

CREDIT EUROPE BANK LTD.

Consolidated Financial Statements

For the year ended 31 December 2007

Contents

Independent Auditors' Report	3
Consolidated Income Statement	4
Consolidated Balance Sheet.....	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Shareholders' Equity	7
Notes to the Consolidated Financial Statements.....	8
1 Background	8
2 Basis of preparation	9
3 Significant accounting policies	9
4 Net interest income	19
5 Fee and commission income	19
6 Fee and commission expense	20
7 Net (loss)/gain on financial instruments at fair value through profit or loss	20
8 Net foreign exchange income	20
9 Impairment losses	20
10 General administrative expenses	21
11 Income tax expense	21
12 Due from the Central Bank of the Russian Federation	22
13 Placements with banks and other financial institutions	22
14 Financial instruments at fair value through profit or loss	23
15 Loans to customers	24
16 Available-for-sale assets	33
17 Held-to-maturity investments	33
18 Property and equipment	33
19 Other assets	34
20 Deposits and balances from banks and other financial institutions	35
21 Current accounts and deposits from customers	35
22 Debt securities in issue	35
23 Other borrowed funds	36
24 Deferred tax liability	36
25 Subordinated debt	37
26 Shareholders' equity	37
27 Analysis by segment	38
28 Risk management	40
29 Capital management	48
30 Commitments	49
31 Operating leases	49
32 Contingencies	50
33 Related party transactions	50
34 Cash and cash equivalents	53
35 Fair value of financial instruments	54
36 Average effective interest rates	54
37 Maturity analysis	55
38 Currency analysis	58
39 Events subsequent to the balance sheet date	59

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Independent Auditors' Report

To the Board of Directors
Credit Europe Bank Ltd.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Credit Europe Bank Ltd. (the "Bank") and its subsidiaries or (the "Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2007, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG
19 March 2008

CREDIT EUROPE BANK LTD.
Consolidated Income Statement for the year ended 31 December 2007

	Notes	2007 RUR'000	2006 RUR'000
Interest income	4	5,806,470	3,286,857
Interest expense	4	(2,012,939)	(1,054,663)
Net interest income		3,793,531	2,232,194
Fee and commission income	5	764,805	516,849
Fee and commission expense	6	(315,860)	(193,287)
Net fee and commission income		448,945	323,562
Net (loss)/gain on financial instruments at fair value through profit or loss	7	(16,275)	349
Net foreign exchange income	8	153,642	165,707
Penalties on overdue loans		252,834	179,145
Other income		39,942	13,180
		430,143	358,381
Impairment losses	9	(1,230,422)	(1,116,382)
General administrative expenses	10	(2,765,953)	(1,527,817)
Operating expenses		(3,996,375)	(2,644,199)
Income before taxes		676,244	269,938
Income tax expense	11	(175,952)	(75,508)
Net income		500,292	194,430

The consolidated financial statements as set out on pages 4 to 59 were approved by Board of Directors on 19 March 2008.

Murat Basbay
President

Asad Verdiev
Head of Financial control and
budgeting department

	Notes	2007 RUR'000	2006 RUR'000
ASSETS			
Cash		711,307	654,383
Due from the Central Bank of the Russian Federation	12	794,916	735,095
Placements with banks and other financial institutions	13	3,777,124	2,067,924
Financial instruments at fair value through profit or loss	14	953,304	510,078
Loans to customers	15	44,435,815	23,571,256
Available for sale assets	16	197,076	-
Held-to-maturity investments	17	101,697	101,722
Current income tax prepayments		76,916	23,212
Property and equipment	18	642,686	408,275
Other assets	19	399,599	349,154
Total Assets		52,090,440	28,421,099
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financial instruments at fair value through profit or loss	14	236,724	221,450
Deposits and balances from banks and other financial institutions	20	20,195,677	10,577,021
Current accounts and deposits from customers	21	7,265,154	5,567,188
Debt securities in issue	22	15,982,868	6,613,132
Other borrowed funds	23	-	1,726,935
Deferred tax liability	24	100,534	17,737
Subordinated debt	25	926,619	862,343
Other liabilities		185,964	90,939
Total Liabilities		44,893,540	25,676,745
Shareholders' Equity			
Share capital	26	5,884,889	2,214,698
Share premium		158,631	158,631
Additional paid-in capital	26	285,924	-
Revaluation reserve for available-for-sale assets		(3,861)	-
Retained earnings		871,317	371,025
Total Shareholders' Equity		7,196,900	2,744,354
Total Liabilities and Shareholders' Equity		52,090,440	28,421,099
Commitments and Contingencies	30-32		

The consolidated balance sheet is to be read in conjunction with the Notes to, and forming part of, the consolidated financial statements.

CREDIT EUROPE BANK LTD.
Consolidated Statement of Cash Flows for the year ended 31 December 2007

	2007	2006
Notes	RUR'000	RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxes	676,244	269,938
Adjustments for:		
Net impairment losses	1,230,422	1,116,382
Unrealized (gain)/loss on financial instruments at fair value through profit or loss	(25,454)	232,736
Depreciation	169,255	104,313
Net loss on disposal of property and equipment	9,922	-
Gain from revaluation of financial assets and liabilities	(699,256)	(487,019)
Net changes in accrued interest income and expenses	(180,705)	(291,936)
Operating income before changes in net operating assets	1,180,428	944,414
Increase in operating assets		
Minimum reserve deposit and customer accounts blocked at CBR	(44,601)	(158,133)
Placements with banks and other financial institutions	(181,768)	(25,161)
Financial instruments at fair value through profit or loss	(394,484)	(505,612)
Loans to customers	(22,036,664)	(12,614,525)
Available for sale assets	(194,537)	-
Held-to-maturity investments	-	(101,722)
Other assets	(76,101)	(112,128)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	9,906,922	8,211,514
Current accounts and deposits from customers	1,654,278	2,960,325
Promissory notes	-	(1,439)
Other liabilities	93,915	43,238
Net cash from operating activities before income tax paid	(10,092,612)	(1,359,229)
Income tax paid	(145,641)	(100,099)
Cash flows from operating activities	(10,238,253)	(1,459,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of property and equipment	(413,588)	(256,310)
Cash flows from investing activities	(413,588)	(256,310)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of other borrowed funds	(1,698,982)	(1,367,644)
Proceeds from issuance of debt securities	9,939,963	2,823,690
Net receipt of subordinated debt	131,707	422,521
Proceeds from issuance of share capital and additional paid-in capital	3,956,115	1,387,449
Cash flows from financing activities	12,328,803	3,266,016
Net increase in cash and cash equivalents	1,676,962	1,550,378
Effect of changes in exchange rates on cash and cash equivalents	(80,043)	(24,925)
Cash and cash equivalents at the beginning of the year	3,033,898	1,508,445
Cash and cash equivalents at the end of the year	4,630,817	3,033,898

The consolidated statement of cash flows is to be read in conjunction with the Notes to, and forming part of, the consolidated financial statements.

CREDIT EUROPE BANK LTD.
Consolidated Statement of Changes in Shareholders' Equity
for the year ended 31 December 2007

	Share Capital RUR'000	Share premium RUR'000	Additional paid-in capital RUR'000	Revaluation reserve for available-for- sale assets RUR'000	Retained earnings RUR'000	Total RUR'000
Balance at 1 January 2006	827,249	158,631	-	-	176,595	1,162,475
Net income for the year	-	-	-	-	194,430	194,430
Shares issued	1,387,449	-	-	-	-	1,387,449
Balance at 31 December 2006	2,214,698	158,631	-	-	371,025	2,744,354
Net income for the year	-	-	-	-	500,292	500,292
Unrealized losses on available- for-sale assets, net of deferred tax of RUR 1,218 thousand	-	-	-	(3,861)	-	(3,861)
Total Income						496,431
Contribution from shareholders	3,670,191	-	285,924	-	-	3,956,115
Balance at 31 December 2007	5,884,889	158,631	285,924	(3,861)	871,317	7,196,900

The consolidated statement of changes in shareholders' equity is to be read in conjunction with the Notes to, and forming part of, the consolidated financial statements.

1 Background

Principal activities

These consolidated financial statements include the financial statements of Credit Europe Bank Ltd. (the “Bank”) and its subsidiaries (together referred to as the “Group”).

Credit Europe Bank Ltd (formerly Finansbank Russia Ltd. before being renamed in March 2007) was established in the Russian Federation as a closed joint stock company and was granted its general banking license in 1997. The principal activities of the Bank are deposit taking and customer accounts maintenance, lending and issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation (“the CBR”). The Bank has 100 locations (including 65 branches, 17 in-store branches, 18 regional sales offices) (2006 – 65 locations (including 42 branches, 11 in-store branches and 12 regional representative offices)), from which it conducts business throughout the Russian Federation. The registered address of the Bank’s head office is Moscow, Paveletskaya Sq. 2/2. The average number of persons employed by the Bank during the year was 4,052 (2006 – 2,940).

The principal subsidiaries of the Bank are as follows:

Name	Country of incorporation	Ownership %	
		2007	2006
CEB Russia Capital S.A.	Luxembourg	100%	100%
Credit Europe Life Ltd.	Russia	100%	-

CEB Russia Capital S.A. (formerly Finans Russia Capital S.A.) is a special purpose entity established to facilitate the issue of loan participation notes by the Group (refer to Note 22). This entity is not owned by the Group, control arises through the predetermination of the entity’s activities.

Credit Europe Life Ltd. is a fully owned subsidiary of the Bank established in 2007 with the purpose of providing wide range of life insurance services. As of 31 December 2007, the subsidiary was not operational as the process of obtaining insurance license was not finalized. The license was granted on 28 February 2008.

Shareholders

The Bank’s ultimate parent company is FIBA Holding A.S., a Turkish joint stock company, which is ultimately controlled by a single individual, Mr. Husnu Ozyegin.

Russian business environment

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets. The accompanying consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2 Basis of preparation

Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUR”). Management have determined the Group’s functional currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Group. The RUR is also the Group’s presentation currency for the purposes of these consolidated financial statements.

