FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Managing Board of ZAO Raiffeisenbank Austria:

1 We have audited the accompanying consolidated financial statements of ZAO Raiffeisenbank Austria and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
20 April 2007

ZAO Raiffeisenbank Austria
Consolidated Balance Sheet

In thousands of Russian Roubles	Note	31 December 2006	31 December 2005
Assets			
Cash and cash equivalents	7	33 743 296	23 164 099
Mandatory cash balances with the Central Bank of the Russian Federation		3 442 406	3 149 331
Trading securities	8	23 859 399	7 241 692
Due from other banks	9	4 029 680	1 828 991
Loans and advances to customers	10	154 861 476	94 952 627
Premises and equipment	11	2 830 259	2 190 705
Deferred tax asset	21	405 461	248 374
Other assets	12	3 300 436	2 346 590
Total assets		**226 472 413**	**135 122 409**
Liabilities			
Due to other banks	13	47 915 532	42 633 635
Customer accounts	14	118 440 078	69 898 354
Other borrowed funds	15	40 623 816	6 757 007
Current tax liability		175 897	173 149
Other liabilities	16	1 521 129	979 190
Total liabilities		**208 676 452**	**120 441 335**
Equity			
Share capital	17	13 439 307	13 439 307
Share premium	17	155 566	155 566
Additional paid-in capital	17	1 212 488	1 212 488
Retained earnings		2 988 600	(126 287)
Total equity		**17 795 961**	**14 681 074**
Total liabilities and equity		**226 472 413**	**135 122 409**

Approved for issue and signed on behalf of the Managing Board on 20 April 2007.

Johann Jonach
President

Michail Matveev
Deputy Chief Accountant

Consolidated Income Statement

In thousands of Russian Roubles	Note	2006	2005
Interest income	18	13 474 445	7 584 191
Interest expense	18	(5 726 501)	(2 690 578)
Net interest income		**7 747 944**	**4 893 613**
Provision for loan impairment	10	(1 051 206)	(1 491 923)
Net interest income after provision for loan impairment		**6 696 738**	**3 401 690**
Fee and commission income	19	2 321 905	1 481 761
Fee and commission expense	19	(428 858)	(325 447)
Net (losses)/gains from trading securities		(98 173)	118 164
Net (losses)/gains from other securities at fair value through profit or loss		(12 958)	257
Gains less losses from financial derivatives		159 751	39 079
Gains less losses from trading in foreign currencies		1 174 586	518 539
Foreign exchange translation gains less losses		198 940	1 053 365
Provisions for contingent liabilities	16	(25 818)	(113 369)
Other operating income		22 999	36 324
Administrative and other operating expenses	20	(5 005 782)	(3 153 549)
Operating profit		**5 003 330**	**3 056 814**
Share of profit of associates	12	68 076	24 428
Profit before tax		**5 071 406**	**3 081 242**
Income tax expense	21	(1 395 031)	(790 352)
Profit for the year		**3 676 375**	**2 290 890**

Consolidated Statement of Changes in Equity

In thousands of Russian Roubles	Share capital	Share premium	Additional paid in capital	Retained earnings	Total equity
Balance as at 1 January 2005	**8 039 795**	**10 758**	**1 212 488**	**(2 111 265)**	**7 151 776**
Profit for the year	–	–	–	2 290 890	2 290 890
Share issue	5 399 512	144 808	–	–	5 544 320
Dividends (Note 22)	–	–	–	(305 912)	(305 912)
Balance as at 31 December 2005	**13 439 307**	**155 566**	**1 212 488**	**(126 287)**	**14 681 074**
Profit for the year	–	–	–	3 676 375	3 676 375
Dividends (Note 22)	–	–	–	(561 488)	(561 488)
Balance as at 31 December 2006	**13 439 307**	**155 566**	**1 212 488**	**2 988 600**	**17 795 961**

Consolidated Statement of Cash Flows

In thousands of Russian Roubles	Note	2006	2005
Cash flows from operating activities			
Interest received		13 702 893	7 448 008
Interest paid		(6 270 870)	(2 471 290)
Fees and commissions received		2 309 319	1 491 186
Fees and commissions paid		(428 858)	(325 447)
Gains less losses arising from trading securities		377 044	134 271
Losses less gains arising from other securities at fair value through profit and loss		(22 668)	(1 795)
Gains less losses arising from financial derivatives		330 965	10 653
Income received from trading in foreign currencies		1 174 586	474 833
Other operating income received		22 999	30 310
Administrative and other operating expenses paid		(4 430 676)	(2 800 167)
Income tax paid		(1 517 794)	(824 101)
Cash flows from operating activities before changes in operating assets and liabilities		**5 246 940**	**3 166 461**
Changes in operating assets and liabilities			
Net increase in mandatory reserves with the Central Bank of Russian Federation		(293 075)	(796 768)
Net increase in trading securities		(17 577 047)	(3 226 756)
Net increase in due from other banks		(2 525 278)	(576 485)
Net increase in loans and advances to customers		(67 584 059)	(35 291 127)
Net increase in other assets		(895 694)	(934 857)
Net increase in due to other banks		9 343 494	24 281 875
Net increase in customer accounts		51 863 579	22 703 872
Net (decrease)/increase in other liabilities		113 868	202 027
Net cash (used in)/from operating activities		**(22 307 272)**	**9 528 242**
Cash flows from investing activities			
Acquisition of premises and equipment	11	(1 004 458)	(1 214 590)
Net cash used in investing activities		**(1 004 458)**	**(1 214 590)**
Cash flows from financing activities			
Receipt of other borrowed funds		36 020 907	1 696 044
Repayment of other borrowed funds		(553 264)	(5 160 978)
Share issue	17	–	5 544 320
Dividends paid	22	(561 488)	(305 912)
Net cash from financing activities		**34 906 155**	**1 773 474**
Accrued interest on cash and cash equivalents		(138 331)	(97 887)
Effect of exchange rate changes on cash and cash equivalents		(876 897)	89 218
Net increase in cash and cash equivalents		**10 579 197**	**10 078 457**
Cash and cash equivalents at the beginning of the year	7	23 164 099	13 085 642
Cash and cash equivalents at the end of the year	**7**	**33 743 296**	**23 164 099**

Notes to the Consolidated Financial Statements — 31 December 2006

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2006 for ZAO Raiffeisenbank Austria (the "Bank"), its wholly owned subsidiaries, Non-state Pension Fund Raiffeisen and OOO UK Raiffeisen Capital and its 50% owned associate OOO Raiffeisen-Leasing (together the "Group").

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

The Bank is owned by Raiffeisen International Bank-Holding AG and Raiffeisen-Invest-Gesellschaft m.b.H., subsidiaries of Raiffeisen Zentralbank Österreich AG (the "Parent Bank"), which is the ultimate controlling party of the Group.

Principal activity. The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1996. The Bank operates in all banking sectors of the Russian financial markets, including money market, investments, corporate and retail banking, and provides a complete range of banking services to its clients. In addition, the Group, through operations of its subsidiaries and associates, is also involved in asset management, pension and leasing businesses. On 2 February 2005 the Bank was accepted to the State deposit insurance scheme, introduced by the Federal law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 100 thousand and repayment of 90% of individual deposits in excess of 100 thousand up to a limit of RR 400 thousand per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

As at 31 December 2006 the Bank had 9 (2005: 4) branches within the Russian Federation and 26 (2005: 22) outlets and offices in Moscow.

Registered address and place of business. The Bank's registered address is: 17/1 Troitskaya Str., 129090 Moscow, Russian Federation. The Bank's main place of business is: 15A Leninsky prospect, 119071 Moscow, Russian Federation.

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

2 Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including the existence of a currency that is in practice not convertible in most countries outside of the Russian Federation, relatively high inflation and strong economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity. Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the financial position of the Group.

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

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of derivatives, trading securities and investment securities at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

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

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

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs.

