million to 25% of capital, calculated in accordance with the requirements of the Central Bank of the Russian Federation. It is also responsible for issuing guidance to lower level credit committees. The Committee meets twice a week.

Small Credit Committees of the Head Bank approve loans to borrowers and groups of related borrowers with aggregate outstanding balances less than RR 10 million. At present, there are two small credit committees functioning at the Bank's Head Office, which approve credit limits for small businesses and retail clients, respectively. The Committees meet twice a week.

Small Credit Committees of the Bank's territorial structural units approve credit applications or deals for units' customers twice a week. Decision-making limits are individual for each unit and approved by the Bank's Executive Board.

Loan applications originated by the relevant client relationship managers are considered on the basis of standardised procedures and passed on to the relevant Credit Committee for approval of credit limit after completion of preliminary, authorisation and monitoring procedures. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

In order to monitor credit risk credit officers are monitoring on a monthly basis the borrowers based on a structured analysis of borrowers' business and financial performance in conformity with the requirements of the Central Bank of the Russian Federation. Any significant exposures to customers and groups of related customers with deteriorating creditworthiness are reported to, and reviewed by, the Credit Committees, the Risk Committee and the Committee for Problem Loans. The Group uses formalised internal credit ratings in compliance with regulations of the Central Bank of the Russian Federation. The Bank's management monitors and follows up past due balances.

The Group's credit departments review ageing analysis of outstanding loans and follows up past due balances. The ageing and other information about credit risk is disclosed in Note 11.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in respect of contingent liabilities as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity instruments, all of which are exposed to general and specific market movements.

The Bank manages market risks and monitors corresponding limits on a daily basis. Market risks are managed in respect of each component and in general on the basis of the following principles:

- Ongoing monitoring of trading operations;
- Setting limits on financial investments;
- Setting limits on homogenous financial instrument portfolios;
- Monitoring and evaluation of market risk;
- Coverage of market risks by maintenance an adequate level of capital.

Market risk associated with revaluation of trading securities portfolio. The Bank accepts equity risk associated with losses resulting from fluctuations of market values of open positions on securities and derivative market instruments. The Bank opens positions on securities for subsequent resale and for investment purposes.

33 Financial Risk Management (Continued)

Equity risks are managed through limiting the overall volume of transactions, exposed to such risk, and setting limits on different types of transactions and specific issuers with consideration of risks associated with the issuer's industry (on the basis of regular monitoring and analysis). The Bank uses a wide range of VaR (Value at Risk) methodologies for reviewing and limiting the risks associated with market price fluctuations.

The management sets limits in respect of the accepted risk level (VaR). Limits are monitored on a daily basis.

Currency risk. The Bank is exposed to currency risk associated with losses resulting from fluctuations of market values of open positions in different currencies. Exposure to currency risk is evaluated on the basis of VaR. The Bank also monitors financial result from currency transactions from the beginning of the year. The size of the currency position is regulated through matching assets and liabilities balances in foreign currencies. The Bank seeks to decrease the open currency position, thereby, decreasing its exposure to currency risk. The Bank manages its currency position by using currency swaps on the interbank market. The Bank is not exposed to risks associated with changes in precious metals' prices due to the absence of such transactions.

The management sets limits in respect of the accepted risk level (VaR). Limits are monitored on a daily basis. Since VAR is used for management of certain risks, for the purpose of this consolidated financial statements the level of currency risk is examined based on simple sensitivity, calculated based on open currency position of the Group at the reporting date.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the balance sheet date:

In thou-sands of Russian Roubles	At 31 December 2007				At 31 December 2006			
	Monetary financial assets	**Monetary financial liabilities**	**Derivatives**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net balance sheet position**
Russian Roubles	33 348 827	(23 292 152)	(7 335 392)	2 721 283	20 554 689	(16 165 576)	(183 248)	4 205 865
US Dollars	2 440 789	(9 685 042)	7 192 037	(52 216)	2 481 647	(2 567 441)	78 993	(6 801)
Euros	531 197	(923 798)	89 833	(302 768)	790 302	(865 565)	104 090	28 827
Pound Sterling	5 701	(4)	-	5 697	5 934	-	-	5 934
Total	**36 326 514**	**(33 900 996)**	**(53 522)**	**2 371 996**	**23 832 572**	**(19 598 582)**	**(165)**	**4 233 825**

Derivatives in each column represent the contractual value at the balance sheet date of the respective currency that the Group agreed to buy (positive amont) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross in Note 36. The net total represents represents contractual value of the currency derivatives.

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

34 Financial Risk Management (Continued)

The following table presents sensitivities of consolidated profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	At 31 December 2007		At 31 December 2006	
In thousands of Russian Roubles	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollars strengthening by 5%	(2 611)	(2 611)	(340)	(340)
US Dollars weakening by 5%	2 611	2 611	340	340
Euro strengthening by 5%	(15 138)	(15 138)	1 441	1 441
Euro weakening by 5%	15 138	15 138	(1 441)	(1 441)
Other strengthening by 5%	285	285	297	297
Other weakening by 5%	(285)	(285)	(297)	(297)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

This type of risk is managed through setting limits on the maximum changes in projected interest income. These values are determined on the basis of interest gap analysis.