Financial information presented in RUR has been rounded to the nearest thousand.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors, that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on Management’s best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments made by Management in the application of IFRS that have significant effect on these consolidated financial statements are described in Note 15 “Loans to customers” in respect of the loan impairment allowance.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. The accounting policies have been consistently applied. Changes in accounting policies are described at the end of this Note.

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

Special purpose entities

The Group has established one special purpose entity ("SPE") to facilitate the issue of loan participation notes. The Bank does not have any direct or indirect shareholdings in this entity. However, the SPE is established under terms that impose strict limits on the decision-making powers of the SPE's management over the operations of the SPE. In addition, the benefits related to its operations and net assets are presently attributable to the Bank via a number of agreements.

Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the consolidated income statement.

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation have been made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of the Group's assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Group considers cash and nostro accounts with the CBR and amounts due from other financial institutions with an original contractual maturity of 90 days or less and which are free from contractual encumbrances to be cash and cash equivalents. The minimum reserve deposit with the CBR is not considered to be a cash equivalent due to restrictions on its withdrawability.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported liabilities.

Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Group intends to sell immediately or in the near term;
- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group upon initial recognition designates as available-for-sale; or
- the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group designates as available-for-sale; or
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

Recognition

Financial assets and liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method;
- held-to-maturity investments which are measured at amortized cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in the consolidated income statement. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the consolidated income statement;
- a gain or loss on an available-for-sale financial asset is recognized directly in equity through the consolidated statement of changes in shareholders' equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in the consolidated income statement. Interest in relation to an available-for-sale financial asset is recognized as earned in the consolidated income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in the consolidated income statement when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the balance sheet and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in the consolidated income statement over the term of the repo agreement using the effective interest rate method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in the consolidated income statement over the term of the repo agreement using the effective interest rate method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Offsetting

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

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets

Leases under of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition. The estimated useful lives are as follows:

Equipment	5 to 20 years
Motor vehicles	2 to 3 years
Computer software	10 years
Leasehold improvements	lesser of lease term or 3 years

Impairment

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans, other receivables and unquoted available-for-sale debt securities ("loans and receivables"). The Group reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in the consolidated income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when the Group's management determines that the loans are uncollectible.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in the consolidated income statement and can not be reversed.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in the consolidated income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included within other liabilities.

Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income and expense recognition

With the exception of financial assets held for trading and other financial instruments at fair value through profit or loss, interest income and expense are recognised in the consolidated income statement using the effective interest method. Interest income on financial assets held for trading and on other financial instruments at fair value through profit or loss comprises coupon interest only.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss, respectively.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.

Comparative information

The presentation of a deposit placed in the Bank by one related party bank and loan participation notes were changed in 2007 to improve the presentation of these items in the consolidated balance sheet. For consistency of presentation, prior year figures have been reclassified. The effect of this change in presentation is as follows:

	2007	2006
	RUR '000	RUR '000
Reclassification of a deposit from one related party bank which, acting in an agent capacity, attracts funds from third parties for the purpose of placing those funds with the Group on behalf and at the request of the third parties, from deposits and balances from banks and other financial institutions to customer accounts		
Deposits and balances from banks and other financial institutions	(1,728,258)	(1,323,130)
Current accounts and deposits from customers	1,728,258	1,323,130
Reclassification of issued loan participation notes from other borrowed funds to debt securities in issue		
Other borrowed funds	(12,376,200)	(6,613,132)
Debt securities in issue	12,376,200	6,613,132

Changes in accounting policies

As at 1 January 2007, the Bank adopted the International Financial Reporting Standard IFRS 7 “Financial Instruments: Disclosures” and the amendment to International Financial Reporting Standard IAS 1 “Presentation of Financial Statements” – “Capital Disclosures”. The application of the Standard and the amendment resulted in increased disclosure in respect of Bank’s financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of Bank’s objectives, policies and processes for managing capital.

New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2007, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group’s operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial statements.

IFRS 8 “Operating Segments”, which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should report information about its operating segments and sets out requirements for related disclosures about products and services, geographical areas and major customers. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. IFRS 8 “Operating Segments” will replace International Financial Reporting Standard IAS 14 “Segment Reporting”.

International Financial Reporting Standard IAS 1 “Presentation of Financial Statements” (Revised), which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should present changes in equity not resulting from transactions with owners and other changes in equity in its financial statements, and introduces certain other requirements in respect of presentation of information in the financial statements.

4 Net interest income

	2007 RUR'000	2006 RUR'000
Interest income		
Loans to individuals	3,881,125	2,309,766
Loans to corporate and SME customers	1,734,843	900,206
Placements with banks and other financial institutions	111,111	69,415
Financial instruments at fair value through profit or loss	62,657	5,682
Held-to-maturity investments	10,921	1,788
Available-for-sale assets	5,813	-
	5,806,470	3,286,857
Interest expense		
Debt securities in issue	1,086,656	495,762
Deposits and balances from banks and other financial institutions	679,073	231,646
Current accounts and deposits from customers	97,738	47,081
Other borrowed funds	78,657	230,772
Subordinated debt	70,815	49,402
	2,012,939	1,054,663

5 Fee and commission income

	2007 RUR'000	2006 RUR'000
Commissions from insurance companies	154,755	99,667
Foreign exchange fees	84,313	68,431
Cash withdrawal fees	84,304	62,838
Transaction processing fees	72,711	80,877
Fees from retailers	71,972	65,713
Documentary services fees	66,110	48,200
Annual credit card maintenance fees	56,347	16,130
Cash deposit fees	44,216	18,923
Interbank operation fees	38,828	14,536
Early redemption fees	32,258	6,660
Annual account maintenance fees	26,714	14,285
Intermediary services fees	14,290	12,237
Other	17,987	8,352
	764,805	516,849

6 Fee and commission expense

	2007 RUR'000	2006 RUR'000
Fees to retailers	188,960	103,941
Collection fees	38,145	16,709
Credit card fees	37,297	23,710
Fees for documentary services	15,278	16,430
Transaction services fees	11,062	5,035
Fees for banknote transactions	9,288	18,156
Other	15,830	9,306
	315,860	193,287

7 Net (loss)/gain on financial instruments at fair value through profit or loss

	2007 RUR'000	2006 RUR'000
Debt instruments	(16,275)	349

8 Net foreign exchange income

	2007 RUR'000	2006 RUR'000
Gain from revaluation of financial assets and liabilities	699,256	487,019
Loss on spot transactions and derivatives	(545,614)	(321,312)
	153,642	165,707

9 Impairment losses

	2007 RUR'000	2006 RUR'000
Impairment losses		
Loans to customers	1,215,257	1,103,741
Other assets	15,165	18,335
	1,230,422	1,122,076
Reversals of impairment losses		
Issued guarantees	-	(5,694)
	-	(5,694)
Net impairment losses	1,230,422	1,116,382

10 General administrative expenses

	2007	2006
	RUR'000	RUR'000
Employee compensation	1,271,148	688,096
Occupancy	316,607	170,630
Payroll related taxes	228,330	136,560
Taxes other than on income	194,649	105,358
Depreciation	169,255	104,313
Communications and information services	157,089	56,800
Repairs and maintenance	103,558	58,313
Office supplies	60,290	41,979
Advertising and marketing	61,577	35,945
Rebranding expenses	51,297	-
Security	40,578	27,159
Professional services	31,000	37,345
Travel expenses	30,126	18,222
Fees for participation in retail deposit insurance program	10,311	8,290
Other	40,138	38,807
	2,765,953	1,527,817

11 Income tax expense

	2007	2006
	RUR'000	RUR'000
Current tax expense		
Current year	88,944	76,888
Under provided in prior years	2,993	-
	91,937	76,888
Deferred tax expense		
Origination and reversal of temporary differences	84,015	(1,380)
Total income tax expense in the consolidated income statement	175,952	75,508

The Group's applicable tax rate for current and deferred tax is 24% (2006: 24%).

Reconciliation of effective tax rate:

	2007 RUR'000	%	2006 RUR'000	%
Income before tax	676,244		269,938	
Income tax at the applicable tax rate	162,299	24.00%	64,785	24.00%
Non-deductible costs	10,660	1.58%	10,723	3.97%
Under provided in prior years	2,993	0.44%	-	-
	175,952	26.02%	75,508	27.97%

12 Due from the Central Bank of the Russian Federation

	2007 RUR'000	2006 RUR'000
Minimum reserve deposit	442,944	398,343
Nostro accounts	351,972	336,752
	794,916	735,095

The minimum reserve deposit is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the CBR and whose withdrawability is restricted. The nostro accounts represent balances with the CBR related to settlement activity and were available for withdrawal at year end.

13 Placements with banks and other financial institutions

	2007 RUR'000	2006 RUR'000
<i>Not impaired or past due</i>		
Nostro accounts		
OECD banks	61,453	35,083
Largest 30 Russian banks	39,027	28,725
Small and medium sized Russian banks and financial institutions	26,658	11,859
Total nostro accounts	127,138	75,667
Loans and deposits		
OECD banks	3,268,276	566,297
Small and medium sized Russian banks and financial institutions	201,690	26,472
Largest 30 Russian banks	180,020	555,316
Russian subsidiaries of OECD banks	-	765,179
Other foreign banks	-	78,993
Total loans and deposits	3,649,986	1,992,257
	3,777,124	2,067,924

Concentration of placements with banks and other financial institutions

As at 31 December 2007 the Group had three counterparties, whose balances exceeded 10% of total placements with banks and other financial institutions (2006: three). The gross value of these balances as of 31 December 2007 and 2006 were RUR 3,254,157 thousand and RUR 1,068,926 thousand, respectively.