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

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

In other than active markets, the most recent arms length transactions are the basis of current fair values. Recent transaction prices are appropriately adjusted if they do not reflect current fair values, for example because the transaction was a distress sale. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale.

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

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

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

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

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

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

Investment securities at fair value through profit or loss. Investment securities at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

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

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

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. Investment securities held to maturity are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

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

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

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

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

Credit related commitments. The Group enters into credit related commitments, including letters of credit, financial guarantees, credit lines and overdraft facilities. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At each balance sheet date, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the balance sheet unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks.

Securities purchased under agreements to resell ("reverse repo agreements") are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

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

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required. Cost of premises and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

Construction in progress is carried at cost less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

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

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

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

Premises	2.5%;
Equipment	15–20%; and
Leasehold improvements	over the term of the underlying lease

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

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

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

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

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

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

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

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

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

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

Additional paid-in capital. Additional paid-in capital represents amounts contributed by shareholders in addition to payments for shares.

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

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

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

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

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

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

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

Monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the CBRF at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity’s functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At 31 December 2006 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 26.3311 (2005: USD 1 = RR 28.7825).

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported on the consolidated balance sheet. The extent of such balances and transactions is indicated in Note 24. For the purposes of disclosure, fiduciary activities do not encompass safe custody functions. Commissions received from fiduciary activities are shown in fee and commission income.

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

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

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

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

Changes in accounting policies and presentation. Where necessary, corresponding figures have been adjusted to conform with changes in accounting policies and in the presentation of the current year amounts.

The Group changed its accounting policy for cash and cash equivalents and now also considers as part of cash and cash equivalents interbank deposits with original maturities of less than three months. The change was made to align the Group's policies with practices in other countries that apply IFRSs in order to enhance comparability of the Group's financial position.

The effect of changes in accounting policies and of reclassifications is as follows:

In thousands of Russian Roubles	*2005*
Consolidated balance sheet:	
Increase in	
Cash and cash equivalents	*10 934 118*
Decrease in	
Due from other banks	*10 934 118*

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

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/– one month, the provision would be approximately RR 61 774 thousand (31 December 2005: RR 37 858 thousand) higher or RR 61 256 thousand (31 December 2005: RR 37 558 thousand) lower.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 24.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2006. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to the retained earnings at 1 January 2005, unless otherwise described below.

IAS 39 (Amendment) – The Fair Value Option (effective from 1 January 2006). IAS 39 (as revised in 2003) permitted entities to designate irrevocably on initial recognition practically any financial instrument as one to be measured at fair value with gains and losses recognised in profit or loss ('fair value through profit or loss'). The amendment changes the definition of financial instruments 'at fair value through profit or loss' and restricts the ability to designate financial instruments as part of this category. The Group amended its policies and management now designates financial instruments as part of this category only if a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Bank's Managing Board. The Group applies the amendment retrospectively in accordance with the transitional provisions of the Fair Value Option amendment to IAS 39. The amendment did not have an impact on these consolidated financial statements.

IAS 39 (Amendment) – Financial Guarantee Contracts (effective from 1 January 2006). As a result of this amendment, the Group measures issued financial guarantees initially at their fair value, which is normally evidenced by the amount of fees received. This amount is then amortised on a straight line basis over the life of the guarantee. At each balance sheet date, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date. The amendment did not have a significant impact on these consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods and which the Group has not early adopted:

IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements — Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. The volume of disclosures will increase significantly with an emphasis on quantitative aspects of risk exposures and the methods of risk management. The quantitative disclosures will provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures will cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. The Group is currently assessing what impact the new IFRS and the amendment to IAS 1 will have on disclosures in its consolidated financial statements.

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

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

- IAS 23 (Revised) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009);
- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007);
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007);
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006, that is from 1 January 2007);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006, that is from 1 January 2007);
- IFRIC 11, IFRS 2—Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007, that is from 1 January 2008);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

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

7 Cash and Cash Equivalents

In thousands of Russian Roubles	2006	2005
Cash on hand	5 252 234	3 767 314
Cash balances with the CBRF (other than mandatory reserve deposits)	2 968 343	5 792 811
Correspondent accounts and overnight placements with other banks		
— Russian Federation	1 221 598	844 222
— Other countries	2 808 777	1 825 634
Placements with other banks with original maturities of less than three months	19 469 845	10 248 654
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	2 022 499	685 464
Total cash and cash equivalents	**33 743 296**	**23 164 099**

At 31 December 2006 cash and cash equivalents of RR 2 022 499 thousand (2005: RR 685 464 thousand) are effectively collateralised by securities purchased under reverse sale and repurchase agreements at a fair value of RR 2 156 708 thousand (2005: RR 806 450 thousand).

Geographical, currency and interest rate analyses of cash and cash equivalents are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

8 Trading Securities

In thousands of Russian Roubles	2006	2005
Corporate bonds	*12 329 665*	*6 701 563*
Russian Federation Eurobonds	*4 716 785*	*275 987*
Municipal bonds	*4 506 662*	*205 709*
Federal loan bonds (OFZ bonds)	*2 278 416*	*–*
Corporate shares	*27 871*	*58 433*
Total trading securities	***23 859 399***	***7 241 692***

Corporate bonds are interest bearing securities denominated in Russian Roubles, issued by large Russian companies, and are freely tradable in the Russian Federation. These bonds have maturity dates ranging from 2007 to 2016 (2005: from 2006 to 2014), coupon rates of approximately 4%–13% p.a. (2005: 6%–15% p.a.) in 2006 and a yield to maturity from 3% to 12% p.a. (2005: from 7% to 16% p.a.) as at 31 December 2006, depending on the type of bond issue.

Russian Federation Eurobonds are interest bearing securities denominated in USD, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have maturity dates from 2008 to 2030 (2005: in 2028), coupon rate of approximately 5%–13% p.a. (2005: 13% p.a.) and yield to maturity of approximately 6% p.a. (2005: 6% p.a.), depending on the type of bond issue.

Municipal bonds are interest bearing securities denominated in Russian Roubles, issued by the Municipal authorities of Moscow, Moscow Region, Khanty-Mansiysky Region, Yamalo-Nenetsky Region and Irkutsk, and are freely tradable in the Russian Federation. These bonds have maturity dates from 2007 to 2014 (2005: from 2006 to 2010), coupon rate of approximately 8%–12% p.a. (2005: 10%–11% p.a.) and yield to maturity from 5% to 8% p.a. (2005: 7% p.a.), depending on the type of bond issue.

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from 2008 to 2020, (2005: 2010 to 2016), coupon rate of approximately 6%–10% p.a. (2005: 6%–10% p.a.) and yield to maturity of approximately 6% p.a. (2005: from 6% to 7% p.a.) depending on the type of bond issue.

Corporate shares are shares of Russian companies.

Geographical, currency and interest rate analyses of trading securities are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

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

9 Due from Other Banks

In thousands of Russian Roubles	*2006*	*2005*
Short-term placements with other banks with original maturities of more than three months	*3 238 240*	*1 828 991*
Long-term placements with other banks with original maturities of more than one year	*791 440*	–
Total due from other banks	***4 029 680***	***1 828 991***

At 31 December 2006 the estimated fair value of due from other banks was RR 4 029 680 thousand (2005: RR 1 828 991 thousand). Refer to Note 26.

Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

10 Loans and Advances to Customers

In thousands of Russian Roubles	*2006*	*2005*
Current loans	*157 621 595*	*96 316 836*
Impaired loans	*470 762*	*859 439*
Total loans and advances to customers (before impairment)	*158 092 357*	*97 176 275*
Less: Provision for loan impairment	*(3 230 881)*	*(2 223 648)*
Total loans and advances to customers	***154 861 476***	***94 952 627***

Impaired loans are represented by loans not serviced according to the original contractual terms for at least 180 days or with other objective signs of impairment.

