Joint Stock Bank “Moscow Bank for Reconstruction and Development”
(Open Joint Stock Company)

Interim Consolidated Financial Statements
For the Nine Months Ended 30 September 2007
(unaudited)

JOINT STOCK BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT" (OPEN JOINT STOCK COMPANY)

TABLE OF CONTENTS

JOINT STOCK BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT" (OPEN JOINT STOCK COMPANY)

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities as stated in the independent auditors' report on review of the interim consolidated financial information set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the interim consolidated financial statements of Joint Stock Bank "Moscow Bank for Reconstruction and Development" and its subsidiaries (the "Group").

The Group's management is responsible for the preparation of the interim consolidated financial statements that present fairly the financial position of the Group as of 30 September 2007, the results of its operations, cash flows and changes in equity for the nine months then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The interim consolidated financial statements for the nine months ended 30 September 2007 were authorized for issue on 18 January 2008 by the Management Board of Joint Stock Bank "Moscow Bank for Reconstruction and Development".

On behalf of the Management Board:

S.Y. Zaitsev
Chairman of the Board

18 January 2008
Moscow

S.A. Zavialov
Deputy Chairman of the Board

18 January 2008
Moscow

INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and the Board of Directors of Joint Stock Bank "Moscow Bank for Reconstruction and Development":

We have reviewed the accompanying interim consolidated balance sheet of Joint Stock Bank "Moscow Bank for Reconstruction and Development" and its subsidiaries as of 30 September 2007 and the related interim consolidated statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information does not present fairly, in all material respects, the financial position of the Group as of 30 September 2007, and its financial performance and its cash flows for the nine-month period then ended in accordance with IFRS.

18 January 2008
Moscow

JOINT STOCK BANK “MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT” (OPEN JOINT STOCK COMPANY)

INTERIM CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

	Notes	Nine months ended 30 September 2007 (unaudited) RUR’000	Nine months ended 30 September 2006 (unaudited) RUR’000
Interest income	5,30	5,697,598	3,394,700
Interest expense	5,30	(3,188,518)	(1,834,580)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		2,509,080	1,560,120
Provision for impairment losses on interest bearing assets	6,30	(392,351)	(513,649)
NET INTEREST INCOME		2,116,729	1,046,471
Net loss on financial assets at fair value through profit or loss	7	(205,281)	(17,686)
Net gain on foreign exchange operations	30	274,505	213,729
Fee and commission income	8,30	527,729	301,174
Fee and commission expense	8	(58,955)	(43,544)
Other income	18,30	72,498	18,962
NET NON-INTEREST INCOME		610,496	472,635
OPERATING INCOME		2,727,225	1,519,106
OPERATING EXPENSES	9,30	(1,937,372)	(1,084,593)
Operating profit		789,853	434,513
Provision for losses on other transactions	6,30	(8,400)	(829)
PROFIT BEFORE INCOME TAX		781,453	433,684
Income tax expense	10	(238,855)	(191,836)
NET PROFIT		542,598	241,848
Earnings per share			
Basic and diluted (RUR)	11	580.78	259.12

On behalf of the Management Board:

S.Y. Zaitsev
Chairman of the Board

18 January 2008
Moscow

S.A. Zavialov
Deputy Chairman of the Board

18 January 2008
Moscow

The notes on pages 8-52 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2007

	Notes	30 September 2007 RUR'000 (unaudited)	31 December 2006 RUR'000
ASSETS:			
Cash and balances with the Central Bank of the Russian Federation	12	4,704,637	6,102,927
Financial assets at fair value through profit or loss	13,30	3,916,051	2,660,211
Due from banks	14,30	11,163,031	13,064,676
Loans to customers and other receivables	15,30	50,676,097	34,593,625
Investments available-for-sale	16,30	492,024	187,887
Property, plant, equipment and intangible assets	17	1,580,560	809,466
Investment property	18	816,159	-
Non-current assets held for sale	19	112,821	-
Other assets	20	778,885	686,417
TOTAL ASSETS		74,240,265	58,105,209
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	21,30	10,394,332	5,441,639
Customer accounts	22,30	40,099,533	36,762,141
Debt securities issued	23	13,832,019	9,621,470
Deferred income tax liabilities	10	374,141	23,728
Subordinated debt	24,30	2,511,071	1,587,141
Liabilities on finance lease transactions	25,30	263,695	481,335
Other liabilities	26,30	833,094	161,482
Total liabilities		68,307,885	54,078,936
EQUITY:			
Share capital	27	1,023,408	943,408
Share premium	27	5,095,304	3,575,304
Revaluation reserve		75,137	75,137
Accumulated deficit		(261,469)	(567,576)
Total equity		5,932,380	4,026,273
TOTAL LIABILITIES AND EQUITY		74,240,265	58,105,209