14 Financial instruments at fair value through profit or loss

	2007 RUR'000	2006 RUR'000
Assets		
<i>Debt and other fixed-income instruments - trading</i>		
Russian corporate bonds	912,539	510,040
<i>Derivative financial instruments</i>		
Foreign currency contracts	40,765	38
	953,304	510,078
Liabilities		
<i>Derivative financial instruments</i>		
Foreign currency contracts	236,724	221,450

Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of the Group's forward exchange contracts outstanding at 31 December 2007 with details of the contracted exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the balance sheet date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, have been recognised in the consolidated income statement and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contracted exchange rates	
	2007 RUR'000	2006 RUR'000	2007	2006
Buy USD sell RUR				
Less than three months	7,124,069	7,399,039	25.0262	27.0466
Between three months and one year	9,352,703	2,817,428	24.9785	26.6257
Buy USD sell Euros				
Less than three months	1,958,059	143,873	0.6895	0.7594
Buy RUR sell USD				
Less than three months	188,776	107,984	0.0408	0.0380
Between three months and one year	994,473	-	0.0402	-
Buy TRY sell USD				
Less than three months	148,961	-	0.8475	-
Buy RUR sell Euros				
Less than three months	35,975	-	0.0278	-

15 Loans to customers

	2007 RUR'000	2006 RUR'000
Commercial loans		
Loans to large corporates	19,660,985	10,692,942
Loans to small and medium size companies	2,208,202	533,578
Total commercial loans	21,869,187	11,226,520
Loans to individuals		
Auto loans	9,434,923	4,741,436
Cash loans	6,636,001	4,166,020
Instant loans	6,078,191	4,180,579
Credit cards	1,422,369	206,658
Mortgage loans	416,944	-
Other	44,816	69,078
Total loans to individuals	24,033,244	13,363,771
Gross loans to customers	45,902,431	24,590,291
Impairment allowance	(1,466,616)	(1,019,035)
Net loans to customers	44,435,815	23,571,256

Movements in the loan impairment allowance for the years ended 31 December 2007 and 2006 are as follows:

	2007 RUR'000	2006 RUR'000
Balance at the beginning of the year	1,019,035	525,418
Net charge for the year	1,215,257	1,103,741
Write-offs	(767,676)	(610,124)
Balance at the end of the year	1,466,616	1,019,035

As at 31 December 2007, interest accrued on impaired loans amounted to RUR 97,378 thousand (31 December 2006: RUR 51,394 thousand).

Credit quality of commercial loan portfolio

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2007:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Loans to large corporates				
Loans for which no impairment has been identified:				
- Standard loans	19,563,202	-	19,563,202	-
- Watch list loans	83,398	-	83,398	-
Total loans for which no impairment has been identified	19,646,600	-	19,646,600	-
Impaired loans:				
- overdue more than 1 year	14,385	(14,385)	-	100.00
Total impaired loans	14,385	(14,385)	-	100.00
Total loans to large corporates	19,660,985	(14,385)	19,646,600	0.07
Loans to small and medium size companies				
Loans for which no impairment has been identified	2,125,206	(3,557)	2,121,649	0.17
Impaired loans:				
- overdue less than 90 days	44,785	(10,272)	34,513	22.94
- overdue more than 90 days and less than 1 year	22,582	(17,542)	5,040	77.68
- overdue more than 1 year	15,629	(15,629)	-	100.00
Total impaired loans	82,996	(43,443)	39,553	52.34
Total loans to small and medium size companies	2,208,202	(47,000)	2,161,202	2.13
Total commercial loans	21,869,187	(61,385)	21,807,802	0.28

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2006:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Loans to large corporates				
Loans for which no impairment has been identified:				
- Standard loans	10,406,902	-	10,406,902	-
- Watch list loans	271,655	-	271,655	-
Total loans for which no impairment has been identified	10,678,557	-	10,678,557	-
Impaired loans:				
- overdue more than 1 year	14,385	(14,385)	-	100.00
Total impaired loans	14,385	(14,385)	-	100.00
Total loans to large corporate clients	10,692,942	(14,385)	10,678,557	0.13
Loans to small and medium size companies				
Loans for which no impairment has been identified:	513,143	-	513,143	-
Impaired loans:				
- overdue less than 90 days	8,853	-	8,853	-
- overdue more than 90 days and less than 1 year	11,058	(6,254)	4,804	56.56
- overdue more than 1 year	524	(524)	-	100.00
Total impaired loans	20,435	(6,778)	13,657	33.17
Total loans to small and medium size companies	533,578	(6,778)	526,800	1.27
Total commercial loans	11,226,520	(21,163)	11,205,357	0.19

The Group considers loans which are contractually overdue for more than 90 days to be non-performing.

The Group has estimated loan impairment for commercial loans except for microloans among its SME portfolio based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indicators of impairment has been identified. There were no historical losses from loans to large corporates with the exception of one impaired loan as at 31 December 2007, thus the Group has not provided loans where no indicators of impairment have been identified to large corporates. For microloans granted to SMEs, the Group estimates loan impairment based on its past historical loss experience. Management assumed that loss migration rates are constant and can be estimated based on historic loss migration pattern for the last eighteen month period.

Changes in these estimates could effect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the impairment allowance on commercial loans as of 31 December 2007 would be RUR 218,078 thousand lower/higher.

During the year ended 31 December 2007 the Group renegotiated commercial loans that would otherwise be past due or impaired of RUR 16,993 thousand (31 December 2006: none). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

Analysis of collateral

The following table provides the analysis of the commercial loan portfolio, net of impairment, by types of collateral as at 31 December 2007 and 2006:

	2007	% of loan portfolio	2006	% of loan portfolio
Mortgage	2,832,931	12.99	1,679,445	14.99
Inventories	1,621,777	7.44	1,608,323	14.35
Equipment	812,713	3.73	450,683	4.02
Pledge of shares	170,575	0.78	-	-
Motor vehicles	119,094	0.55	57,639	0.51
Bank guarantees	100,099	0.46	321,000	2.86
Surety	7,411,809	33.99	5,695,221	50.83
No collateral	8,738,804	40.07	1,393,046	12.43
Total	21,807,802	100.00	11,205,357	100.00

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

The following table provides the analysis of the impaired commercial loan portfolio by fair value of collateral as at 31 December 2007:

	Gross loans	Impairment	Net loans	Fair value of collateral
	RUR'000	RUR'000	RUR'000	RUR'000
Equipment	6,879	(1,306)	5,573	2,382
Inventories	5,659	(3,662)	1,997	1,912
Motor vehicles	361	(157)	204	251
No collateral	18,629	(18,473)	156	-
Total	31,528	(23,598)	7,930	4,545

The remaining impaired commercial loans with a gross value of RUR 65,853 thousand are secured by sureties.

During the year ended 31 December 2007 the Group did not obtain any assets by taking control of collateral accepted as security for commercial loans (2006: nil).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2007 are as follows:

	Loans to large corporates	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	14,385	6,778	21,163
Loan impairment losses during the year	-	40,222	40,222
Loan impairment allowance as at 31 December	14,385	47,000	61,385

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2006 are as follows:

	Loans to large corporates	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	31,111	5,652	36,763
(Reversal of)/charge for loan allowance during the year	(16,726)	1,126	(15,600)
Loan impairment allowance as at 31 December	14,385	6,778	21,163

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2007:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Auto loans				
- Not past due	8,327,648	(14,963)	8,312,685	0.18
- Overdue less than 30 days	236,333	(12,031)	224,302	5.09
- Overdue 30-89 days	170,706	(33,088)	137,618	19.38
- Overdue 90-179 days	106,564	(42,844)	63,720	40.20
- Overdue 180 - 360 days	138,952	(75,133)	63,819	54.07
- Overdue more than 360 days	454,720	(273,844)	180,876	60.22
Total auto loans	9,434,923	(451,903)	8,983,020	4.79
Cash loans				
- Not past due	5,636,941	(42,145)	5,594,796	0.75
- Overdue less than 30 days	336,130	(34,152)	301,978	10.16
- Overdue 30-89 days	237,784	(80,476)	157,308	33.84
- Overdue 90-179 days	174,906	(123,959)	50,947	70.87
- Overdue 180 - 360 days	250,240	(202,358)	47,882	80.87
- Overdue more than 360 days	-	-	-	-
Total cash loans	6,636,001	(483,090)	6,152,911	7.28
Instant loans				
- Not past due	5,429,758	(38,813)	5,390,945	0.71
- Overdue less than 30 days	203,590	(29,229)	174,361	14.36
- Overdue 30-89 days	130,000	(53,359)	76,641	41.05
- Overdue 90-179 days	103,416	(73,843)	29,573	71.40
- Overdue 180 - 360 days	211,427	(182,458)	28,969	86.30
- Overdue more than 360 days	-	-	-	-
Total instant loans	6,078,191	(377,702)	5,700,489	6.21
Credit cards				
- Not past due	1,169,951	(12,320)	1,157,631	1.05
- Overdue less than 30 days	94,333	(2,763)	91,570	2.93
- Overdue 30-89 days	68,121	(13,303)	54,818	19.53
- Overdue 90-179 days	42,494	(25,821)	16,673	60.76
- Overdue 180 - 360 days	12,191	(8,928)	3,263	73.23
- Overdue more than 360 days	35,279	(25,836)	9,443	73.23
Total credit cards	1,422,369	(88,971)	1,333,398	6.26
Mortgage loans				
- Not past due	416,237	(416)	415,821	0.10
- Overdue less than 30 days	707	(1)	706	0.14
- Overdue 30-89 days	-	-	-	-
- Overdue 90-179 days	-	-	-	-
- Overdue 180 - 360 days	-	-	-	-
Total mortgage loans	416,944	(417)	416,527	0.10
Other loans to individuals				
- Not past due	39,036	(166)	38,870	0.43
- Overdue less than 30 days	1,746	(145)	1,601	8.30
- Overdue 30-89 days	897	(389)	508	43.37
- Overdue 90-179 days	1,403	(1,002)	401	71.42
- Overdue 180 - 360 days	1,734	(1,446)	288	83.39
- Overdue more than 360 days	-	-	-	-
Total other loans to individuals	44,816	(3,148)	41,668	7.02
Total loans to individuals	24,033,244	(1,405,231)	22,628,013	5.85