Movements in the provision for loan impairment are as follows:

In thousands of Russian Roubles	*2006*	*2005*
Provision for loan impairment at 1 January	***2 223 648***	***733 787***
Provision for loan impairment during the year	*1 051 206*	*1 491 923*
Loans and advances to customers written off during the year as uncollectible	*(43 973)*	*(2 062)*
Provision for loan impairment at 31 December	***3 230 881***	***2 223 648***

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

In thousands of Russian Roubles	2006		2005	
	Amount	%	Amount	%
Manufacturing	*42 129 885*	*26%*	*24 966 969*	*26%*
Individuals	*28 770 541*	*19%*	*19 778 413*	*20%*
Real estate	*19 996 134*	*13%*	*9 926 785*	*10%*
Trade	*19 937 669*	*13%*	*6 861 274*	*7%*
Mining	*14 296 228*	*9%*	*14 014 278*	*14%*
Transport, storage and communications	*8 716 906*	*5%*	*4 534 880*	*5%*
Chemical industry	*5 877 508*	*4%*	*9 343 162*	*10%*
Financial services	*5 412 823*	*3%*	*2 218 186*	*2%*
Other	*12 954 663*	*8%*	*5 532 328*	*6%*
Total loans and advances to customers (before impairment)	***158 092 357***	***100%***	***97 176 275***	***100%***

As at 31 December 2006 the Group had 6 (2005: 6) groups of connected borrowers with aggregated loan amounts issued to each group above 10% of consolidated equity of the Group as at this date. The total aggregate amount of these loans was RR 15 582 085 thousand (2005: RR 12 382 910 thousand) or 10% (2005: 13%) of the gross loan portfolio.

As at 31 December 2006 the estimated fair value of loans and advances to customers was RR 154 861 476 thousand (2005: RR 94 952 627 thousand). Refer to Note 26.

As at 31 December 2006 loans and advances to customers in the amount of RR 991 779 thousand (2005: RR 4 275 706 thousand) were guaranteed by the Parent Bank and therefore no provision has been created in respect of these loans as at 31 December 2006 (2005: nil).

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

11 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	Premises	Leasehold improvements	Office and computer equipment and software	Construction in progress	Total
Cost at 1 January 2005	469 562	261 716	588 221	160 156	1 479 655
Accumulated depreciation/ amortisation	(40 080)	(59 736)	(213 135)	–	(312 951)
Carrying amount at 1 January 2005	**429 482**	**201 980**	**375 086**	**160 156**	**1 166 704**
Additions	5 226	274 340	491 853	443 171	1 214 590
Depreciation/amortisation charge (Note 20)	(9 850)	(51 339)	(123 381)	–	(184 570)
Disposals (at cost)	–	–	(9 715)	–	(9 715)
Disposals (accumulated depreciation/amortisation)	–	–	3 696	–	3 696
Carrying amount at 31 December 2005	**424 858**	**424 981**	**737 539**	**603 327**	**2 190 705**
Cost at 31 December 2005	474 788	536 056	1 070 359	603 327	2 684 530
Accumulated depreciation/ amortisation	(49 930)	(111 075)	(332 820)	–	(493 825)
Carrying amount at 31 December 2005	**424 858**	**424 981**	**737 539**	**603 327**	**2 190 705**
Additions	1 495	–	993 916	9 047	1 004 458
Depreciation/amortisation charge (Note 20)	(13 842)	(94 851)	(251 406)	–	(360 099)
Transfers	–	280 275	220 845	(501 120)	–
Disposals (at cost)	–	–	(13 355)	–	(13 355)
Disposals (accumulated depreciation/amortisation)	–	–	8 550	–	8 550
Carrying amount at 31 December 2006	**412 511**	**610 405**	**1 696 089**	**111 254**	**2 830 259**
Cost at 31 December 2006	476 283	816 331	2 271 765	111 254	3 675 633
Accumulated depreciation/ amortisation	(63 772)	(205 926)	(575 676)	–	(845 374)
Carrying amount at 31 December 2006	**412 511**	**610 405**	**1 696 089**	**111 254**	**2 830 259**

Construction in progress consists of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to leasehold improvements and office and computer equipment.

12 Other Assets

In thousands of Russian Roubles	2006	2005
Investment securities at fair value through profit or loss	*1 314 217*	*753 746*
Investment securities held to maturity	*695 204*	*391 409*
Operating prepayments	*554 605*	*637 268*
Investment in associate	*275 285*	*207 209*
Fair value of derivative financial instruments (Note 25)	*224 665*	*126 342*
Current income tax prepayment	*–*	*31 576*
Other	*236 460*	*199 040*
Total other assets	**3 300 436**	**2 346 590**

Investment in associate is represented by 50% in OOO Raiffeisen-Leasing. The table below summarises the movements in the carrying amount of the Group's investment in associates.

In thousands of Russian Roubles	2006	2005
Carrying amount at 1 January	**207 209**	**182 781**
Share of profit of associate	*68 076*	*24 428*
Carrying amount at 31 December	**275 285**	**207 209**

Geographical, currency and maturity analyses of other assets are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

13 Due to Other Banks

In thousands of Russian Roubles	2006	2005
Correspondent accounts and overnight placements of other banks	*1 368 785*	*42 228 752*
Short-term placements of other banks with original maturities of less than one year	*25 968 016*	*404 883*
Long-term placements of other banks with original maturities of more than one year	*20 578 731*	*–*
Total due to other banks	**47 915 532**	**42 633 635**

At 31 December 2006 the estimated fair value of due to other banks was RR 47 915 532 thousand (2005: RR 42 633 635 thousand). Refer to Note 26.

Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

14 Customer Accounts

In thousands of Russian Roubles	2006	2005
Legal entities		
— Current/settlement accounts	49 093 961	25 135 413
— Term deposits	16 153 300	9 568 860
Individuals		
— Current/demand accounts	32 163 583	23 294 805
— Term deposits	21 029 234	11 899 276
Total customer accounts	**118 440 078**	**69 898 354**

Economic sector concentrations within customer accounts are as follows:

In thousands of Russian Roubles	2006		2005	
	Amount	%	Amount	%
Individuals	53 192 817	45%	35 194 081	50%
Manufacturing	35 280 465	30%	17 624 943	25%
Trade	10 159 143	9%	2 304 839	3%
Transport and communications	7 140 115	6%	3 368 559	5%
Real estate	6 462 316	5%	3 577 329	5%
Financial services	4 345 767	3%	4 906 016	7%
Mining	1 198 081	1%	766 836	1%
Other	661 374	1%	2 155 751	4%
Total customer accounts	**118 440 078**	**100%**	**69 898 354**	**100%**

As at 31 December 2006 the Group had 3 (2005: 1) customers with total balances above 10% of consolidated equity of the Group as at this date. The total aggregate balance of these customers was RR 25 747 442 thousand (2005: RR 4 915 906 thousand) or 22% (2005: 7%) of total customer accounts.

At 31 December 2006 the estimated fair value of customer accounts was RR 118 455 152 thousand (2005: RR 69 910 129 thousand). Refer to Note 26.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

15 Other Borrowed Funds

In thousands of Russian Roubles	2006	2005
Subordinated loans from the Parent Bank maturing in 2007–2011	*19 961 629*	*2 021 355*
Loans from Bank of Tokyo — Mitsubishi UFJ maturing in 2009	*16 364 496*	*–*
Loans from the International Finance Corporation maturing in 2012–2015	*3 597 453*	*4 150 717*
Subordinated loan from European Bank for Reconstruction and Development maturing in 2007	*700 238*	*584 935*
Total other borrowed funds	***40 623 816***	***6 757 007***

Other borrowed funds are long-term obligations of the bank denominated in foreign currencies and issued by large international banks. These loans have maturity dates ranging from 2007 to 2015 (2005: from 2006 to 2014), and LIBOR dependent floating interest rates.

At 31 December 2006 the estimated fair value of other borrowed funds was RR 40 623 816 thousand (2005: RR 6 757 007 thousand). Refer to Note 26.