The management monitors on a regular basis and sets limits on the level of interest rate risk that may be undertaken. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amount of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Non-monetary	Total
31 December 2007								
Total assets	7 306 209	3 365 340	5 075 532	8 135 233	10 682 320	1 761 880	3 134 547	39 461 061
Total liabilities	(8 827 769)	(6 514 742)	(4 602 886)	(6 756 623)	(7 237 942)	(49)	(294 330)	(34 234 341)
Net interest sensitivity gap at 31 December 2007	**(1 521 560)**	**(3 149 402)**	**472 646**	**1 378 610**	**3 444 378**	**1 761 831**	**2 840 217**	**5 226 720**
31 December 2006								
Total assets	5 868 132	2 473 047	2 626 555	4 440 655	5 430 379	755 855	2 237 949	23 832 572
Total liabilities	(6 442 559)	(3 355 626)	(2 231 634)	(6 039 553)	(1 284 151)	(96)	(244 963)	(19 598 582)
Net interest sensitivity gap at 31 December 2006	**(574 427)**	**(882 579)**	**394 921**	**(1 598 898)**	**4 146 228**	**755 759**	**1 992 986**	**4 233 990**

All of the Group's debt instruments reprice within 5 years (2006: all reprice within 5 years).

33 Financial Risk Management (Continued)

If at 31 December 2007 the interest rates had been 50 basis points lower/higher, with all other variables held constant, profit for the year would have been RR 20 966 thousand (2006: RR 4 516 thousand) higher/lower, mainly as a result of the resulting structure of attracted and invested funds based on repricing timing.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on the reports reviewed by key management of the Group:

	2007				2006			
In % p.a.	RR	US Dollars	Euros	Other	RR	US Dollars	Euros	Other
Assets								
Cash and cash equivalents	0.0	-	-	-	0.0	-	-	-
Correspondent accounts and overnight placements with other banks	0.0	3.8	0.0	4.3	0.0	5.3	1.5	3.1
Debt trading securities	11.1	-	-	-	11.0	-	-	-
Other debt securities at fair value through profit or loss	13.3	-	-	-	12.8	-	-	-
Due from other banks	7.5	7.3	4.8	-	7.2	5.5	5.0	-
Loans and advanced to customers:								
- Corporate loans	13.9	11.7	11.0	-	15.0	11.7	11.2	-
- Loans to individual entrepreneurs	15.6	13.0	12.3	-	17.3	13.4	12.2	-
- Loans to individuals – consumer loans	19.7	13.3	-	-	21.6	13.5	14.5	-
- Loans to individuals – car loans	15.2	12.8	12.0	-	16.3	13.2	13.2	-
- Mortgage loans	13.8	12.2	13.2	-	17.8	12.3	12.1	-
Finance lease receivables	20.0	15.1	14.1	-	21.1	-	15.4	-
Liabilities								
Due to other banks	10.8	8.0	7.7	-	9.1	-	6.2	-
Customer accounts								
- Current accounts of legal entities	0.0	0.0	0.0	-	0.0	0.0	0.0	-
- Current accounts of individuals	0.2	0.1	0.1	-	0.2	0.1	0.1	-
- Term deposits of legal entities	6.8	-	6.5	-	4.1	-	-	-
- Term deposits of individuals	8.9	7.3	5.1	-	8.3	7.0	4.8	-
Other borrowed funds	-	9.5	-	-	-	-	-	-
Promissory notes issued	5.5	-	-	-	7.2	-	-	-
Bonds issued	11.3	-	-	-	10.2	-	-	-
Loans from international financial institutions	9.8	7.7	7.0	-	10.1	8.2	5.8	-
Subordinated debt	-	9.4	-	-	-	11.9	-	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

Other price risk. The Group is exposed to limited risk related to fluctuation of equity securities' prices. Transactions with equity instruments are monitored and authorised by the Group's Treasury. If at 31 December 2007 equity prices had been 10% lower, with all other variables held constant, profit for the year would have been RR 7 200 thousand lower, mainly as a result of revaluation of equity securities at fair value through profit or loss.

The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity at the current balance sheet date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers.

33 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2007 is set out below:

	Russia	USA	Europe	Other	Total
Assets					
Cash and cash equivalents	2 874 609	984 436	114 964	-	3 974 009
Mandatory cash balances with the CBRF	422 059	-	-	-	422 059
Trading securities	963 633	-	-	-	963 633
Other securities at fair value through profit or loss	26 976	-	-	-	26 976
Due from other banks	1 392 965	-	24 685	-	1 417 650
Loans and advances to customers	27 436 108	-	-	-	27 436 108
Finance lease receivables	1 287 223	-	-	-	1 287 223
Other financial assets	770 021	-	28 835	-	798 856
Total financial assets	***35 173 594***	***984 436***	***168 484***	***-***	***36 326 514***
Other assets	3 134 547	-	-	-	3 134 547
Total assets	**38 308 141**	**984 436**	**168 484**	**-**	**39 461 061**
Liabilities					
Due to other banks	2 093 207	49 225	2 393 347	112	4 535 891
Customer accounts	19 225 323	-	9 751	9 986	19 245 060
Other borrowed funds	-	-	4 358 692	-	4 358 692
Debt securities in issue	1 523 329	-	-	-	1 523 329
Due to international financial institutions	-	210 394	3 328 368	-	3 538 762
Subordinated debt	-	125 804	247 394	-	373 198
Other financial liabilities	365 079	-	-	-	365 079
Total financial liabilities	***23 206 938***	***385 423***	***10 337 552***	***10 098***	***33 940 011***
Other liabilities	294 330	-	-	-	294 330
Total liabilities	**23 501 268**	**385 423**	**10 337 552**	**10 098**	**34 234 341**
Net gap	**14 806 873**	**599 013**	**(10 169 068)**	**(10 098)**	**5 226 720**
Credit related commitments	**311 024**	**-**	**12 843**	**-**	**323 867**