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2006:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Retail loans collectively assessed for impairment				
Auto loans				
- Not past due	4,045,463	(7,509)	4,037,954	0.19
- Overdue less than 30 days	129,129	(4,690)	124,439	3.63
- Overdue 30-89 days	81,576	(13,313)	68,263	16.32
- Overdue 90-179 days	60,391	(19,571)	40,820	32.41
- Overdue 180 - 360 days	146,087	(62,601)	83,486	42.85
- Overdue more than 360 days	278,790	(130,929)	147,861	46.96
Total auto loans	4,741,436	(238,613)	4,502,823	5.03
Cash loans				
- Not past due	3,747,927	(20,105)	3,727,822	0.54
- Overdue less than 30 days	167,131	(10,264)	156,867	6.14
- Overdue 30-89 days	108,985	(24,723)	84,262	22.68
- Overdue 90-179 days	62,552	(36,392)	26,160	58.18
- Overdue 180 - 360 days	79,425	(56,080)	23,345	70.61
- Overdue more than 360 days	-	-	-	-
Total cash loans	4,166,020	(147,564)	4,018,456	3.54
Instant loans				
- Not past due	3,272,197	(29,274)	3,242,923	0.89
- Overdue less than 30 days	161,067	(21,079)	139,988	13.09
- Overdue 30-89 days	122,378	(47,513)	74,865	38.82
- Overdue 90-179 days	173,345	(122,910)	50,435	70.90
- Overdue 180 - 360 days	451,592	(378,320)	73,272	83.77
- Overdue more than 360 days	-	-	-	-
Total instant loans	4,180,579	(599,096)	3,581,483	14.33
Credit cards				
- Not past due	140,656	(470)	140,186	0.33
- Overdue less than 30 days	18,685	(174)	18,511	0.93
- Overdue 30-89 days	6,380	(396)	5,984	6.21
- Overdue 90-179 days	9,169	(1,097)	8,072	11.96
- Overdue 180 - 360 days	9,646	(1,890)	7,756	19.59
- Overdue more than 360 days	22,122	(6,764)	15,358	30.58
Total credit card	206,658	(10,791)	195,867	5.22
Other loans to individuals				
- Not past due	64,617	(104)	64,513	0.16
- Overdue less than 30 days	1,585	(65)	1,520	4.10
- Overdue 30-89 days	998	(240)	758	24.05
- Overdue 90-179 days	804	(486)	318	60.45
- Overdue 180 - 360 days	1,074	(913)	161	85.01
- Overdue more than 360 days	-	-	-	-
Total other loans to individuals	69,078	(1,808)	67,270	2.62
Total loans to individuals	13,363,771	(997,872)	12,365,899	7.47

The Group estimates loan impairment based on its past historical loss experience on these types of loans. The significant assumptions as at 31 December 2007 used in determining the impairment losses for loans to individuals include:

- Management assumed that the Group can sell cash, instant, other loans to individuals and credit cards loans overdue more than 360 days for a minimum 3% of their gross amounts.

- Management assumed that the Group can recover a minimum 35% of the gross amounts of auto loans overdue more than 360 days through sale of cars held as collateral.
- Management assumed that overdue loans migration rates are constant and can be estimated based on historic loss migration pattern for the past eighteen months.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment on retail loans as of 31 December 2007 would be RUR 226,280 thousand lower/higher.

Analysis of collateral

Mortgage loans are secured by underlying housing real estate. Auto loans are secured by the underlying car. Cash, instant, other loans and credit card overdrafts are not secured.

Management believes that it is impracticable to estimate fair value of collateral held in respect of impaired loans to individuals.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2007 are as follows:

	Instant loans	Auto loans	Cash loans	Credit cards	Mortgage loans	Other loans	Total
Loan impairment allowance as at 1 January	599,096	238,613	147,564	10,791	-	1,808	997,872
Loans written off during the year as uncollectible	(590,429)	-	(175,502)	-	-	(1,745)	(767,676)
Loan impairment losses during the year	369,035	213,290	511,028	78,180	417	3,085	1,175,035
Loan impairment allowance as at 31 December	377,702	451,903	483,090	88,971	417	3,148	1,405,231

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2006 are as follows:

	Instant loans	Auto loans	Cash loans	Credit cards	Mortgage loans	Other loans	Total
Loan impairment allowance as at 1 January	300,607	114,788	57,456	11,077	-	4,727	488,655
Loans written off during the year as uncollectible	(528,499)	-	(74,463)	-	-	(7,162)	(610,124)
Loan impairment losses during the year	826,988	123,825	164,571	(286)		4,243	1,119,341
Loan impairment allowance as at 31 December	599,096	238,613	147,564	10,791	-	1,808	997,872

During the year ended 31 December 2007 the Group renegotiated loans to individuals that would otherwise be past due or impaired of RUR 71,278 thousand (31 December 2006: RUR 18,903 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

Industry and geographical analysis of the loans issued to large corporates

Loans to large corporates were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	2007 RUR'000	2006 RUR'000
Real Estate	3,406,839	2,180,240
Petrochemistry & Metallurgy	2,474,263	774,266
Alcohol & Tobacco	1,876,670	560,809
Hotel Services	1,796,660	-
Electronics & Home Appliances	1,793,526	1,861,844
Financial Institutions	1,489,075	453,931
Construction	1,247,839	1,501,415
Food & Beverage Services	1,024,711	843,345
Automotive	863,867	790,375
Transportation	847,149	789,321
Tourism	614,112	118,247
Machinery	366,622	268,925
Media	329,009	-
Construction Materials	256,957	-
Pharmaceuticals & Perfumery	201,405	193,924
Energy	172,506	-
Textile	146,257	82,662
Other	753,518	273,638
	19,660,985	10,692,942
Impairment allowance	(14,385)	(14,385)
	19,646,600	10,678,557

Loan maturities

The maturity of the Group's loan portfolio is presented in Note 37, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. Due to the short-term nature of the loans issued by the Group, it is likely that many of the Group's loans to customers will be prolonged on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

16 Available-for-sale assets

	2007 RUR'000	2006 RUR'000
Russian corporate bonds	197,076	-

17 Held-to-maturity investments

	2007 RUR'000	2006 RUR'000
Russian corporate bonds	101,697	101,722

18 Property and equipment

RUR'000

	Equipment	Vehicles	Computer software	Leasehold improvements	Total
Cost					
At 1 January 2007	411,904	26,375	60,090	89,037	587,406
Additions	274,425	6,210	14,598	118,355	413,588
Disposals	(4,092)	(3,142)	-	(9,457)	(16,691)
At 31 December 2007	682,237	29,443	74,688	197,935	984,303
Depreciation					
At 1 January 2007	(122,982)	(9,967)	(5,612)	(40,570)	(179,131)
Depreciation charge	(96,517)	(9,050)	(9,579)	(54,109)	(169,255)
Disposals	510	2,512	-	3,747	6,769
At 31 December 2007	(218,989)	(16,505)	(15,191)	(90,932)	(341,617)
Carrying value					
At 31 December 2007	463,248	12,938	59,497	107,003	642,686
At 31 December 2006	288,922	16,408	54,478	48,467	408,275

RUR'000	Equipment	Vehicles	Computer software	Leasehold improvements	Total
Cost					
At 1 January 2006	250,713	16,340	8,719	59,283	335,055
Additions	162,190	10,777	53,589	29,754	256,310
Disposals	(999)	(742)	(2,218)	-	(3,959)
At 31 December 2006	411,904	26,375	60,090	89,037	587,406
Depreciation					
At 1 January 2006	(48,739)	(4,369)	(3,098)	(22,571)	(78,777)
Depreciation charge	(75,242)	(6,340)	(4,732)	(17,999)	(104,313)
Disposals	999	742	2,218	-	3,959
At 31 December 2006	(122,982)	(9,967)	(5,612)	(40,570)	(179,131)
Carrying value					
At 31 December 2006	288,922	16,408	54,478	48,467	408,275
At 31 December 2005	201,974	11,971	5,621	36,712	256,278

19 Other assets

	2007 RUR'000	2006 RUR'000
Advances given	155,860	157,732
Deferred merchant fees	113,831	104,296
Materials and supplies	51,743	3,689
ATM settlements	32,701	26,335
Amounts blocked as collateral for plastic cards settlements	18,927	19,740
Settlements for plastic cards transactions	13,888	1,584
Accounts receivable	5,331	15,258
Taxes receivable	3,434	13,293
Other	37,384	25,562
	433,099	367,489
Impairment allowance	(33,500)	(18,335)
	399,599	349,154

Analysis of movements in the impairment allowance

	2007 RUR'000	2006 RUR'000
Balance at the beginning of the year	18,335	-
Net charge for the year	15,165	18,335
Balance at the end of the year	33,500	18,335

20 Deposits and balances from banks and other financial institutions

	2007 RUR'000	2006 RUR'000
Vostro accounts	16,445	9,331
Term deposits	17,238,743	8,725,663
Syndicated loan	2,940,489	1,842,027
	20,195,677	10,577,021

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2007 and 2006 the Group had one bank whose balances exceeded 10% of total deposits and balances from banks and other financial institutions. The gross value of these balances as of 31 December 2007 and 2006 were RUR 15,882,720 thousand and RUR 7,902,689 thousand, respectively.

21 Current accounts and deposits from customers

	2007 RUR'000	2006 RUR'000
Current accounts and demand deposits		
- Retail	1,586,868	1,121,725
- Corporate	2,666,507	1,439,457
Term deposits		
- Retail	2,526,763	2,002,063
- Corporate	485,016	1,003,943
	7,265,154	5,567,188

As at 31 December 2007 retail term deposits include RUR 1,728,258 thousand (2006: RUR 1,323,130 thousand) representing a deposit from one related party bank which, acting in an agent capacity, attracts funds from third parties for the purpose of placing these funds with the Group on behalf and at the request of the third parties.