Geographical, currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

16 Other Liabilities

Other liabilities comprise the following:

In thousands of Russian Roubles	Note	2006	2005
Accrued staff bonuses		*435 094*	*224 892*
Fair value of derivative financial instruments	*25*	*315 334*	*45 797*
Deferred commission income		*250 948*	*125 704*
Liabilities under financial guarantee contracts	*24*	*169 795*	*60 593*
Provision for losses on other credit related commitments	*24*	*73 857*	*27 557*
Issued promissory notes		*–*	*145 123*
Provision for litigation		*–*	*120 231*
Other		*276 101*	*229 293*
Total other liabilities		***1 521 129***	***979 190***

Movements in fair value of financial guarantee contracts, provision for losses on other credit related commitments and provision for litigation are as follows:

In thousands of Russian Roubles	*Financial guarantee contracts*	*Other credit related commitments*	*Legal risks*	*Total*
Carrying amount at 1 January 2006	***60 593***	***27 557***	***120 231***	***208 381***
Fees received from issuance of financial guarantees	*170 290*	*—*	*—*	*170 290*
Amortisation of fees from financial guarantees to profit or loss	*(160 837)*	*—*	*—*	*(160 837)*
Additions charged to profit or loss	*99 749*	*46 300*	*(120 231)*	*25 818*
Carrying amount at 31 December 2006	***169 795***	***73 857***	***—***	***243 652***

Geographical, currency and maturity analyses of other liabilities are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

17 Share Capital

In thousands of Russian Roubles	*Number of outstanding shares*	*Nominal amount of share capital*	*Inflation adjusted amount of share capital*	*Share premium*	*Additional paid-in capital*	*Total*
As at 1 January 2005	***1 927***	***1 934 708***	***8 039 795***	***10 758***	***1 212 488***	***9 263 041***
New shares issued	*5 378*	*5 399 512*	*5 399 512*	*144 808*	*—*	*5 544 320*
As at 31 December 2005	***7 305***	***7 334 220***	***13 439 307***	***155 566***	***1 212 488***	***14 807 361***
New shares issued	*—*	*—*	*—*	*—*	*—*	*—*
As at 31 December 2006	***7 305***	***7 334 220***	***13 439 307***	***155 566***	***1 212 488***	***14 807 361***

As at 31 December 2006 all of the Bank's outstanding shares were ordinary shares and were authorised, issued and fully paid up. All shares have a nominal value of RR 1 004 thousand per share and rank equally. Each share carries one vote. Refer to Note 28.

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

Additional paid-in capital represents amounts contributed by shareholders in addition to payments for shares.

18 Interest Income and Expense

In thousands of Russian Roubles	2006	2005
Interest income		
Loans and advances to customers	10 643 387	6 692 284
Due from other banks	1 682 878	651 963
Securities	1 148 180	239 944
Total interest income	**13 474 445**	**7 584 191**
Interest expense		
Other borrowed funds	2 201 041	316 048
Term deposits of legal entities	1 684 026	354 412
Term placements of other banks	981 072	1 141 547
Term deposits of individuals	723 323	533 933
Current/settlement accounts	137 039	344 638
Total interest expense	**5 726 501**	**2 690 578**
Net interest income	**7 747 944**	**4 893 613**

19 Fee and Commission Income and Expense

In thousands of Russian Roubles	2006	2005
Fee and commission income		
Commission income on foreign exchange operations	521 974	175 474
Commissions on operations with plastic cards	418 450	331 669
Commission on settlement transactions	287 741	224 444
Commissions on cash operations	278 123	108 822
Commissions on export operations	277 212	230 530
Commissions on documentary business and guarantees	198 211	184 884
Commissions on transactions with securities	187 693	139 086
Other	152 501	86 852
Total fee and commission income	**2 321 905**	**1 481 761**
Fee and commission expense		
Commissions on settlement transactions	178 104	76 720
Commissions on transactions with securities	161 124	44 362
Credit facility fee	32 993	55 179
Commissions on documentary business	26 038	62 046
Other	30 599	87 140
Total fee and commission expense	**428 858**	**325 447**
Net fee and commission income	**1 893 047**	**1 156 314**

20 Administrative and Other Operating Expenses

In thousands of Russian Roubles	2006	2005
Staff costs	*2 333 879*	*1 522 858*
Rent expenses	*589 567*	*345 660*
Depreciation of premises and equipment (Note 11)	*360 099*	*184 570*
Premises and equipment maintenance expenses	*275 695*	*166 156*
Advertising and marketing	*272 000*	*182 292*
Deposit insurance fee	*250 340*	*141 847*
Security expenses	*233 853*	*155 309*
IT cost	*218 545*	*233 900*
Communication expenses	*134 280*	*97 483*
Professional services	*114 295*	*85 453*
Taxes other than on income	*37 708*	*36 844*
Other	*185 521*	*1 177*
Total operating expenses	***5 005 782***	***3 153 549***

Included in staff costs are statutory social security and pension contributions of RR 395 493 thousand (2005: RR 155 750 thousand).

In 2006 the Bank started to rent a new building on Leninsky Prospect for its head office in Moscow.

21 Income Taxes

Income tax expense comprises the following:

In thousands of Russian Roubles	2006	2005
Current tax	1 552 118	997 808
Deferred tax	(157 087)	(207 456)
Income tax expense for the year	**1 395 031**	**790 352**

The income tax rate applicable to the majority of the Group's income is 24% (2005: 24%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2006	2005
IFRS profit before tax	**5 071 406**	**3 081 242**
Theoretical tax charge at statutory rate (2006: 24%; 2005: 24%)	1 217 137	739 498
Tax effect of items which are not deductible or assessable for taxation purposes:		
— Non deductible expenses	188 627	81 478
— Income on government securities taxed at different rates	(24 508)	(4 911)
— Current tax overpayment	–	(31 576)
— Tax on income from associate	21 498	5 863
— Other	(7 723)	–
Income tax expense for the year	**1 395 031**	**790 352**

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 24% (2005: 24%), except for income on state securities that is taxed at 15% (2005: 15%).

In thousands of Russian Roubles	1 January 2005	Charged to profit or loss	31 December 2005	Charged to profit or loss	31 December 2006
Tax effect of deductible temporary differences					
Accruals	79 056	182 905	261 961	322 782	584 743
Gross deferred tax asset	**79 056**	**182 905**	**261 961**	**322 782**	**584 743**
Tax effect of taxable temporary differences					
Premises and equipment	51 860	24 573	76 433	60 436	136 869
Provisions	(22 782)	(37 899)	(60 681)	102 897	42 216
Valuation of trading securities	9 060	(11 225)	(2 165)	2 362	197
Gross deferred tax liability	**38 138**	**(24 551)**	**13 587**	**165 695**	**179 282**
Total net deferred tax asset	**40 918**	**207 456**	**248 374**	**157 087**	**405 461**

The Group has not recorded a deferred tax liability of RR 14 103 thousand (2005: RR 7 822 thousand) in respect of temporary differences associated with investments in subsidiaries and an associate as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

22 Dividends

In accordance with Russian legislation, the Bank distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Bank's audited reserves under Russian Accounting Rules as at 31 December 2006 were RR 11 796 437 thousand (2005: RR 7 641 053 thousand).

During 2006 dividends in the amount of RR 561 488 thousand (2005: RR 305 912 thousand) or RR 77 thousand per share (2005: RR 42 thousand) were declared and paid.

23 Financial Risk Management

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

Credit risk. The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay all amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower and industry sector are approved regularly by the Credit Committee and Supervisory Board.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Group's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the consolidated balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

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

The main market risk management tool for all trading portfolios (domestic and foreign fixed income securities, foreign exchange and equity positions), is Value-at-risk (VaR). As a Group standard, VaR measures are calculated for 99% confidence level and liquidity-adjusted holding periods for each trading portfolio. The Asset Liability Committee of the Bank approves limits on the Value-at-risk that are also acknowledged by the Supervisory Board. Risk Management Department of the Bank monitors VaR limits on a daily basis. In order to prevent losses that occur with lower probabilities out of more significant market movements, the Group annually performs Stress testing based on combined historical and expert scenarios. The results of stress tests and measures on reduction of possible losses are approved by the Asset Liability Committee.