33 Financial Risk Management (Continued)

Assets, liabilities and credit related commitments have been allocated based on the country in which the counterparty is located. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

The geographical concentration of the Group's assets and liabilities at 31 December 2006 is set out below:

	Russia	USA	Europe	Other	Total
Assets					
Cash and cash equivalents	1 609 223	603 701	45 177	-	2 258 101
Mandatory cash balances with the CBRF	253 585	-	-	-	253 585
Trading securities	708 568	-	-	-	708 568
Other securities at fair value through profit or loss	49 493	-	-	-	49 493
Due from other banks	1 808 089	-	-	-	1 808 089
Loans and advances to customers	15 130 306	-	-	-	15 130 306
Financial lease receivables	689 414	-	-	-	689 414
Other financial assets	697 067	-	-	-	697 067
Total financial assets	**20 945 745**	**603 701**	**45 177**	**-**	**21 594 623**
Other assets	2 237 949	-	-	-	2 237 949
Total assets	**23 183 694**	**603 701**	**45 177**	**-**	**23 832 572**
Liabilities					
Due to other banks	2 438 668	-	89 943	73	2 528 684
Customer accounts	12 360 966	-	-	-	12 360 966
Debt securities in issue	1 617 410	-	-	-	1 617 410
Due to international financial institutions	-	254 228	2 201 571	-	2 455 799
Subordinated debt	-	131 656	-	-	131 656
Other financial liabilities	259 104	-	-	-	259 104
Total financial liabilities	***16 676 148***	***385 884***	***2 291 514***	***73***	***19 353 619***
Other liabilities	244 963	-	-	-	244 963
Total liabilities	**16 921 111**	**385 884**	**2 291 514**	**73**	**19 598 582**
Net gap	**6 262 583**	**217 817**	**(2 246 337)**	**(73)**	**4 233 990**
Credit related commitments	**137 746**	**-**	**11 648**	**-**	**149 394**

Other risk concentrations. Management monitors and discloses information on credit risk concentrations by obtaining reports on exposures to borrowers with aggregated loan balances in excess of 10% of capital. Refer to Note 11.

33 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is determined as the risk of facing difficulties associated with the transformation of assets into cash required for repayment of liabilities upon maturity, the real cost of the asset remaining unchanged.

The Asset and Liability Committee of the Bank is the regulatory and consultative body in charge of liquidity risk management. It coordinates actions of the Bank's units that have a direct or indirect impact on liquidity and cooperates with the Credit Committee in respect of liquidity issues.

Operational liquidity management is carried out by the Bank's Treasury on a daily basis through maintaining the overall liquidity reserve, consisting of balances on the Bank's correspondent accounts, cash on hand, due from other banks – primary liquidity reserve, and high liquid securities – secondary liquidity reserve. The Treasury monitors the Bank's payment position on a daily basis.

Efficient liquidity management is ensured through forecasting and reviewing of liquidity gaps calculated as the difference between assets and liabilities (including off-balance sheet positions) by maturity. Based on forecast data, the Bank prepares a schedule of future cash receipts and payments and sets own liquidity surplus (deficit) ratios. These are approved by the Asset and Liability Committee and are used in the current operations of the Bank.

The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. These ratios are:

Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand;

Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days.

Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year;

The table below shows assets and liabilities at 31 December 2007 by their remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), prices specified in currency forward agreements to purchase financial assets for cash. Such undiscounted cash flows differ from the amounts included in the consolidated balance sheet because the balance sheet amounts are based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

33 Financial Risk Management (Continued)

The maturity analysis of financial assets and liabilities at 31 December 2007 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	3 974 009	-	-	-	-	-	3 974 009
Mandatory cash balances with the CBRF	180 529	45 524	55 613	83 887	56 505	1	422 059
Trading securities	963 633	-	-	-	-	-	963 633
Other securities at fair value through profit or loss	20 078	-	-	-	-	6 898	26 976
Due from other banks	694 439	213 235	360 224	136 527	60 180	-	1 464 605
Loans and advances to customers	1 384 819	3 629 743	5 058 884	8 615 377	12 423 547	2 777 954	33 890 324
Finance lease receivables	76 283	141 421	201 868	401 614	779 792	-	1 600 978
Gross settled forwards	2 506 315	5 072 712	-	-	-	-	7 579 027
Other financial assets	433 601	216 405	26 372	69 507	22 971	30 000	798 856
Total assets	**10 233 706**	**9 319 040**	**5 702 961**	**9 306 912**	**13 342 995**	**2 814 853**	**50 720 467**
Liabilities							
Due to other banks	276 529	1 981 990	590 707	1 529 816	421 477	-	4 800 519
Customer accounts	8 296 449	2 117 881	2 615 274	3 983 104	3 078 326	57	20 091 091
Other borrowed funds	-	-	193 831	193 831	4 488 357	-	4 876 019
Promissory notes issued	9 336	9 138	80 509	1 575 616	150 000	-	1 824 599
Due to international financial institutions	8 021	840 790	308 847	715 667	1 682 784	273 543	3 829 652
Subordinated debt	-	-	17 123	17 177	229 295	267 837	531 431
Gross settled forwards	2 541 342	5 091 207	-	-	-	-	7 632 549
Other financial liabilities	260 254	39 427	8 051	4 932	13 400	-	326 064
Total liabilities	**11 391 931**	**10 080 433**	**3 814 342**	**8 020 143**	**10 063 639**	**541 436**	**43 911 924**
Net liquidity gap at 31 December 2007	**(1 158 225)**	**(761 393)**	**1 888 619**	**1 286 769**	**3 279 356**	**2 273 417**	**6 808 543**
Cumulative liquidity gap at 31 December 2007	**(1 158 225)**	**(1 919 618)**	**(30 999)**	**1 255 770**	**4 535 126**	**6 808 543**	**-**