Blocked accounts

As of 31 December 2007, the Group maintained customer deposit balances of RUR 74,834 thousand (2006: RUR 48,784 thousand) which were blocked by the Group as collateral for loans and off-balance sheet credit instruments granted by the Group.

22 Debt securities in issue

	2007 RUR'000	2006 RUR'000
Loan participation notes	12,376,200	6,613,132
Russian bonds denominated in RUR	3,606,668	-
	15,982,868	6,613,132

In April 2007 the Group issued USD 250,000,000 of loan participation notes with a coupon rate of 7.5%. These loan participation notes mature on 13 April 2010. In February 2006 the Group issued USD 100,000,000 of loan participation notes with a coupon rate of 7.9% which were consolidated to form a single series with the USD 150,000,000 issue made in December 2005. These loan participation notes mature on 12 December 2008.

In February 2007 the Group issued RUR 3,500,000 thousand of bonds with a coupon rate of 7.94%. These bonds mature on 3 February 2010.

23 Other borrowed funds

	2007 RUR'000	2006 RUR'000
Due to LLC Finans International Invest	-	1,099,000
Other	-	627,935
	-	1,726,935

24 Deferred tax liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as of 31 December 2007 and 2006.

These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

	Assets		Liabilities		Net	
RUR'000	2007	2006	2007	2006	2007	2006
Financial instruments at fair value through profit or loss	-	-	(11,210)	(2,697)	(11,210)	(2,697)
Loans to customers	-	41,353	(14,807)	-	(14,807)	41,353
Available-for-sale assets	1,218	-	-	-	1,218	-
Other assets	-	-	(20,497)	(21,003)	(20,497)	(21,003)
Property and equipment	-	-	(50,278)	(32,446)	(50,278)	(32,446)
Other borrowed funds	-	-	(10,508)	(1,611)	(10,508)	(1,611)
Other liabilities	5,548	-	-	(1,333)	5,548	(1,333)
Total deferred liabilities	6,766	41,353	(107,300)	(59,090)	(100,534)	(17,737)

The tax rate applicable for deferred taxes was 24% (2006: 24%).

Movement in temporary differences during the year ended 31 December 2007

RUR'000	Balance 1 January 2007	Recognised in income	Recognised in equity	Balance 31 December 2007
Financial instruments at fair value through profit or loss	(2,697)	(8,513)	-	(11,210)
Loans to customers	41,353	(56,160)	-	(14,807)
Available-for-sale assets	-	-	1,218	1,218
Other assets	(21,003)	506	-	(20,497)
Property and equipment	(32,446)	(17,832)	-	(50,278)
Other borrowed funds	(1,611)	(8,897)	-	(10,508)
Other liabilities	(1,333)	6,881	-	5,548
	(17,737)	(84,015)	1,218	(100,534)

25 Subordinated debt

As at 31 December 2007 the Group had the following subordinated loans, received from the parent company and other subsidiaries of the Group's ultimate parent company:

Principal amount USD'000	Interest rate	Issue date	Maturity date	2007 RUR'000	2006 RUR'000
1,500	6%	1 October 1999	1 October 2014	36,819	39,497
2,000	6%	16 December 2002	16 December 2014	49,092	52,662
3,000	9%	16 November 2004	17 November 2014	73,639	78,993
3,250	8%	8 July 2005	18 May 2013	79,775	85,576
7,500	7.5%	1 December 2005	1 October 2015	184,097	197,483
7,500	7.5%	17 August 2006	17 August 2016	184,097	197,483
8,000	7.5%	11 April 2006	11 April 2016	196,370	210,649
5,000	7.5%	13 February 2007	16 February 2017	122,730	-
				926,619	862,343

26 Shareholders' equity

Issued capital

The authorised, issued and outstanding share capital comprises 1,000 thousand ordinary shares (2006: 352.7 thousand). All shares have a nominal value of RUR 5,670. During 2007 647.3 thousand ordinary shares (2006: 244.7 thousand) were issued at their nominal value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Group.

The composition of shareholders and their respective percentage of ownership is as follows:

	2007	2006
Credit Europe Bank N.V. (former Finansbank (Holland) N.V.)	95.00%	95.00%
Credit Europe Group N.V. (former FIBA International Holding N.V.)	1.60%	3.00%
Others	3.40%	2.00%
	100.00%	100.00%

Dividends

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to legislation of the Russian Federation. In accordance with the legislation of the Russian Federation, as of the balance sheet date, reserves available for distribution amounted to RUR 886,863 thousand (2006: RUR 196,717 thousand).

Additional paid-in capital

Also included in shareholder's equity, as at 31 December 2007, is additional paid-in capital of RUR 285,924 thousand, comprising contributions received from Credit Europe Bank N.V. during the year ended 31 December 2007.

27 Analysis by segment

The Group's primary format for reporting segment information is by business segments. As the majority of operations, credit related commitments, capital expenditure, and revenues of the Group relate to residents of the Russian Federation, the Group does not have a secondary format for reporting segment information by geographical segments.

The Group is organised into two main business segments:

- Commercial banking – includes corporate and SME banking operations which include deposit taking and commercial lending, settlements and cash operations. Commercial banking services also include trade finance.
- Retail banking – includes retail banking operations which include deposit taking and commercial lending, settlements and cash operations.

Segment breakdown of assets and liabilities of the Group is set out below:

	2007 RUR'000	2006 RUR'000
Assets		
Commercial banking	22,638,195	11,751,681
Retail banking	28,994,656	16,307,767
Unallocated assets	457,589	361,651
Total assets	52,090,440	28,421,099
Liabilities		
Commercial banking	7,445,630	6,028,928
Retail banking	37,164,660	19,540,413
Unallocated liabilities	283,250	107,404
Total liabilities	44,893,540	25,676,745

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

RUR'000	Commercial banking	Retail Banking	Total
External revenue	1,977,518	4,870,258	6,847,776
Net revenue from other segments	(747,028)	747,028	-
Revenue	1,230,490	5,617,286	6,847,776
Impairment losses	(40,222)	(1,190,200)	(1,230,422)
Interest expense	(121,772)	(1,891,167)	(2,012,939)
Fee and commission expense	(25,989)	(289,871)	(315,860)
Net foreign exchange income	87,471	66,171	153,642
General administrative expenses	(643,313)	(2,122,640)	(2,765,953)
Segment result	486,665	189,579	676,244
Income tax expense			(175,952)
Net income after taxes			500,292
Other segment items			
Additions of property and equipment	78,683	334,905	413,588
Depreciation and amortisation	(32,200)	(137,055)	(169,255)

Interest expense has been allocated on the basis of the percentage of liabilities employed by each segment. Net revenues from other segments represent income and expense from lending and borrowing between segments and have been determined based on the amount of funds attracted from other segments and the Group's interest rate for intersegment borrowings. No costs have been charged to segments for the use of shareholders' equity.

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

RUR'000	Commercial banking	Retail Banking	Total
External revenue	1,105,238	2,891,142	3,996,380
Net revenue from other segments	(245,911)	245,911	-
Revenue	859,327	3,137,053	3,996,380
Impairment losses	12,270	(1,128,652)	(1,116,382)
Interest expense	(152,218)	(902,445)	(1,054,663)
Fee and commission expense	(39,616)	(153,671)	(193,287)
Net foreign exchange income	48,004	117,703	165,707
General administrative expenses	(476,160)	(1,051,657)	(1,527,817)
Segment result	251,607	18,331	269,938
Income tax expense			(75,508)
Net income after taxes			194,430
Other segment items			
Additions of property and equipment	34,490	221,820	256,310
Depreciation and amortisation	(12,970)	(91,343)	(104,313)

28 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to credit, liquidity, re-pricing, market and operational risks.

Risk Management Function

The ultimate goal of risk management is to establish a global risk management framework covering all aspects of Group's daily business activities as well as strategic planning. The Group also adopted the concept of pro-active risk management which is especially important in emerging markets.

The Supervisory Board of the Group has overall responsibility for the oversight of the risk management function. For these purposes the Supervisory Board established the Senior Risk Management Committee (SRMC), which is delegated with the power and authority to manage and control the risk management process in the Group. The Group's Risk Management is headed by the Chief Risk Officer (CRO), who is a member of SRMC.

In order to fulfill assigned tasks the CRO is an active member of all committees of the Group. As a result, the CRO is involved in the pro-active controls over the Group and is informed about all important decisions in the Group.

The CRO leads central and independent risk management in the Group that has:

- clearly defined roles and participation in the strategic decision making process;
- formalized policies and procedures that communicate the risk management process;
- consistent methodologies for risk measurement that capture the potential for losses, foregone opportunities and risk diversification effects across different risk categories;
- limit structures that set maximum tolerances in relation to capital and the corporate risk taking philosophy;
- comprehensive management reports that communicate risk on a periodic basis;
- information technology to satisfy risk information needs throughout the organization.

The CRO is approved by the Supervisory Board and systematically reports at the Supervisory Board Meetings and provides shareholders with independent Risk Management reports on regular basis.

The organizational design of risk management infrastructure includes the Risk Management Department that provides effective risk articulation in the Group through encouraging a system of risk committees and operating in close cooperation with Internal Audit, Compliance, Financial Control and Business Lines Departments.

At the risk origination level, business line managers are responsible for coordination and execution of risk management processes. They are in charge of following the relevant risk policies and procedures, executing daily monitoring of exposures and limit usages, and controlling the key risk indicators of their respective businesses on a scheduled basis.

Thus, a risk governance framework of the Group consists of three "Lines of Defense": the business managers, who have the primary responsibility for day-to-day risk coordination; Risk Management Department, which provides high level policies, limits and risk control; and the Senior Risk Management Committee, which controls the implementation of priorities of risk management set by the Supervisory Board.

The Group continuously invests in risk management processes and tools. In particular, introducing of Credit Risk Portfolio Managers, establishing of an immediate and dynamic reporting system using Data-Warehouse technology and upgrading the Disaster Recovery Solutions are ongoing projects for the Group in 2008.