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

In thousands of Russian Roubles	*Russia*	*Austria*	*Other*	*Total*
Assets				
Cash and cash equivalents	*13 476 831*	*1 313 600*	*18 952 865*	*33 743 296*
Mandatory cash balances with the Central Bank of the Russian Federation	*3 442 406*	*–*	*–*	*3 442 406*
Trading securities	*21 445 533*	*–*	*2 413 866*	*23 859 399*
Due from other banks	*3 751 699*	*54 769*	*223 212*	*4 029 680*
Loans and advances to customers	*148 987 303*	*257*	*5 873 916*	*154 861 476*
Premises and equipment	*2 830 259*	*–*	*–*	*2 830 259*
Deferred tax asset	*405 461*	*–*	*–*	*405 461*
Other assets	*3 074 956*	*76 587*	*148 893*	*3 300 436*
Total assets	***197 414 448***	***1 445 213***	***27 612 752***	***226 472 413***
Liabilities				
Due to other banks	*10 653 360*	*33 211 983*	*4 050 189*	*47 915 532*
Customer accounts	*115 391 060*	*100 738*	*2 948 280*	*118 440 078*
Other borrowed funds	*–*	*19 961 628*	*20 662 188*	*40 623 816*
Current tax liability	*175 897*	*–*	*–*	*175 897*
Other liabilities	*1 199 940*	*303 998*	*17 191*	*1 521 129*
Total liabilities	***127 420 257***	***53 578 347***	***27 677 848***	***208 676 452***
Net balance sheet position	***69 994 191***	***(52 133 134)***	***(65 096)***	***17 795 961***
Credit related commitments (Note 24)	***14 827 742***	***120 468***	***791 519***	***15 739 729***

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from off-shore companies of these Russian counterparties are allocated to the caption "Russia". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

The geographical concentration of the Group's assets and liabilities at 31 December 2005 is set out below:

In thousands of Russian Roubles	*Russia*	*Austria*	*Other*	*Total*
Assets				
Cash and cash equivalents	*15 115 925*	*2 563 229*	*5 484 945*	*23 164 099*
Mandatory cash balances with the Central Bank of the Russian Federation	*3 149 331*	*–*	*–*	*3 149 331*
Trading securities	*6 428 691*	*–*	*813 001*	*7 241 692*
Due from other banks	*1 748 096*	*59 868*	*21 027*	*1 828 991*
Loans and advances to customers	*91 713 124*	*–*	*3 239 503*	*94 952 627*
Premises and equipment	*2 190 705*	*–*	*–*	*2 190 705*
Deferred tax asset	*248 374*	*–*	*–*	*248 374*
Other assets	*2 226 553*	*119 878*	*159*	*2 346 590*
Total assets	***122 820 799***	***2 742 975***	***9 558 635***	***135 122 409***
Liabilities				
Due to other banks	*5 769 950*	*35 798 234*	*1 065 451*	*42 633 635*
Customer accounts	*68 197 531*	*26 030*	*1 674 793*	*69 898 354*
Other borrowed funds	*–*	*2 021 355*	*4 735 652*	*6 757 007*
Current tax liability	*173 149*	*–*	*–*	*173 149*
Other liabilities	*911 404*	*43 239*	*24 547*	*979 190*
Total liabilities	***75 052 034***	***37 888 858***	***7 500 443***	***120 441 335***
Net balance sheet position	***47 768 765***	***(35 145 883)***	***2 058 192***	***14 681 074***
Credit related commitments (Note 24)	***11 842 266***	***140 128***	***50 253***	***12 032 647***

Currency risk. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Asset Liability Committee proposes and the Supervisory Board approves limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2006:

In thousands of Russian Roubles	*RR*	*USD*	*Euro*	*Other*	*Non-monetary*	*Total*
Assets						
Cash and cash equivalents	*9 947 277*	*16 648 952*	*7 037 613*	*109 454*	–	*33 743 296*
Mandatory cash balances with the Central Bank of the Russian Federation	*3 442 406*	–	–	–	–	*3 442 406*
Trading securities	*18 533 098*	*5 326 301*	–	–	–	*23 859 399*
Due from other banks	*2 384 519*	*1 645 161*	–	–	–	*4 029 680*
Loans and advances to customers	*72 267 388*	*77 659 147*	*4 837 574*	*97 367*	–	*154 861 476*
Premises and equipment	–	–	–	–	*2 830 259*	*2 830 259*
Deferred tax asset	*405 461*	–	–	–	–	*405 461*
Other assets	*2 665 724*	*51 346*	*28 729*	*32*	*554 605*	*3 300 436*
Total assets	***109 645 873***	***101 330 907***	***11 903 916***	***206 853***	***3 384 864***	***226 472 413***
Liabilities						
Due to other banks	*10 565 913*	*36 934 440*	*414 359*	*820*	–	*47 915 532*
Customer accounts	*65 212 956*	*40 311 959*	*12 786 052*	*129 111*	–	*118 440 078*
Other borrowed funds	–	*40 623 816*	–	–	–	*40 623 816*
Current tax liability	*175 897*	–	–	–	–	*175 897*
Other liabilities	*1 276 688*	*203 080*	*41 361*	–	–	*1 521 129*
Total liabilities	***77 231 454***	***118 073 295***	***13 241 772***	***129 931***	**–**	***208 676 452***
Less fair value of currency derivatives	*113 214*	*(189 780)*	*2 509*	–	–	*(74 057)*
Net balance sheet position, excluding currency derivatives	***32 301 205***	***(16 552 608)***	***(1 340 365)***	***76 922***	***3 384 864***	***17 870 018***
Currency derivatives (Note 25)	***(15 647 214)***	***15 886 585***	***(194 689)***	***(118 739)***	**–**	***(74 057)***
Net balance sheet position, including currency derivatives	***16 653 991***	***(666 023)***	***(1 535 054)***	***(41 817)***	***3 384 864***	***17 795 961***

At 31 December 2005, the Group had the following positions in currencies:

In thousands of Russian Roubles	*RR*	*USD*	*Euro*	*Other*	*Non-monetary*	*Total*
Assets						
Cash and cash equivalents	*12 523 315*	*9 874 636*	*696 625*	*69 523*	*–*	*23 164 099*
Mandatory cash balances with the Central Bank of the Russian Federation	*3 149 331*	*–*	*–*	*–*	*–*	*3 149 331*
Trading securities	*6 674 964*	*566 728*	*–*	*–*	*–*	*7 241 692*
Due from other banks	*994 543*	*770 764*	*63 684*	*–*	*–*	*1 828 991*
Loans and advances to customers	*20 735 488*	*69 902 140*	*4 233 082*	*81 917*	*–*	*94 952 627*
Premises and equipment	*–*	*–*	*–*	*–*	*2 190 705*	*2 190 705*
Deferred tax asset	*248 374*	*–*	*–*	*–*	*–*	*248 374*
Other assets	*1 578 945*	*119 558*	*10 818*	*1*	*637 268*	*2 346 590*
Total assets	***45 904 960***	***81 233 826***	***5 004 209***	***151 441***	***2 827 973***	***135 122 409***
Liabilities						
Due to other banks	*5 055 772*	*37 074 697*	*503 041*	*125*	*–*	*42 633 635*
Customer accounts	*29 913 474*	*31 808 193*	*8 108 743*	*67 944*	*–*	*69 898 354*
Other borrowed funds	*–*	*6 757 007*	*–*	*–*	*–*	*6 757 007*
Current tax liability	*173 149*	*–*	*–*	*–*	*–*	*173 149*
Other liabilities	*559 247*	*404 427*	*15 455*	*61*	*–*	*979 190*
Total liabilities	***35 701 642***	***76 044 324***	***8 627 239***	***68 130***	***–***	***120 441 335***
Less fair value of currency derivatives	*8 874*	*44 053*	*196*	*(1 472)*	*–*	*51 651*
Net balance sheet position, excluding currency derivatives	***10 194 444***	***5 145 449***	***(3 623 226)***	***84 783***	***2 827 973***	***14 629 423***
Currency derivatives (Note 25)	***3 423 625***	***(6 800 353)***	***3 519 136***	***(90 757)***	***–***	***51 651***
Net balance sheet position, including currency derivatives	***13 618 069***	***(1 654 904)***	***(104 090)***	***(5 974)***	***2 827 973***	***14 681 074***

The Group has extended loans and advances denominated in foreign currencies. Movements in foreign exchange rates affect the borrowers' repayment ability and incurrence of loan losses.