33 Financial Risk Management (Continued)

The maturity analysis of financial assets and liabilities at 31 December 2006 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than5 years	Total
Assets							
Cash and cash equivalents	2 258 101	-	-	-	-	-	2 258 101
Mandatory cash balances with the CBRF	110 790	34 042	32 281	54 004	22 466	2	253 585
Trading securities	708 568	-	-	-	-	-	708 568
Other securities at fair value through profit or loss	30 827	-	-	-	-	18 666	49 493
Due from other banks	1 702 768	-	56 908	59 776	-	-	1 819 452
Loans and advances to customers	1 092 178	2 800 223	2 753 887	4 652 759	6 249 592	989 501	18 538 140
Finance lease receivables	46 297	81 933	116 968	237 732	363 747	-	846 677
Gross settled forwards	131 713	314 738	-	-	-	-	446 451
Other financial assets	176 181	396 418	82 875	38 816	2 777	-	697 067
Total assets	**6 257 423**	**3 627 354**	**3 042 919**	**5 043 087**	**6 638 582**	**1 008 169**	**25 617 534**
Liabilities							
Due to other banks	452 201	202 870	28 721	1 836 504	225 770	-	2 746 066
Customer accounts	5 567 208	1 710 643	1 622 146	2 713 685	1 128 950	124	12 742 756
Promissory notes issued	21 183	10 400	148 169	1 576 219	300 000	-	2 055 971
Due to international financial institutions	181 008	63 769	203 913	244 371	2 092 866	-	2 785 927
Subordinated debt	-	-	7 812	7 855	179 687	-	195 354
Gross settled forwards	131 655	314 961	-	-	-	-	446 616
Other financial liabilities	111 288	135 022	10 760	1 890	144	-	259 104
Total liabilities	**6 464 543**	**2 437 665**	**2 021 521**	**6 380 524**	**3 927 417**	**124**	**21 231 794**
Net liquidity gap at 31 December 2006	**(207 120)**	**1 189 689**	**1 021 398**	**(1 337 437)**	**2 711 165**	**1 008 045**	**4 385 740**
Cumulative liquidity gap at 31 December 2006	**(207 120)**	**982 569**	**2 003 967**	**666 530**	**3 377 695**	**4 385 740**	**-**

33 Financial Risk Management (Continued)

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have the right to withdraw their deposits prior to maturity, thus forfeiting their right to accrued interest.

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities, the analysis of which at 31 December 2007 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Not defined maturity	Total
Assets								
Cash and cash equivalents	3 974 009	-	-	-	-	-	-	3 974 009
Mandatory cash balances with the CBRF	422 059	-	-	-	-	-	-	422 059
Trading securities	963 633	-	-	-	-	-	-	963 633
Other securities at fair value through profit or loss	20 078	-	-	-	-	-	6 898	26 976
Due from other banks	694 068	207 065	341 517	154 167	20 833	-	-	1 417 650
Loans and advances to customers	1 361 230	3 013 941	4 279 482	7 385 952	9 741 489	1 654 014	-	27 436 108
Investment in associate	-	-	-	-	-	-	300 386	300 386
Finance lease receivables	55 987	102 160	149 122	318 186	661 768	-	-	1 287 223
Intangible assets	-	-	-	-	-	-	209 439	209 439
Premises and equipment	-	-	-	-	-	-	2 413 656	2 413 656
Other financial assets	433 601	216 405	26 372	69 507	22 971	30 000	-	798 856
Other assets	-	30 728	46 963	9 663	123 712	-	-	211 066
Total assets	**7 924 665**	**3 570 299**	**4 843 456**	**7 937 475**	**10 570 773**	**1 684 014**	**2 930 379**	**39 461 061**
Liabilities								
Due to other banks	267 636	1 945 528	543 716	1 420 482	358 529	-	-	4 535 891
Customer accounts	8 231 739	2 075 826	2 535 847	3 825 087	2 576 527	34	-	19 245 060
Debt securities in issue	-	-	93 429	-	4 265 263	-	-	4 358 692
Other borrowed funds	9 336	9 048	26 559	1 478 386	-	-	-	1 523 329
Due to international financial institutions	7 945	810 998	263 143	623 737	1 582 939	250 000	-	3 538 762
Subordinated debt	-	-	7 328	-	122 731	243 139	-	373 198
Other financial liabilities	267 306	78 442	999	4 932	13 400	-	-	365 079
Deferred tax liability	-	-	-	-	-	-	260 999	260 999
Other liabilities	151	26 128	7 052	-	-	-	-	33 331
Total liabilities	**8 784 113**	**4 945 970**	**3 478 073**	**7 352 624**	**8 919 389**	**493 173**	**260 999**	**34 234 341**
Net liquidity gap at 31 December 2007	**(859 448)**	**(1 375 671)**	**1 365 383**	**584 851**	**1 651 384**	**1 190 841**	**2 669 380**	**5 226 720**
Cumulative liquidity gap at 31 December 2007	**(859 448)**	**(2 235 119)**	**(869 736)**	**(284 885)**	**1 366 499**	**2 557 340**	**5 226 720**	**-**

The above analysis is based on expected maturities, therefore the entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of portfolio's realisability.