Credit risk

Credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Credit risk constitutes the most significant risk type for the Group. The Group is mainly involved in corporate, retail and limited but developing SME activities. The Group also takes credit exposures through Treasury transactions with banks and financial institutions, which however do not constitute a significant source of risk.

The Group has developed policies and procedures for management of credit exposures (both for on- and off- balance) and established a system of Credit Committees, including the Corporate Credit Committee, the SME Credit Committee, the Retail Credit Committee and the Financial Institutions Credit Committee. The Group's credit policies are reviewed and approved by the Senior Risk Management Committee.

(i) Corporate Credit Risk

In this field the Group has advanced risk management methods both for portfolio and borrower level. On borrower level, internally developed rating model and methods of financial analysis based on Credit Europe Bank N.V. (Parent Bank) methodology and leveraging the experience of the group in emerging markets (Turkey, Russia and Romania) are in use. On portfolio level, the risks are monitored using a concentration limits approach.

The Group has a "Chinese Wall" between the Corporate Banking and Corporate Credits Departments, the heads of which are reporting to the President directly. Decisions on credit limits are made by the Corporate Credit Committee based on the Credit Package prepared by corporate banking and independent appraisal and financial analyses prepared by the Corporate Credits Department.

The Group has developed a Collateral Management Function and professional team of Collateral Managers. Individual transactions are also reviewed by the Group's Legal and Compliance departments depending on the specific risks. The Corporate Credit Committee takes loan decisions by considering their analysis.

The Group monitors concentrations of credit risk by industry/sector, by geographic location, by currency, tenor, collateral, internal rating and others. The Corporate Credits Department each month prepares a Corporate Portfolio Risk Report which is reviewed by the Corporate Credit Committee and submitted to the members of the Supervisory Board and to the Parent Bank for consolidation purposes.

Utilization of credit limits is done with the participation of the Corporate Credits Department, Collateral Management Department, Legal and Independent Credit Back-office departments.

The credit process is monitored by the Risk Management Department that reports directly to the Supervisory Board. The CRO is the member of the Corporate Credit Committee.

(ii) Retail Credit Risk

The Group operates with a wide spectra of retail credit products such as multi purpose loans, instant loans, mortgage loans, auto loans, express cash loans, holiday loans, overdraft credit cards and installment credit cards.

The Group uses an internally developed automated system for credit application, credit approval and booking processing. A system of decision trees and scoring tools to provide better equilibrium between profitability, growth and risk is embedded into this system.

The Group has policies and limits by retail product type. The policies, limits and rules, algorithms and scoring procedures are approved by the Retail Credit Committee. The Retail Credit Committee controls the entire retail credit process by approving policies and procedures, regular updating methodologies, algorithms and instructions on retail credit risk assessment, and delegating authorities depending on the type of product and making particular credit decisions.

The Retail Credit Committee's aim is to ensure an adequate level of risk management practices for the size and complexity of Group's operations for individual retail exposures as well as at a portfolio level. The CRO is the member of Retail Credit Committee.

In addition to advanced reports of the Retail Analytics Department, the Risk Management Department independently monitors portfolio performance, controls quality and quantity characteristics of the total retail credit portfolio, in particular by using techniques of roll-over, cohort, coincident and vintage analyses for probability of default estimations, which are also regularly reported to the Supervisory Board.

(iii) SME Credit Risk

SME business line has both corporate experience for larger loans ("standard loans") and retail skills for small size credits ("microloans").

The Group established SME Credit Committee which is in charge of individual credit decisions for standard loans and takes decisions over the policies and rules for all SME credit products. The CRO is the member of SME Credit Committee.

The Group continuously monitors the SME loan portfolio and regularly reassesses the creditworthiness of its customers and quality of risk management tools and methods.

Liquidity risk

Liquidity risk is defined as the current or prospective threat to an institution's earnings and capital as a result of the possibility that it will not be able to meet its short-term payment obligations at any point in time without this involving unacceptable costs or losses. Liquidity risk is the risk that the volume and timing of potential cash inflows and outflows are not adequately matched, whereby a shortfall arising at any point in time cannot be made up by selling assets or by obtaining refinancing because:

- the market for the asset in question has inadequate liquidity;
- the institution has insufficient liquid assets to sell or to pledge in order to obtain refinancing;
- the institution is insufficiently solvent and as a result has insufficient borrowing capacity;
- the institution has insufficient funding relationships.

The Group maintains liquidity risk management in accordance with the nature, size and complexity of the activities that the Group carries out. The system used by the Group to monitor, control and report liquidity risk is clearly described in the Group's Liquidity Policy.

As part of its on-going effort to improve its existing liquidity risk management procedures the Group has implemented a quantifying and monitoring system for both daily and longer periods.

The Group calculates local normatives for short, medium, medium-long, and long liquidity and monitors structural liquidity in accordance with the requirement of the CBR. The Group was in compliance with these ratios during the years ended 31 December 2007 and 31 December 2006.

The Group also monitors its liquidity risk through Static Maturity Gap analyses on a monthly basis for three major currencies: EUR, USD and RUR. Furthermore, the liquidity stress test is carried out to monitor the vulnerability of the Group to the withdrawal of all short-term liabilities. The analyses are based on the Parent Bank's methodology.

Asset and Liability Committee (ALCO) is responsible for managing liquidity risk basing on the reports of Financial Control, Risk Management and Treasury Departments. Daily management of cash flow and liquidity is done by Treasury Department and executed by Treasury Back-office and controlled by Financial Control and Risk Management Departments. The Treasury Daily Report is used for the purpose of managing and optimizing the cash-flow of the Group on a daily basis.

The daily report includes the total money market borrowings and placements, the daily and overall cash flows from client operations on foreign exchange market, the daily and overall cash flows from foreign exchange trading activities, the daily activities on the fixed income market and the current market price of the fixed income portfolio. The report also includes the list and details of long-term instruments used for liquidity management and a brief table showing general macro economic data that helps the Managing Board to have a better understanding of the current economic trends.

ALCO is held on weekly and monthly basis and analyzes liquidity reports and stress-testing results and takes necessary actions to match asset and liability positions both on- and off-balance sheet in such a way that the Group is able to keep its liquidity risk below the pre-determined limits.

The following tables show the undiscounted cash flows on the Group's financial liabilities and unrecognized loan commitments on the basis of their earliest possible contractual maturity. The total gross (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment. The Group's expected cash flows on these financial liabilities and unrecognized loan commitments may vary significantly from this analysis.

The position of the Group as at 31 December 2007 was as follows:

RUR'000	Demand and less than 1 month	From 1 to 3 month	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	3,831,405	803,470	62,748	8,413,612	8,178,566	21,289,801	20,195,677
Current accounts and deposits from customers	5,868,255	833,620	363,671	212,905	23,529	7,301,980	7,265,154
Debt securities in issue	-	140,494	472,514	6,749,558	10,750,710	18,113,276	15,982,868
Subordinated debt	-	17,189	17,571	35,142	1,342,212	1,412,114	926,619
Other liabilities	116,086	44,183	7,835	17,860	-	185,964	185,964
Derivative liabilities							
- Inflow	(3,514,365)	(5,941,475)	(6,407,159)	(3,940,017)	-	(19,803,016)	(40,765)
- Outflow	3,539,004	6,073,666	6,515,548	3,983,708	-	20,111,926	236,724
Total	9,791,107	1,706,765	815,950	15,385,386	20,295,017	47,994,225	44,752,241
Loan commitments	195,785	36,208	1,007,086	824,715	1,310,512	3,374,306	3,374,306

The position of the Group as at 31 December 2006 was as follows:

RUR'000	Demand and less than 1 month	From 1 to 3 month	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	1,741,087	54,973	6,883,468	2,115,760	-	10,795,288	10,577,021
Current accounts and deposits from customers	3,440,389	1,781,851	262,862	120,050	16,443	5,621,595	5,567,188
Debt securities in issue	-	-	260,020	260,020	7,102,813	7,622,853	6,613,132
Other borrowed funds	628,753	1,124,623	-	-	-	1,753,376	1,726,935
Subordinated debt	-	16,004	16,182	32,720	1,363,236	1,428,142	862,343
Other liabilities	90,939	-	-	-	-	90,939	90,939
Derivative liabilities							
- Inflow	(1,858,075)	(5,792,842)	(710,940)	(2,106,467)	-	(10,468,324)	(38)
- Outflow	1,989,090	5,862,955	722,175	2,126,775	-	10,700,995	221,450
Total	6,032,183	3,047,564	7,433,767	2,548,858	8,482,492	27,544,864	25,648,970
Loan commitments	140,522	179,153	130,883	482,510	677,123	1,610,191	1,610,191

For further information on the Group's exposure to liquidity risk at year end refer to Note 37.

Market Risk

Market risk is defined as the risk of losses in on and off-balance-sheet positions arising from movements in market prices. Market risks for the Group comprise foreign currency risk and interest rate risk. Market risk arises from open positions, foreign currency and trading portfolio, which are exposed to general and specific market movements and changes in the level of volatility of market prices. Overall authority for market risk is vested in the ALCO.

Treasury is not defined as business line of the Group as the trading portfolio of the Group is small and used for liquidity management purposes.

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise. Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Re-pricing risk

An analysis of sensitivity of the Group's net income for the year and equity to changes in the market interest rate based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2007 and 31 December 2006 is as follows:

	2007 RUR'000	2006 RUR'000
100 bp parallel increase	82,196	7,689
100 bp parallel decrease	(82,196)	(7,689)

Interest rate risk attributable to financial instruments at fair value though profit or loss does not constitute a major risk and therefore, case-by-case approval and price monitoring systems are used to follow market risk. Approval is done using both volatility and return study by Treasury and credibility analysis by Corporate Credits Department. In the case of large portfolio, VaR analysis will be applied both on security as well as on portfolio level.