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by Treasury and Risk Management Department of the Group.

New Liquidity management guidelines were approved by the Asset Liability Committee in March 2006. The main improvements in liquidity management are advanced statistical approach to operational liquidity and the use of ALCO liquidity book (consisting of high class liquid short-term Russian Ruble denominated bonds) as a liquidity cushion and yield enhancement tool.

The table below shows assets and liabilities at 31 December 2006 by their remaining contractual maturity, unless there is evidence that any of the assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement of the assets is used. Some of the assets and liabilities, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have a longer term duration.

Overdue liabilities, such as term deposits not withdrawn by the Bank's customers, are classified within the "demand and less than 1 month" column. The entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of the portfolio's realisability and their view that it is a fairer portrayal of the Group's liquidity position. Overdue assets are allocated based on their expected maturity. Certain assets which do not have a contractual maturity date, are assumed to mature on the expected date on which the assets will be realised.

The liquidity position of the Group at 31 December 2006 is set out below.

In thousands of Russian Roubles	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*Over 12 months*	*Total*
Assets					
Cash and cash equivalents	*33 263 061*	*480 235*	*–*	*–*	*33 743 296*
Mandatory cash balances with the Central Bank of the Russian Federation	*3 442 406*	*–*	*–*	*–*	*3 442 406*
Trading securities	*23 859 399*	*–*	*–*	*–*	*23 859 399*
Due from other banks	*–*	*2 191 059*	*1 047 181*	*791 440*	*4 029 680*
Loans and advances to customers	*10 673 593*	*40 547 332*	*24 303 046*	*79 337 505*	*154 861 476*
Premises and equipment	*–*	*–*	*–*	*2 830 259*	*2 830 259*
Deferred tax asset	*–*	*–*	*–*	*405 461*	*405 461*
Other assets	*1 101 667*	*–*	*202 272*	*1 996 497*	*3 300 436*
Total assets	***72 340 126***	***43 218 626***	***25 552 499***	***85 361 162***	***226 472 413***
Liabilities					
Due to other banks	*12 188 146*	*14 255 862*	*5 086 961*	*16 384 563*	*47 915 532*
Customer accounts	*101 167 772*	*12 531 976*	*3 162 644*	*1 577 686*	*118 440 078*
Other borrowed funds	*–*	*34 659*	*526 622*	*40 062 535*	*40 623 816*
Current tax liability	*175 897*	*–*	*–*	*–*	*175 897*
Other liabilities	*839 817*	*449 124*	*48 458*	*183 730*	*1 521 129*
Total liabilities	***114 371 632***	***27 271 621***	***8 824 685***	***58 208 514***	***208 676 452***
Net liquidity gap	***(42 031 506)***	***15 947 005***	***16 727 814***	***27 152 648***	***17 795 961***
Cumulative liquidity gap	***(42 031 506)***	***(26 084 501)***	***(9 356 687)***	***17 795 961***	

All of the Group's financial assets and liabilities mature within 5 years except loans and advances to customers in the amount of RR 20 657 046 thousand which mature within 10 years and other borrowed funds in the amount of RR 8 495 724 thousand which mature within 9 years.

In accordance with Stand-by Facility Agreement dated 16 January 2006 the Parent Bank committed to provide financial support to the Group to insure continuous liquidity in case of extraordinary market conditions, if the Group is not able to raise funds necessary for the fulfilment of its obligations from other sources at commercially reasonable rates, through a revolving loan facility of up to EUR 110,5 million with minimum drawdown amount of EUR 2 million or USD equivalent of this amount. This commitment was valid up to 16 January 2007 and is automatically extended for further 364 days unless either party gives two months' prior written notice to the other party that it does not wish to continue the agreement. During 2006 the Group paid to the Parent Bank a standby facility fee of

0.8%, or RR 29 220 thousand with respect to this arrangement (2005: RR 55 179 thousand) which was recorded within fee and commission expenses. Similar arrangements were in place in prior years.

The liquidity position of the Group at 31 December 2005 is set out below.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	22 593 401	570 698	–	–	23 164 099
Mandatory cash balances with the Central Bank of the Russian Federation	3 149 331	–	–	–	3 149 331
Trading securities	7 241 692	–	–	–	7 241 692
Due from other banks	4 625	769 465	1 054 901	–	1 828 991
Loans and advances to customers	6 908 919	27 892 884	15 933 284	44 217 540	94 952 627
Premises and equipment	–	–	–	2 190 705	2 190 705
Deferred tax asset	–	–	–	248 374	248 374
Other assets	962 986	522 692	554 043	306 869	2 346 590
Total assets	**40 860 954**	**29 755 739**	**17 542 228**	**46 963 488**	**135 122 409**
Liabilities					
Due to other banks	5 794 442	7 207 881	681 231	28 950 081	42 633 635
Customer accounts	58 551 646	6 657 161	3 450 844	1 238 703	69 898 354
Other borrowed funds	32 403	21 776	–	6 702 828	6 757 007
Current tax liability	173 149	–	–	–	173 149
Other liabilities	508 640	348 641	23 905	98 004	979 190
Total liabilities	**65 060 280**	**14 235 459**	**4 155 980**	**36 989 616**	**120 441 335**
Net liquidity gap	**(24 199 326)**	**15 520 280**	**13 386 248**	**9 973 872**	**14 681 074**
Cumulative liquidity gap	**(24 199 326)**	**(8 679 046)**	**4 707 202**	**14 681 074**	

All of the Group's financial assets and liabilities mature within 5 years except loans and advances to customers in the amount of RR 8 249 536 thousand which mature within 10 years and other borrowed funds in the amount of RR 6 000 649 thousand which mature within 10 years.

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

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

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

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

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The table below summarises the Group's exposure to interest rate risks at 31 December 2006. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

In thousands of Russian Roubles	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*More than 1 year*	*Non-monetary*	*Total*
Assets						
Cash and cash equivalents	*33 743 296*	–	–	–	–	*33 743 296*
Mandatory cash balances with the Central Bank of the Russian Federation	*3 442 406*	–	–	–	–	*3 442 406*
Trading securities	*23 859 399*	–	–	–	–	*23 859 399*
Due from other banks	*1 414 133*	*1 552 506*	*665 477*	*397 564*	–	*4 029 680*
Loans and advances to customers	*112 266 548*	*19 091 456*	*5 774 453*	*17 729 019*	–	*154 861 476*
Premises and equipment	–	–	–	–	*2 830 259*	*2 830 259*
Deferred tax asset	–	–	–	–	*405 461*	*405 461*
Other assets	*1 101 667*	–	*202 272*	*1 329 708*	*666 789*	*3 300 436*
Total assets	***175 827 449***	***20 643 962***	***6 642 202***	***19 456 291***	***3 902 509***	***226 472 413***
Liabilities						
Due to other banks	*8 001 103*	*21 956 626*	*3 965 224*	*13 992 579*	–	*47 915 532*
Customer accounts	*101 167 772*	*12 531 976*	*3 162 644*	*1 577 686*	–	*118 440 078*
Other borrowed funds	*40 623 816*	–	–	–	–	*40 623 816*
Current tax liability	–	–	–	–	*175 897*	*175 897*
Other liabilities	*515 012*	*14 030*	*48 458*	*183 730*	*759 899*	*1 521 129*
Total liabilities	***150 307 703***	***34 502 632***	***7 176 326***	***15 753 995***	***935 796***	***208 676 452***
Net sensitivity gap	***25 519 746***	***(13 858 670)***	***(534 124)***	***3 702 296***	***2 966 713***	***17 795 961***