33 Financial Risk Management (Continued)

The analysis by expected maturities at 31 December 2006 is presented in the table below:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**More than 5 years**	**Not defined maturity**	**Total**
Assets								
Cash and cash equivalents	2 258 101	-	-	-	-	-	-	2 258 101
Mandatory cash balances with the CBRF	253 585	-	-	-	-	-	-	253 585
Trading securities	708 568	-	-	-	-	-	-	708 568
Other securities at fair value through profit or loss	-	-	30 827	-	-	-	18 666	49 493
Due from other banks	1 697 486	407	55 000	55 196	-	-	-	1 808 089
Loans and advances to customers	1 066 910	2 367 442	2 373 923	3 929 123	4 816 056	576 852	-	15 130 306
Finance lease receivables	34 570	60 231	88 202	193 549	312 862	-	-	689 414
Intangible assets	-	-	-	-	-	-	118 917	118 917
Premises and equipment	-	-	-	-	-	-	1 867 104	1 867 104
Other assets	176 181	396 418	82 875	181 595	111 926	-	-	948 995
Total assets	**6 195 401**	**2 824 498**	**2 630 827**	**4 359 463**	**5 240 844**	**576 852**	**2 004 687**	**23 832 572**
Liabilities								
Due to other banks	450 471	157 864	22	1 743 435	176 892	-	-	2 528 684
Customer accounts	5 420 624	1 705 624	1 584 449	2 734 429	915 744	96	-	12 360 966
Debt securities in issue	21 181	10 357	71 269	1 160	-	-	-	103 967
Bonds issued	-	-	21 375	1 492 068	-	-	-	1 513 443
Due to international financial institutions	180 297	46 376	186 061	160 449	1 882 616	-	-	2 455 799
Subordinated debt	-	-	-	-	131 656	-	-	131 656
Other financial liabilities	111 288	135 022	10 760	1 890	144	-	-	259 104
Deferred tax liability	-	-	-	-	-	-	163 592	163 592
Other liabilities	4 083	43 635	-	33 653	-	-	-	81 371
Total liabilities	**6 187 944**	**2 098 878**	**1 873 936**	**6 167 084**	**3 107 052**	**96**	**163 592**	**19 598 582**
Net liquidity gap at 31 December 2006	**7 457**	**725 620**	**756 891**	**(1 807 621)**	**2 133 792**	**576 756**	**1 841 095**	**4 233 990**
Cumulative liquidity gap at 31 December 2006	**7 457**	**733 077**	**1 489 968**	**(317 653)**	**1 816 139**	**2 392 895**	**4 233 990**	**-**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the successful management of the Group. It is unusual for banks ever to have completely matched positions, since transactions are often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

The management believes that in spite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

33 Financial Risk Management (Continued)

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the respective commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Operational risk. To ensure efficient risk management, the Bank has created an operational risk management system. Currently, the Bank uses the Base Indicative Approach to operational risk evaluation. Operational risks are managed on the basis of the regulation approved by the Bank's Executive Board. This activity includes the following:

- Collecting information on operating losses;
- Identifying sources of operational risk in the credit institution's activity;
- Developing regulations and actions for decreasing the level of operational risk;
- Coverage of risks by maintenance of adequate level of capital.

The Bank's information security and continuity are ensured by the Bank's Information Security Policy developed on the basis of ISO 17799 and approved by the Board of Directors.

The Bank has a BBB policy that insures its property interests associated with ownership, use and disposal of the Bank's property and also with unforeseen expenses (losses) incurred by the Bank in its operations.

The policy insures the following risks:

- Falsification (forgery) of documents;
- Transactions with falsified, lost or stolen securities;
- Transactions with false banknotes (coins);
- Disloyalty of employees;
- Loss or damage of valuable assets of the Bank during transportation;
- Loss or damage of financial documents during transportation by a courier (cash collection) company;
- Loss or damage of valuable assets belonging to the Bank and located in the Bank's specially equipped premises;
- Misappropriation by means of robbery, theft or abbrochment of valuable assets belonging to the Bank and located in the Bank's specially equipped premises.
- Misappropriation by means of robbery, theft or abbrochment of valuable assets belonging to the Bank's clients and located in the Bank's specially equipped premises.

34 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on Basel Accord of at least 8%. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly based on the reports with corresponding calculations, which are reviewed and signed by the Bank's Chairman of the Board and Chief Accountant. Other objectives of capital management are evaluated annually.

34 Management of Capital (Continued)

Under the current capital requirements set by the Central Bank of Russian Federation, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level – 10%.

The Group and the Bank are also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Group's capital calculated in accordance with Basel Accord is as follows:

In thousands of Russian Roubles	**2007**	**2006**
Tier 1 capital		
Share capital	1 258 709	1 257 145
Share premium	1 646 428	1 646 428
Retained earnings	1 117 712	507 271
Total tier 1 capital	**4 022 849**	**3 410 844**
Tier 2 capital		
Revaluation reserve for premises and equipment	1 203 871	777 005
Subordinated loan	310 919	96 547
Total tier 2 capital	**1 514 790**	**873 552**
Total capital	**5 537 639**	**4 284 396**

The Group and the Bank complied with all externally imposed capital requirements throughout 2007 and 2006.

In accordance with the Bank's Risk Management Policy and Basel II requirements the Bank's capital is distributed to cover unexpected losses on credit, market and operational risks.

During the reporting year the Bank complied with capital distribution limits set by the Board of Directors.

35 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements.

Tax legislation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

35 Contingencies and Commitments (Continued)

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover a longer period.