Fair value risk

An analysis of sensitivity of the net income for the year and equity as a result of changes in fair value of financial instruments at fair value though profit or loss due to changes in the interest rates based on positions existing as at 31 December 2007 and 2006 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	2007 RUR'000	2006 RUR'000
100 bp parallel increase	(15,443)	(10,897)
100 bp parallel decrease	16,865	11,809

Currency risk

At the end of each day, Treasury Department prepares Daily Treasury Report. The report includes the total borrowings and placements done on the money market, the daily and overall income from foreign currency pricing activities, the daily and overall income from foreign currency trading activities, the daily activities on the fixed income market and the current market price of the fixed income portfolio. The report also includes the list and details of long-term instruments used for liquidity management and a brief table showing general macro economic data that helps the Managing Board to have a better understanding of the current economic trends.

The foreign currency position is monitored daily. Daily reporting on currency position is done by both Accounting and Financial Control Departments. The CBR sets an absolute level of 10% of its equity as the maximum limit of each currency risk exposure to be taken. The sum of all long (short) open foreign currency positions (absolute values) in different currencies should not exceed 20% of equity of the Group. For further information on the Group's exposure to currency risk at year end refer to Notes 14 and 38.

An analysis of sensitivity of the Group's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2007 and 2006 and a simplified scenario of a 5% change in rates of major currencies to RUR is as follows:

	2007 RUR'000	2006 RUR'000
5% appreciation of USD against RUB	(19,667)	(474)
5% depreciation of USD against RUB	19,667	474
5% appreciation of EUR against RUB	(1,803)	18
5% depreciation of EUR against RUB	1,803	(18)

In addition to the CBR requirements the Group follows international practice and sets its own limits. The absolute level of 10% of its equity is set as the maximum limit of currency risk exposure to be taken separately for each position and for the sum of all positions.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes IT, HR, fraud, operations and legal risk.

The Group established the Operational Risk Committee. The committee determines policies and procedures in the area of operational risks. Meetings are held monthly, where regular reports from Operations, Customer Care Unit and IT departments are discussed together with current issues. The committee has two authorized Task Groups to deal with specific risks on daily basis, namely IT Risk Group and Anti-fraud Group.

Apart from the Operational Committee the Group has also an IT Steering Committee which is entitled to set strategies and priorities for IT projects and take decisions on IT risks and processes, an HR committee to manage HR Risks, and a Disciplinary Committee to deal with Code of Conduct issues.

The Group collects information in relation to the circumstances leading to losses and uses this information for necessary corrections of processes and control tools.

Risk Management plays important role in managing Operational Risks. Apart of the activities mentioned above, a special "Process and Default Risk Analysis" project is currently executed by Risk Management Department through preparing risk assessment reports focused on significant areas of the Group's activities.

The CRO is the member of all mentioned committees and groups and reports directly to Supervisory Board on important developments and issues.

29 Capital management

The Central Bank of Russia sets and monitors capital requirements for the Group.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Russia banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2007, this minimum level is 10%. The Group was in compliance with the statutory capital ratio during the years ended 31 December 2006 and 31 December 2007.

The Group also monitors its 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 2007), commonly known as Basel I.

The following table shows the composition of the Group's capital position calculated in accordance with the requirements of the Basle Accord, as at 31 December 2007 and 2006:

	2007 RUR'000	2006 RUR'000
Tier 1 capital		
Share capital	5,884,889	2,214,698
Share premium	158,631	158,631
Additional paid-in capital	285,924	-
Retained earnings	871,317	371,025
Total tier 1 capital	7,200,761	2,744,354
Tier 2 capital		
Subordinated debt	926,619	862,343
Revaluation reserve for available-for-sale assets	(3,861)	-
Total tier 2 capital	922,758	862,343
Total capital	8,123,519	3,606,697
Risk-weighted assets		
Banking book	48,118,848	25,613,223
Trading book	1,605,888	637,530
Total risk weighted assets	49,724,736	26,250,753
Total capital expressed as a percentage of risk-weighted assets ("total capital ratio")	16.34%	13.74%
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	14.48%	10.45%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

30 Commitments

At any time the Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to three years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	2007 RUR'000	2006 RUR'000
Contracted amount		
Loan and credit line commitments	2,191,948	973,141
Guarantees and letters of credit	1,315,137	838,364
Credit card commitments	1,168,056	637,050
Undrawn overdraft facilities	14,302	-

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

31 Operating leases

Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

	2007 RUR'000	2006 RUR'000
Less than one year	61,718	35,142
	61,718	35,142

The Group leases a number of premises and equipment under operating lease. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year RUR 316,607 thousand was recognised as an expense in the consolidated income statement in respect of operating leases (2006: RUR 170,630 thousand).

32 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

The Group's management is unaware of any significant actual, pending or threatened claims against the Group.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position of the Group, if the authorities were successful in enforcing their interpretations, could be significant.

Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated balance sheet.

33 Related party transactions

The Bank's ultimate parent company is FIBA Holding A.S. a Turkish joint stock company, which is ultimately controlled by a single individual, Mr. Husnu Ozyegin.

The Bank's immediate parent is Credit Europe Bank N.V. which produces publicly available financial statements.

Transactions with the members of the Management Board

Total remuneration included in employee compensation (refer Note 10):

	2007 RUR'000	2006 RUR'000
Members of the Management Board	144,917	82,591

The outstanding balances and average interest rates as of 31 December 2007 and 2006 with the members of the Management Board are as follows:

	2007 RUR'000	Average Interest Rate	2006 RUR'000	Average Interest Rate
Consolidated Balance Sheet				
Assets				
Loans to customers	15,951	10.85%	2,315	10.00%
Liabilities				
Deposits from customers	15,302	6.57%	9,154	6.55%

Other amounts included in the consolidated income statement in relation to transactions with the members of the Management Board are as follows:

	2007 RUR'000	2006 RUR'000
Consolidated Income statement		
Interest income	693	303
Interest expense	(914)	(589)

Transactions with other related parties

The outstanding balances and the related average interest rates as of 31 December 2007 and related consolidated income statement amounts of transactions for the year ended 31 December 2007 with other related parties are as follows.

	Parent company		Subsidiaries of the Group's ultimate parent company		Total
	RUR'000	Average Interest Rate	RUR'000	Average Interest Rate	RUR'000
Consolidated Balance Sheet					
Assets					
Placements with banks and other financial institutions	49,116	3.00%	163	-	49,279
Financial instruments at fair value through profit or loss	7,947	-	-	-	7,947
Loans to customers					
- Principal balance	-	-	634,627	8.32%	634,627
- Provision for impairment	-	-	-	-	-

	Parent company		Subsidiaries of the Group's ultimate parent company		Total
	RUR'000	Average Interest Rate	RUR'000	Average Interest Rate	RUR'000
Liabilities					
Financial instruments at fair value through profit or loss	73,103	-	-	-	73,103
Deposits and balances from banks and other financial institutions	15,882,720	5.76%	9	-	15,882,729
Current accounts and deposits from customers*	1,728,258	6.03%	55,805	2.08%	1,784,063
Subordinated debt	846,844	7.48%	79,775	8.00%	926,619
Off balance sheet items					
Guarantees received for loan participation notes issued by the Group	-		6,136,550		6,136,550
Guarantees issued	-		32,499		32,499
Consolidated Income statement					
Interest income	3,082		43,322		46,404
Interest expense	(611,032)		(91,018)		(702,050)
Fee and commission income	-		800		800
Net foreign exchange income/(loss)	215,088		(14,136)		200,952
Other income	-		1,760		1,760

* - Included in current accounts and deposits from customers is RUR 1,728,258 thousand, which represents deposits from one related party bank which, acting in an agent capacity, attract funds from third parties for the purpose of placing these funds with the Group on behalf and at the request of the third parties.

The outstanding balances and the related average interest rates as of 31 December 2006 and related consolidated income statement amounts of transactions for the year ended 31 December 2006 with other related parties are as follows.

	Parent company		Subsidiaries of the Group's ultimate parent company		Total
	RUR'000	Average Interest Rate	RUR'000	Average Interest Rate	RUR'000
Consolidated Balance Sheet					
Assets					
Placements with banks and other financial institutions	499	-	101	-	600
Loans to customers					
- Principal balance	-	-	337,352	8.05%	337,352
- Impairment allowance	-	-	-	-	-

	Parent company		Subsidiaries of the Group's ultimate parent company		Total
	RUR'000	Average Interest Rate	RUR'000	Average Interest Rate	RUR'000
Liabilities					
Financial instruments at fair value through profit or loss	150,854	-	3,025	-	153,879
Deposits and balances from banks and other financial institutions	7,902,689	6.05%	-	-	7,902,689
Current accounts and deposits from customers*	-	-	1,371,931	6.43%	1,371,931
Other borrowed funds	-	-	1,099,000	8.55%	1,099,000
Subordinated debt	-	-	862,343	7.53%	862,343
Off balance sheet items					
Guarantees received for loan participation notes issued by the Group	-		6,582,775		6,582,775
Guarantees issued	-		15,502		15,502
Consolidated Income statement					
Interest income	-		13,188		13,188
Interest expense	(109,971)		(253,652)		(363,623)
Fee and commission income	-		14,717		14,717
Net foreign exchange (loss)/income	(245,372)		55,075		(190,297)

* - Included in current accounts and deposits from customers is RUR 1,323,130 thousand, which represents deposits from one related party bank which, acting in an agent capacity, attract funds from third parties for the purpose of placing these funds with the Group on behalf and at the request of the third parties.

34 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flow are composed of the following items:

	2007 RUR'000	2006 RUR'000
Cash	711,307	654,383
Due from the Central Bank – nostro accounts	351,972	336,752
Nostro accounts with banks and amounts due from other financial institutions with an original maturity of 90 days or less and which are free from contractual encumbrances	3,567,538	2,042,763
	4,630,817	3,033,898

35 Fair value of financial instruments

The estimated fair value of the Group's financial assets and liabilities, as required to be disclosed by IFRS 7 "Financial Instruments: Disclosures", is as follows:

The estimated fair values of financial instruments at fair value through profit or loss, available for sale and held to maturity investments and debt securities in issue are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the balance sheet date.