The following table summarises the Group's exposure to interest rate risks at 31 December 2005 by showing assets and liabilities in categories based on the earlier of contractual repricing or maturity dates.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
Assets						
Cash and cash equivalents	*22 593 401*	*570 698*	–	–	–	*23 164 099*
Mandatory cash balances with the Central Bank of the Russian Federation	*3 149 331*	–	–	–	–	*3 149 331*
Trading securities	*7 241 692*	–	–	–	–	*7 241 692*
Due from other banks	*104 625*	*1 175 255*	*549 111*	–	–	*1 828 991*
Loans and advances to customers	*61 415 240*	*15 479 977*	*4 941 623*	*13 115 787*	–	*94 952 627*
Premises and equipment	–	–	–	–	*2 190 705*	*2 190 705*
Deferred tax asset	–	–	–	–	*248 374*	*248 374*
Other assets	*962 994*	*522 692*	*554 043*	*68 076*	*238 785*	*2 346 590*
Total assets	**95 467 283**	**17 748 622**	**6 044 777**	**13 183 863**	**2 677 864**	**135 122 409**
Liabilities						
Due to other banks	*14 522 779*	*27 056 983*	*698 380*	*355 493*	–	*42 633 635*
Customer accounts	*58 884 332*	*6 657 161*	*3 118 158*	*1 238 703*	–	*69 898 354*
Other borrowed funds	*2 335 003*	*4 422 004*	–	–	–	*6 757 007*
Current tax liability	–	–	–	–	*173 149*	*173 149*
Other liabilities	*235 148*	*123 749*	*23 905*	*98 004*	*498 384*	*979 190*
Total liabilities	**75 977 262**	**38 259 897**	**3 840 443**	**1 692 200**	**671 533**	**120 441 335**
Net sensitivity gap	**19 490 021**	**(20 511 275)**	**2 204 334**	**11 491 663**	**2 006 331**	**14 681 074**

The Group is exposed to cash flow interest rate risk, principally through assets and liabilities for which interest rates are reset as market rates change. Such assets and liabilities are primarily presented in the above table as being repriced in the short-term. The Group is exposed to fair value interest rate risk as a result of assets and liabilities at fixed interest rates; these are primarily presented in the above table as being repriced in the long-term. In practice, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

Risk Management Department monitors on a daily basis the limits set by the Supervisory Board on the level of mismatch of interest rate repricing that may be undertaken. In the absence of any available hedging instruments, the Group normally seeks to match its interest rate positions.

The table below summarises the effective interest rates by major currencies for major debt instruments. The analysis has been prepared based on period-end effective rates used for amortisation of the respective assets/liabilities.

In % p.a.	2006				2005			
	RR	USD	Euro	Other	RR	USD	Euro	Other
Assets								
Cash and cash equivalents	4.4%	3.7%	0.0%	0.0%	3.4%	2.0%	0.0%	0.0%
Debt trading securities	9.9%	8.6%	–	–	7.9%	6.2%	–	–
Due from other banks	9.9%	8.1%	–	–	7.5%	5.1%	9.2%	–
Loans and advances to customers	10.0%	10.0%	9.1%	7.1%	9.1%	10.0%	6.9%	6.7%
Liabilities								
Due to other banks	7.7%	4.9%	2.1%	–	5.0%	5.2%	5.2%	0.0%
Customer accounts								
– current and settlement accounts	1.6%	1.2%	0.5%	0.4%	0.6%	1.2%	0.5%	0.8%
– term deposits	5.4%	5.0%	3.0%	–	4.9%	4.4%	2.2%	–
Other borrowed funds	–	6.0%	–	–	–	4.2%	–	–

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

24 Contingencies and Commitments

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

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant.

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2006 no provision for potential tax liabilities had been recorded (2005: no provision).

Capital expenditure commitments. At 31 December 2006 the Group has contractual capital expenditure commitments in respect of premises and equipment totalling RR 34 612 thousand (2005: RR 307 045 thousand).

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

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

In thousands of Russian Roubles	*2006*	*2005*
Not later than 1 year	*425 988*	*321 702*
Later than 1 year and not later than 5 years	*1 502 266*	*957 748*
Later than 5 years	*236 637*	*242 469*
Total operating lease commitments	***2 164 891***	***1 521 919***

Compliance with covenants. The Group is subject to certain covenants related primarily to its other borrowed funds. The covernants include:

Affirmative covenants, such as business conduct and due diligence, correspondence to legal requirements of the country of residence, accurate maintenance of accounting records, implementation of controls, independent audit etc;

Negative covenants, covering restrictions (without agreement of the lender) on payment of dividends and other distributions, making changes to the Charter, limitations on types of business activities, usage of assets and some types of transactions;

Financial covenants, such as liquidity and capital adequacy, single client exposure, operating income to operating expense ratio, related party exposure;

Reporting requirements, obliging the Bank to submit to the lender its audited financial statements and some additional financial information and any documents if requested;

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's Management believes that the Group is in compliance with covenants.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	*Note*	*2006*	*2005*
Overdraft facilities for clients		*7 332 871*	*3 044 955*
Guarantees issued		*5 208 215*	*5 114 969*
Export letters of credit		*3 372 478*	*3 940 011*
Import letters of credit		*69 817*	*20 862*
Less: Provision for credit related commitments	*16*	*(243 652)*	*(88 150)*
Total credit related commitments		***15 739 729***	***12 032 647***

The total outstanding contractual amount of overdraft facilities, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	*2006*	*2005*
Russian roubles	*6 606 115*	*4 274 436*
US Dollars	*5 274 132*	*3 865 268*
EURO	*3 859 482*	*3 892 943*
Total	***15 739 729***	***12 032 647***

As at 31 December 2006 the estimated fair value of credit related commitments was RR 243 652 thousand (2005: RR 88 150 thousand). Refer to Note 26.

Guarantee in relation to the pension accounts. As at 31 December 2006 the Group guaranteed to the customers of Non-state Pension Fund Raiffeisen that balances on their pension accounts will not decrease below that initially invested or the balance on the account as at the previous calendar year end. As at 31 December 2006 the pension accounts amounted to RR 389 850 thousand (2005: RR 87 948 thousand).

Fiduciary assets. These assets are not included in the Group's consolidated balance sheet as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

In thousands of Russian Roubles	*2006 Nominal value*	*2005 Nominal value*
Shares in companies held in other custodies	*5 444 458*	*475 401*
Shares in companies held in custody of Central Moscow Depository	*2 247 705*	*–*
Shares in companies held in custody of Depository Clearing Centre	*480 588*	*206 705*
Shares in companies held in custody of National Depositary Centre	*230 799*	*379 732*
Other	*645 170*	*88 392*

Assets pledged and restricted. The Group had no assets pledged as collateral as at 31 December 2006 (2005: nil).