On 10 June 2007 the Federal Fiscal Authoritity of the Russian Federation in Rostov region granted to Center-invest Bank "the Golden Credibility Certificate". This certificate discharges the Bank from any tax controls during a period of 3 years. This certificate is awared to the most responsible and conscientious tax payers.

Capital expenditure commitments. At 31 December 2007 the Group has contractual capital expenditure commitments in respect of premises and equipment, and software and other intangible assets totalling RR 155 911 thousand (2006: RR 157 945 thousand).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar commitments.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including increased cost of borrowings and declaration of default. As at 31 December 2007 and 31 December 2006 the Group was in compliance with all covenants. The most significant and most important covenants are:

- to maintain a capital adequacy ratio as defined by the Basel Committee;
- to maintain liquidity ratios;
- to maintain the related party exposure ratio.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit, which represent irrevocable obligations of the Group to make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary letters of credit, which are written obligations of the Group to make payments on behalf of up to a stipulated amount under specific terms and conditions, are collateralised by cash deposits and therefore carry less risk than direct lending.

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**2007**	**2006**
Guarantees issued	311 024	137 746
Import documentary letters of credit	12 843	11 648
Total credit related commitments	**323 867**	**149 394**

The total outstanding contractual amount of guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Fair value of credit related commitments was RR 3 214 thousand at 31 December 2007 (2006: RR 1 501 thousand). Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**2007**	**2006**
Russian roubles	250 923	78 029
US Dollars	12 941	9 579
Euros	60 003	61 786
Total	**323 867**	**149 394**

Assets pledged and restricted. Mandatory cash balances with the CBRF in the amount of RR 422 059 thousand (2006: RR 253 585 thousand) represent mandatory reserve deposited with CBRF, which are not available to finance the Bank's day to day operations.

36 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the balance sheet date, of currencies receivable or payable under foreign exchange forwards contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective balance sheet date. The contracts are short term in nature.

	2007			**2006**		
In thousands of Russian Roubles	**Receivables**	**Payables**	**Net position**	**Receivables**	**Payables**	**Net position**
Sale of USD	149 880	(147 306)	2 574	-	-	-
Purchase of USD	7 353 530	(7 395 622)	(42 092)	446 452	(446 617)	(165)
Purchase of Euros	89 998	(89 659)	339	-	-	-
Net fair value of foreign exchange forwards	**7 593 408**	**(7 632 587)**	**(39 179)**	**446 452**	**(446 617)**	**(165)**

The Group had outstanding obligations from unsettled spot transactions with foreign currencies. Net fair value of unsettled spot transactions is RR 164 thousand (2006: RR (45) thousand).

37 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading securities, other securities at fair value through profit or loss, and financial derivatives are carried on the consolidated balance sheet at their fair value. The fair values were determined based on quoted market prices.

Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Loans and receivables are carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

37 Fair Value of Financial Instruments (Continued)

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

In thousands of Russian Roubles	2007	2006
Loans and advances to customers		
Corporate loans and loans to individual entrepreneurs	9.0 % - 18.0 %	12.0% - 20.0 %
Loans to individuals - consumer loans	13.0 % - 26.5 %	14.0% - 27.0 %
Mortgage loans	11.8% - 19.0 %	14.3 % - 16.0 %
Finance lease receivables	14.2 % - 22.7 %	8.9 % - 21.6%

Refer to Notes 11 and 12 for the estimated fair values of loans and advances to customers and finance lease receivables, respectively.

Liabilities carried at amortised cost. The fair value of bonds and other borrowed funds is based on quoted market prices if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Refer to Notes 18, 19, 20, 21, 22, 23 and 24 for the estimated fair values of due to other banks, customer accounts, debt securities in issue (promissory notes), other borrowed funds, borrowings from international financial institutions, subordinated debt and other financial obligations respectively.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Their fair values are based on observable market prices. Refer to Note 36.

37 Fair Value of Financial Instruments (Continued)

Fair values of financial instruments are as follows:

In thousands of Russian Roubles	31 December 2007 Carrying value	31 December 2007 Fair value	31 December 2006 Carrying value	31 December 2006 Fair value
FINANCIAL ASSETS CARRIED AT AMORTISED COST				
Cash and cash equivalents	3 974 009	3 974 009	2 258 101	2 258 101
- Cash on hand	*1 488 219*	*1 488 219*	*839 285*	*839 285*
Cash balances with the CBRF (other than mandatory reserve deposits)	*1 181 192*	*1 181 192*	*658 710*	*658 710*
- Correspondent accounts and overnight placements with the banks of the Russian Federation	*205 198*	*205 198*	*111 228*	*111 228*
- Correspondent accounts and overnight placements with the banks of the other countries	*1 099 400*	*1 099 400*	*648 878*	*648 878*
Mandatory cash balances with the CBRF	422 059	422 059	253 585	253 585
Due from other banks	1 417 650	1 417 650	1 808 089	1 808 089
- Short-term placements with other banks with original maturities of less than three months	*639 366*	*639 366*	*1 697 413*	*1 697 413*
- Short-term placements with other banks with original maturities of more than three months	*778 284*	*778 284*	*110 676*	*110 676*
Loans and advances to customers	27 436 108	27 519 683	15 130 306	15 082 133
- Corporate loans and loans to individuals – entrepreneurs	*18 387 578*	*18 272 287*	*10 208 294*	*10 125 955*
- Loans to individuals - consumer loans	*6 655 193*	*6 693 331*	*4 026 296*	*4 034 199*
- Mortgage loans	*2 353 023*	*2 513 751*	*869 041*	*895 304*
- Factoring	*40 314*	*40 314*	*26 675*	*26 675*
Finance lease receivables	1 287 223	1 290 991	689 414	710 438
Other financial assets	798 856	798 856	697 067	697 067
- Equipment purchased for leasing purposes	*404 833*	*404 833*	*171 745*	*171 745*
- Prepayments to suppliers of equipment for leasing purposes	*145 390*	*145 390*	*243 542*	*243 542*
- Receivables related to plastic card transactions	*99 671*	*99 671*	*88 650*	*88 650*
- Trade receivables and prepayments	*84 519*	*84 519*	*163 520*	*163 520*
- Special capital fund	*30 000*	*30 000*	*-*	*-*
- Settlements on brokerage operations	*19 636*	*19 636*	*9 509*	*9 509*
- Settlements on conversion operations	*12 455*	*12 455*	*14 370*	*14 370*
- Settlements on other operations	*2 352*	*2 352*	*5 731*	*5 731*
FINANCIAL ASSETS CARRIED AT FAIR VALUE	990 609	990 609	758 061	758 061
Total financial assets	**36 326 514**	**36 413 857**	**21 594 623**	**21 567 474**