Management of the Group believes that the estimated fair value of financial instruments except for loan participation notes included into debt securities in issue (whose carrying value was RUR 12,376,200 thousand at 31 December 2007 and which had a fair value RUR 12,269,981 thousand at 31 December 2007) approximates their carrying values.

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

36 Average effective interest rates

The table below displays the Group's interest bearing assets and liabilities as at 31 December 2007 and 2006 and their corresponding average effective interest rates as at that date.

	Value RUR'000	2007 Average Effective Interest Rate	Value RUR'000	2006 Average Effective Interest Rate
Interest Bearing Assets				
Placements with banks and other financial institutions				
<i>Loans and deposits</i>				
- RUR	230,694	3.63%	920,356	4.17%
- USD	158,913	9.43%	1,071,901	5.54%
- Euros	3,260,379	4.55%	-	-
Financial instruments at fair value through profit or loss				
- RUR	811,013	9.14%	377,841	9.59%
- USD	101,526	8.40%	132,199	8.75%
Loans to customers				
- RUR	28,712,911	25.98%	14,967,953	26.43%
- USD	11,491,835	9.88%	6,908,699	10.40%
- Euros	4,231,069	8.44%	1,694,604	8.46%
Available-for-sale assets				
- USD	23,230	8.75%	-	-
- Euros	173,846	7.07%	-	-

	Value RUR'000	2007 Average Effective Interest Rate	Value RUR'000	2006 Average Effective Interest Rate
Held to maturity investments				
- RUR	101,697	9.25%	101,722	9.25%
Interest Bearing Liabilities				
Deposits and balances from banks and other financial institutions				
<i>Term deposits</i>				
- RUR	1,046,458	4.24%	480,000	5.53%
- USD	10,989,511	6.11%	6,724,991	6.34%
- Euros	5,202,774	4.91%	1,520,672	4.49%
<i>Syndicated loan</i>				
- USD	2,940,489	6.47%	1,842,027	7.13%
Current accounts and deposits from customers				
<i>Term deposits</i>				
- RUR	879,203	7.53%	846,069	6.01%
- USD	1,868,558	5.93%	2,121,026	5.99%
- Euros	264,018	5.37%	38,911	2.67%
Debt securities in issue				
- RUR	3,606,668	8.14%	-	-
- USD	12,376,200	7.90%	6,613,132	8.02%
Other borrowed funds				
- RUR	-	-	1,726,935	8.98%
Subordinated debt				
- USD	926,619	7.52%	862,343	7.53%

37 Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2007, with the exception of financial instruments at fair value through profit or loss, which are shown in the category "Less than 1 month" based on the fact that the Group's management believes that all of these financial instruments could be liquidated within one month in the normal course of business.

As at 31 December 2007, the contractual maturities of financial instruments at fair value through profit or loss are: RUR 912,539 thousand in "1 year to 5 years".

CREDIT EUROPE BANK LTD.
Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2007

	Less than 1 month RUR'000	1 to 3 months RUR'000	3 months to 1 year RUR'000	1 to 5 year RUR'000	More than 5 years RUR'000	No maturity RUR'000	Total RUR'000
Assets							
Cash	711,307	-	-	-	-	-	711,307
Due from the Central Bank of the Russian Federation	450,071	18,231	170,830	155,784	-	-	794,916
Placements with banks and other financial institutions	2,884,812	718,925	173,387	-	-	-	3,777,124
Financial instruments at fair value through profit or loss	917,480	11,326	24,498	-	-	-	953,304
Loans to customers	4,621,873	7,233,825	14,481,885	17,277,108	821,124	-	44,435,815
Available-for-sale assets	-	-	4,135	192,941	-	-	197,076
Held-to-maturity investments	-	-	1,697	100,000	-	-	101,697
Current income tax prepayments	-	76,916	-	-	-	-	76,916
Property and equipment	-	-	-	-	-	642,686	642,686
Other assets	67,239	124,549	8,162	180,722	-	18,927	399,599
Total assets	9,652,782	8,183,772	14,864,594	17,906,555	821,124	661,613	52,090,440
Liabilities							
Financial instruments at fair value through profit or loss	7,518	119,147	110,059	-	-	-	236,724
Deposits and balances from banks and other financial institutions	3,826,900	770,752	8,117,814	7,480,211	-	-	20,195,677
Current accounts and deposits from customers	5,866,483	822,874	554,347	21,450	-	-	7,265,154
Debt securities issued	-	110,390	6,260,495	9,611,983	-	-	15,982,868
Deferred tax liability	-	-	-	-	-	100,534	100,534
Subordinated debt	-	-	-	-	926,619	-	926,619
Other liabilities	116,086	44,183	7,835	17,860	-	-	185,964
Total liabilities	9,816,987	1,867,346	15,050,550	17,131,504	926,619	100,534	44,893,540
Net position as at 31 December 2007	(164,205)	6,316,426	(185,956)	775,051	(105,495)	561,079	7,196,900
Net position as at 31 December 2006	649,031	2,203,240	(841,133)	1,052,916	(745,236)	425,536	2,744,354

The following table shows management estimation of the Group liquidity position as at 31 December 2007. In contrast to contractual maturity table presented above in the table below current customer accounts and demand deposits are evenly distributed during one year from 31 December 2007 on the basis of Management's belief that in spite of current customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group, indicates that these deposits provide a stable source of funding.

Assets	Less than 1 month RUR'000	1 to 3 months RUR'000	3 months to 1 year RUR'000	1 to 5 year RUR'000	More than 5 years RUR'000	No maturity RUR'000	Total RUR'000
Cash	711,307	-	-	-	-	-	711,307
Due from the Central Bank of the Russian Federation	450,071	18,231	170,830	155,784	-	-	794,916
Placements with banks and other financial institutions	2,884,812	718,925	173,387	-	-	-	3,777,124
Financial instruments at fair value through profit or loss	917,480	11,326	24,498	-	-	-	953,304
Loans to customers	4,621,873	7,233,825	14,481,885	17,277,108	821,124	-	44,435,815
Available-for-sale assets	-	-	4,135	192,941	-	-	197,076
Held-to-maturity investments	-	-	1,697	100,000	-	-	101,697
Current income tax prepayments	-	76,916	-	-	-	-	76,916
Property and equipment	-	-	-	-	-	642,686	642,686
Other assets	67,239	124,549	8,162	180,722	-	18,927	399,599
Total assets	9,652,782	8,183,772	14,864,594	17,906,555	821,124	661,613	52,090,440
Liabilities							
Financial instruments at fair value through profit or loss	7,518	119,147	110,059	-	-	-	236,724
Deposits and balances from banks and other financial institutions	3,826,900	770,752	8,117,814	7,480,211	-	-	20,195,677
Current accounts and deposits from customers	1,973,366	1,520,149	3,750,189	21,450	-	-	7,265,154
Debt securities issued	-	110,390	6,260,495	9,611,983	-	-	15,982,868
Deferred tax liability	-	-	-	-	-	100,534	100,534
Subordinated debt	-	-	-	-	926,619	-	926,619
Other liabilities	116,086	44,183	7,835	17,860	-	-	185,964
Total liabilities	5,923,870	2,564,621	18,246,392	17,131,504	926,619	100,534	44,893,540
Net position as at 31 December 2007	3,728,912	5,619,151	(3,381,798)	775,051	(105,495)	561,079	7,196,900
Cumulative position as at 31 December 2007	3,728,912	9,348,063	5,966,265	6,741,316	6,635,821	7,196,900	
Net position as at 31 December 2006	2,993,282	1,783,374	(2,765,518)	1,052,916	(745,236)	425,536	2,744,354
Cumulative position as at 31 December 2006	2,993,282	4,776,656	2,011,138	3,064,054	2,318,818	2,744,354	

38 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2007:

	RUR RUR'000	USD RUR'000	Euro RUR'000	Other currencies RUR'000	Total RUR'000
Assets					
Cash	605,413	90,257	15,245	392	711,307
Due from the Central Bank of the Russian Federation	794,916	-	-	-	794,916
Placements with banks and other financial institutions	289,147	201,732	3,284,117	2,128	3,777,124
Financial instruments at fair value through profit or loss	851,778	101,526	-	-	953,304
Loans to customers	28,712,911	11,491,835	4,231,069	-	44,435,815
Available-for-sale assets	-	23,230	173,846	-	197,076
Held-to-maturity investments	101,697	-	-	-	101,697
Current income tax prepayments	76,916	-	-	-	76,916
Property and equipment	642,686	-	-	-	642,686
Other assets	366,779	32,609	83	128	399,599
Total assets	32,442,243	11,941,189	7,704,360	2,648	52,090,440
Liabilities					
Financial instruments at fair value through profit or loss	236,724	-	-	-	236,724
Deposits and balances from banks and other financial institutions	1,053,752	13,939,152	5,202,773	-	20,195,677
Current accounts and deposits from customers	4,419,560	2,287,990	557,512	92	7,265,154
Debt securities in issue	3,606,668	12,376,200	-	-	15,982,868
Deferred tax liability	100,534	-	-	-	100,534
Subordinated debt	-	926,619	-	-	926,619
Other liabilities	152,009	33,180	775	-	185,964
Total liabilities	9,569,247	29,563,141	5,761,060	92	44,893,540
Net on balance sheet position as of 31 December 2007	22,872,996	(17,621,952)	1,943,300	2,556	7,196,900
Net off balance sheet position as of 31 December 2007	(15,257,548)	17,102,621	(1,994,034)	148,961	-
Net on and off balance sheet positions as of 31 December 2007	7,615,448	(519,331)	(50,734)	151,517	7,196,900
Net on and off balance sheet positions as of 31 December 2006	2,751,044	(12,477)	474	5,313	2,744,354

Net RUR on and off balance sheet positions approximates the amount of the Group's total Shareholders' Equity of RUR 7,196,900 thousand (2006: RUR 2,744,354 thousand).

39 Events subsequent to the balance sheet date

In February 2008, shareholders of the Group made a decision to increase its share capital by RUR 952,560 thousand through issue of 168,000 additional shares with a par value of RUR 5,670 per share.