Mandatory cash balances with the CBRF in the amount of RR 3 442 406 thousand (2005: RR 3 149 331 thousand) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

25 Derivative Financial Instruments

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

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

In thousands of Russian Roubles	*2006*		*2005*	
	Net asset forwards	*Net liability forwards*	*Net asset forwards*	*Net liability forwards*
Foreign exchange forwards: fair values, at the balance sheet date, of				
— USD receivable on settlement (+)	*20 045 284*	*21 357 821*	*8 807 320*	*990 692*
— USD payable on settlement (–)	*(17 045 983)*	*(8 470 536)*	*(13 500 788)*	*(3 106 333)*
— Euros receivable on settlement (+)	*913 823*	*589 203*	*3 562 077*	*—*
— Euros payable on settlement (–)	*(1 177 773)*	*(519 943)*	*—*	*(34 185)*
— RR receivable on settlement (+)	*17 311 372*	*8 379 871*	*9 869 885*	*3 088 220*
— RR payable on settlement (–)	*(19 765 554)*	*(21 572 901)*	*(8 756 550)*	*(777 930)*
— Other currencies receivable on settlement (+)	*—*	*—*	*90 758*	*—*
— Other currencies payable on settlement (–)	*(118 569)*	*(172)*	*—*	*(181 515)*
Net fair value of foreign exchange forwards	***162 600***	***(236 657)***	***72 702***	***(21 051)***

As at 31 December 2006 the Group entered into interest rate swap agreements. The notional amount of such interest rate swaps as at 31 December 2006 amounted to RR 12 508 699 thousand (2005: RR 8 849 335 thousand). The positive fair value of such interest rate swaps included in other assets as at 31 December 2006 amounted to RR 62 065 thousand (2005: RR 53 640 thousand); negative fair value of such interest rate swaps included in other liabilities as at 31 December 2006 amounted to RR 76 496 thousand (2005: RR 24 233 thousand).

As at 31 December 2006 the Group entered into futures contracts on US Treasury bills. The negative fair value of outstanding futures included in other liabilities amounted to RR 2 181 thousand (2005: RR 513 thousand).

Total of positive fair values of the derivative financial instruments in the amount of RR 224 665 thousand (2005: RR 126 342 thousand) was recorded within other assets (Notes 12, 26). Total of negative fair values of the derivative financial instruments in the amount of RR 315 334 thousand (2005: RR 45 797 thousand) was recorded within other liabilities (Notes 16, 26).

26 Fair Value of Financial Instruments

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

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

Financial instruments carried at fair value. Trading securities, investment securities at fair value through profit or loss, and financial derivatives are carried on the consolidated balance sheet at their fair value. Fair values were determined based on quoted market prices. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and average rate ranged from 4.6 % to 27.5 % per annum (2005: 5.1 % to 10.0 % per annum). Refer to Notes 9 and 10 for the estimated fair values of due from other banks and loans and advances to customers, respectively.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Refer to Notes 13, 14 and 15 for the estimated fair values of due to other banks, customer accounts and other borrowed funds, respectively.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Refer to Note 25.

27 Related Party Transactions

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

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

In thousands of Russian Roubles	*Parent Bank*	*Subsidiaries of the Parent Bank*	*Associate*	*Members of the Managing Board*
Correspondent accounts and overnight placements with other banks as at the year end	*1 313 600*	*69 690*	–	–
Trading securities	–	*522 128*	–	–
Due from other banks	*54 769*	*210 260*	–	–
Gross amount of loans and advances to customers (contractual interest rate: 4.13–9.72%)	–	–	*1 798 986*	–
Other assets	*75 797*	*418 016*	–	–
Due to other banks (contractual interest rate: 5.56–7.5%)	*32 289 250*	*21 960*	–	–
Customer accounts (contractual interest rate: 3.7–6.0%)	*56 833*	*436*	*450 796*	*52*
Other borrowed funds	*19 961 628*	–	–	–
Other liabilities	*270 184*	*33 875*	–	–

As at 31 December 2005 the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	*Parent Bank*	*Subsidiaries of the Parent Bank*	*Associate*	*Members of the Managing Board*
Correspondent accounts and overnight placements with other banks as at the year end	*2 563 229*	*15 066*	–	–
Due from other banks (contractual interest rate: 4.22%)	*59 868*	–	–	–
Gross amount of loans and advances to customers (contractual interest rate: 3.98–9.34%)	–	–	*1 158 440*	–
Other assets	*119 004*	*1 012*	–	–
Due to other banks (contractual interest rate: 2.94–10.29%)	*35 798 236*	*53 259*	–	–
Customer accounts (contractual interest rate: 0.0–5.3%)	*634*	*67*	*412 934*	*39*
Other borrowed funds (contractual interest rate: 7.35%)	*2 021 355*	–	–	–
Other liabilities	*39 705*	*3 567*	–	–

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

In thousands of Russian Roubles	Parent Bank	Subsidiaries of the Parent Bank	Associate
Interest income	648 089	77 587	55 467
Interest expense	(2 752 710)	(4 293)	(26 489)
Fee and commission income	13 254	25 145	6 664
Fee and commission expense	(43 653)	(2)	–
Gains less losses from trading in foreign currencies	–	10	–
Losses less gains from trading securities	–	(2 571)	–
(Losses less gains)/gains less losses from interest rate derivatives	(13 349)	2 727	–
Administrative and other operating expenses	(18 465)	(43 080)	–

The income and expense items with related parties for the year 2005 were as follows:

In thousands of Russian Roubles	Parent Bank	Subsidiaries of the Parent Bank	Associate
Interest income	72 264	363	44 079
Interest expense	(808 195)	(158)	(6 050)
Fee and commission income	11 877	–	2 728
Fee and commission expense	(114 689)	(641)	–
Gains less losses/(losses less gains) from trading in foreign currencies	105 537	(1 129)	–
Gains less losses from interest rate derivatives	23 702	–	–
Administrative and other operating expenses	(25 015)	(9)	–

As at 31 December 2006 other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	Parent Bank	Subsidiaries of the Parent Bank
Guarantees issued by the Group as at the year end	–	286 355
Guarantees received by the Group as at the year end	991 779	–
Stand-by facility issued by Parent Bank	3 833 963	–
Interest rate swap agreements – notional amount as at the year end	12 508 699	–
Interest rate swap agreements – fair value as at the year end	14 431	–
Foreign currency derivative financial instruments – principal amount as at the year end	29 695 343	4 140 378
Foreign currency derivative financial instruments – fair value as at the year end	(78 801)	1 940

As at 31 December 2005 other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	*Parent Bank*	*Subsidiaries of the Parent Bank*
Guarantees issued by the Group as at the year end	*–*	*200 675*
Guarantees received by the Group as at the year end	*6 973 465*	*–*
Stand-by facility issued by Parent Bank	*6 837 000*	*–*
Interest rate swap agreements – notional amount as at the year end	*8 849 335*	*–*
Interest rate swap agreements – fair value as at the year end	*29 407*	*–*
Foreign currency derivative financial instruments – principal amount as at the year end	*18 991 930*	*–*
Foreign currency derivative financial instruments – fair value as at the year end	*50 981*	*–*

Key management compensation is presented below:

In thousands of Russian Roubles	*2006*		*2005*	
	Expense	*Accrued liability*	*Expense*	*Accrued liability*
Short-term benefits:				
— Salaries	*40 840*	*–*	*35 607*	*–*
— Short-term bonuses	*43 706*	*43 706*	*40 618*	*40 618*
Post-employment benefits:				
— Defined benefit retirement scheme	*3 401*	*–*	*–*	*–*
Share-based compensation:				
— Cash-settled share-based compensation	*1 180*	*1 180*	*1 692*	*1 692*
Total	***89 127***	***44 886***	***77 917***	***42 310***

Short-term bonuses fall due wholly within twelve months after the end of the period in which Management rendered the related services.

28 Subsequent Events

On 10 January 2007 the Bank received USD 393 568 thousand as a contribution into the charter capital for issue of additional 10 000 shares of the Bank with a total nominal value of RR 10 040 000 thousand. Report on the results of additional issue of shares was registered with CBRF on 24 January 2007. The issue was proportionately split between existing shareholders.

On 15 March 2007 the general shareholders' meeting of ZAO Raiffeisenbank Austria made a decision on reorganization of ZAO Raiffeisenbank Austria in the form of merger of OAO Impexbank into ZAO Raiffeisenbank Austria, and a decision to approve the new name of the Bank: ZAO Raiffeisenbank. The merger will be effected by an additional issue of shares of ZAO Raiffeisenbank. The placement of the additional ordinary shares of ZAO Raiffeisenbank will be performed in the form of conversion of the ordinary shares of OAO Impexbank into shares of ZAO Raiffeisenbank. The merger is expected to be completed by the end of 2007.