37 Fair Value of Financial Instruments (Continued)

In thousands of Russian Roubles	31 December 2007 Carrying value	31 December 2007 Fair value	31 December 2006 Carrying value	31 December 2006 Fair value
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST				
Due to other banks	4 535 891	4 535 891	2 528 684	2 528 684
- Current term placements of other banks	*4 535 737*	*4 535 737*	*2 528 531*	*2 528 531*
- Correspondent accounts of other banks	*154*	*154*	*153*	*153*
Customer accounts	19 245 060	19 245 060	12 360 966	12 360 966
- Current/settlement accounts of state and public organisations	*482 612*	*482 612*	*447 470*	*447 470*
- Term deposits of state and public organisations	*37 568*	*37 568*	*30 700*	*30 700*
- Current/settlement accounts of other legal entities	*5 267 982*	*5 267 982*	*3 124 868*	*3 124 868*
- Term deposits of other legal entities	*1 430 172*	*1 430 172*	*816 933*	*816 933*
- Current/demand accounts of individuals	*1 509 665*	*1 509 665*	*1 305 498*	*1 305 498*
- Term deposits of individuals	*10 517 061*	*10 517 061*	*6 635 497*	*6 635 497*
Debt securities in issue	1 523 329	1 529 043	1 617 410	1 622 342
- Promissory notes	*23 988*	*23 988*	*103 967*	*103 967*
- Bonds issued on local market	*1 499 341*	*1 505 055*	*1 513 443*	*1 518 375*
Other borrowed funds	4 358 692	4 327 344	-	-
Borrowings from international financial institutions	3 538 762	3 538 762	2 455 799	2 455 799
Subordinated debt	373 198	373 198	131 656	131 656
Other financial liabilities	322 850	322 850	259 104	259 104
- Prepayment under lease contracts	*208 907*	*208 907*	*167 088*	*167 088*
- Payables related to plastic card transactions	*97 189*	*97 189*	*69 594*	*69 594*
- Settlements on conversion operations	*12 273*	*12 273*	*-*	*-*
- Trade payables	*511*	*511*	*19 965*	*19 965*
- Other accrued liabilities	*3 970*	*3 970*	*2 457*	*2 457*
FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	42 229	42 229	-	-
Total financial liabilities	**33 940 011**	**33 914 377**	**19 353 619**	**19 358 551**

38 Reconciliation of Classes of Financial Instruments with Measurement Categories

For the purposes of measurement, IAS 39, Financial Instruments: Recognition of Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of classes of financial assets with these measurement categories at 31 December 2007:

In thousands of Russian Roubles	Loans and receivables	Assets at fair value through profit or loss	Total
Assets			
Cash and cash equivalents	3 974 009	-	3 974 009
Mandatory cash balances with the CBRF	422 059	-	422 059
Trading securities	-	963 633	963 633
Other securities at fair value through profit or loss	-	26 976	26 976
Due from other banks	1 417 650	-	1 417 650
- Short-term placements with other banks with original maturity of less than three months	*639 366*	-	*639 366*
- Short-term placements with other banks with original maturity of more than three months	*778 284*	-	*778 284*
Loans and advances to customers	27 436 108	-	27 436 108
- Corporate loans	*15 325 537*	-	*15 325 537*
- Loans to individuals - consumer loans	*6 655 193*	-	*6 655 193*
- Loans to individual entrepreneurs	*3 062 041*	-	*3 062 041*
- Mortgage loans	*2 353 023*	-	*2 353 023*
- Factoring	*40 314*	-	*40 314*
Finance lease receivables	1 287 223	-	1 287 223
Other financial assets:	798 856	-	798 856
- Equipment purchased for leasing purposes	*404 833*	-	*404 833*
- Prepayments to suppliers of equipment for leasing purposes	*145 390*	-	*145 390*
- Receivables related to plastic cards transactions	*99 671*	-	*99 671*
- Trade receivables and prepayments	*84 519*	-	*84 519*
- Target capital fund	*30 000*	-	*30 000*
- Settlements on brokerage operations	*19 636*	-	*19 636*
- Settlements on conversion operations	*12 455*	-	*12 455*
- Settlements on other operations	*2 352*	-	*2 352*
Total financial assets	**35 335 905**	**990 609**	**36 326 514**
Non-financial assets	-	-	3 134 547
Total assets	**-**	**-**	**39 461 061**

38 Reconciliation of Classes of Financial Instruments with Measurement Categories (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories at 31 December 2006:

In thousands of Russian Roubles	**Loans and receivables**	**Assets at fair value through profit or loss**	**Total**
Assets			
Cash and cash equivalents	2 258 101	-	2 258 101
Mandatory cash balances with the CBRF	253 585	-	253 585
Trading securities	-	708 568	708 568
Other securities at fair value through profit or loss	-	49 493	49 493
Due from other banks	1 808 089	-	1 808 089
- Short-term placements with other banks with original maturity of less than three months	*1 697 413*	-	*1 697 413*
- Short-term placements with other banks with original maturity of more than three months	*110 676*	-	*110 676*
Loans and advances to customers	15 130 306	-	15 130 306
- Corporate loans	*9 055 744*	-	*9 055 744*
- Loans to individuals - consumer loans	*4 026 296*	-	*4 026 296*
- Loans to individualentrepreneurs	*1 152 550*	-	*1 152 550*
- Mortgage loans	*869 041*	-	*869 041*
- Factoring	*26 675*	-	*26 675*
Finance lease receivables	689 414	-	689 414
Other financial assets:	697 067	-	697 067
- Equipment purchased for leasing purposes	*171 745*	-	*171 745*
- Prepayments to suppliers of equipment for leasing purposes	*243 542*	-	*243 542*
- Receivables related to plastic cards transactions	*88 650*	-	*88 650*
- Trade receivables and prepayments	*163 520*	-	*163 520*
- Target capital fund	*9 509*	-	*9 509*
- Settlements on brokerage operations	*14 370*	-	*14 370*
- Settlements on conversion operations	*5 731*	-	*5 731*
Total financial assets	**20 836 562**	**758 061**	**21 594 623**
Non-financial assets	-	-	2 237 949
Total assets	**-**	-	**23 832 572**

All of the Group's financial liabilities, except for derivatives are carried at amortised cost. Financial derivatives belong to financial instruments at fair value through profit or loss.

39 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or collateral valued in excess of the committed credit lines.

39 Related Party Transactions (Continued)

At 31 December 2007 and 31 December 2006 the outstanding balances with related parties were as follows:

	2007			2006	
	Significant shareholders	**Associate**	**Management and Board of Directors**	**Significant shareholders**	**Management and Board of Directors**
Gross amount of loans and advances to customers (contractual interest rate: 2007: 10% – 14.00%; 2006: 12.00%)	-	-	19 967	-	7 392
Finance lease receivables	-	2 546	-	-	-
Customer accounts (contractual interest rate: 2007: 0% – 10.5%; 2006: 0% – 11%)	-	101 744	127 559	-	34 495
Borrowings from international financial institutions (contractual interest rate: 2007: 6.03% – 9.9%; 2006: 7.71% – 9.40%)	2 950 629	-	-	1 811 022	-

The income and expense items with related parties for the year 2007 and 2006 were as follows:

	2007		2006	
	Significant shareholders	**Management and Board of Directors**	**Significant shareholders**	**Management and Board of Directors**
Interest income	-	1 554	-	998
Interest expense	(103 155)	(7 764)	(78 187)	(2 082)
Fee and commission income	-	26	-	-
Finance income arising from leasing operations	-	-	-	-

The issued and repaid loans to related parties for the year 2007 and 2006 were as follows:

	2007		2006	
	Significant shareholders	**Management and Board of Directors**	**Significant shareholders**	**Management and Board of Directors**
Loans issued to related parties during the year	-	32 847	-	12 820
Loans repaid by related parties during the year	-	20 271	-	14 202

39 Related Party Transactions (Continued)

The major shareholders of the Bank at 31 December 2007 and 2006 are as follows:

	31 December 2007		31 December 2006	
Shareholder	Equity share, %	Voting rights share, %	Equity share, %	Voting rights share, %
European Bank for Reconstruction and Development (EBRD)	24.58	27.45	24.58	27.45
German Investments and Development Company (DEG – Deutsche Investitions und Entwicklungsgesellschaft mbH)	20.10	22.45	20.10	22.45
Vysokov Vasiliy Vasilievich	8.07	9.01	8.07	9.01
Vysokova Tatiana Nikolaevna	7.91	8.83	7.91	8.83
Leo Overseas Limited	5.42	6.05	-	-

In 2007, the remuneration of members of the Board of Directors and members of the Management Board of the Group comprised salaries, discretionary bonuses and other short-term benefits totalling RR 106 910 thousand (2006: RR 73 311 thousand). In 2007, Board of Directors consisted of 7 persons (2006: 7 persons) and Management Board of the Group consisted of 7 persons (2006: 7 persons).

40 Subsidiary of the Bank

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of incorporation
OOO Center-Leasing	Leasing	100%	100%	Russia

OOO Center-Leasing is a leasing company established by the Bank.

41 Subsequent Events

Dividends. Management proposed to the Shareholders Annual General Meeting a dividend on ordinary shares in the amount of RR 139 591 thousand (RR 1.8 per ordinary share) and dividends on preference shares in the amount of RR 18 099 thousand (RR 0.8 per preference share denominated at RR 4 per share, RR 200 per preference share denominated at RR 1 000 per share).

Rollover of existing loans. In February 2008 the Bank rolled over by 18 months syndicated tranche B (in the amount of USD 30 000 000) of the loan organised by EBRD in July 2006 and also rolled over by 12 months a syndicated loan organised in February 2007 by Commerzbank and Standartbank with increase of the amount from USD 80 million up to USD 145 million.

New loan agreements. In February 2008 the Bank signed a loan agreement with ICICI Bank Eurasia LLC (Russia) for USD 5 million maturing in February 2009.