On behalf of the Management Board:

S.Y. Zaitsev
Chairman of the Board

18 January 2008
Moscow

S.A. Zavialov
Deputy Chairman of the Board

18 January 2008
Moscow

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JOINT STOCK BANK “MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT” (OPEN JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

	Notes	Share capital RUR'000	Share premium RUR'000	Revaluation reserve RUR'000	Accumulated deficit RUR'000	Total equity RUR'000
31 December 2005		943,408	3,575,304	-	(669,528)	3,849,184
Dividends declared on:						
- ordinary shares (unaudited)		-	-	-	(83,784)	(83,784)
- preferred shares (unaudited)		-	-	-	(1,236)	(1,236)
Group reorganisation		-	-	-	(208,627)	(208,627)
Net profit (unaudited)		-	-	-	241,848	241,848
30 September 2006 (unaudited)		943,408	3,575,304	-	(721,327)	3,797,385
31 December 2006		943,408	3,575,304	75,137	(567,576)	4,026,273
Share capital increase of:						
- ordinary shares		80,000	1,520,000	-	-	1,600,000
Dividends declared on:						
- ordinary shares (unaudited)		-	-	-	(167,186)	(167,186)
- preferred shares (unaudited)		-	-	-	(1,157)	(1,157)
Group reorganisation (unaudited)	4	-	-	-	(68,148)	(68,148)
Net profit (unaudited)		-	-	-	542,598	542,598
30 September 2007 (unaudited)		**1,023,408**	**5,095,304**	**75,137**	**(261,469)**	**5,932,380**

On behalf of the Management Board:

S.Y. Zaitsev
Chairman of the Board

18 January 2008
Moscow

S.A. Zavialov
Deputy Chairman of the Board

18 January 2008
Moscow

The notes on pages 8-52 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

	Notes	Nine months ended 30 September 2007 (unaudited) RUR’000	Nine months ended 30 September 2006 (unaudited) RUR’000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		781,453	433,684
Adjustments for:			
Provision for impairment losses on interest bearing assets		392,351	513,649
Recovery of provision for losses on other transactions		8,400	829
Depreciation and amortization		121,381	63,148
Foreign exchange translation differences		(10,116)	(11,909)
Change in net interest accruals		242,459	52,234
Cash flows from operating activities before changes in operating assets and liabilities		1,535,928	1,051,635
Changes in operating assets and liabilities			
Increase in operating assets:			
Minimum reserves with the Central Bank of the Russian Federation		(199,554)	(458,704)
Due from banks		(4,511,191)	(7,161,795)
Financial assets at fair value through profit or loss		(1,201,320)	(4,047,744)
Loans to customers and other receivables		(17,104,689)	(9,235,332)
Other assets		(39,437)	(451,606)
Increase in operating liabilities:			
Due to banks		5,141,968	2,066,634
Customer accounts		4,002,238	24,166,124
Other liabilities		180,383	556,968
Cash (outflows)/inflows from operating activities before income tax		(12,195,674)	6,486,180
Income tax paid		(221,911)	(208,100)
Net cash (outflows)/inflows from operating activities		(12,417,585)	6,278,080
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant, equipment and intangible assets		(312,528)	(230,234)
Proceeds on sale of property, plant, equipment and intangible assets		6,047	953
Purchase of investment available-for-sale		(300,628)	(208,627)
Purchases of subsidiaries, net of cash acquired		(803,554)	(160,153)
Net cash outflows from investing activities		(1,410,663)	(598,061)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 (CONTINUED)

	Notes	Nine months ended 30 September 2007 (unaudited) RUR'000	Nine months ended 30 September 2006 (unaudited) RUR'000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share capital issued		80,000	-
Share premium received		1,520,000	-
Net proceeds from debt securities issued		4,223,904	3,911,060
Net proceeds from subordinated debt		923,929	-
Dividends paid		(168,343)	(85,020)
Net cash inflow from financing activities		6,579,490	3,826,040
Effect of foreign exchange rate changes on cash and cash equivalents		(41,698)	(74,444)
NET (DECREASE)/INCREASEIN CASH AND CASH EQUIVALENTS		(7,290,456)	9,431,615
CASH AND CASH EQUIVALENTS, beginning of period	12	13,705,406	3,619,617
CASH AND CASH EQUIVALENTS, end of period	12	6,414,950	13,051,232

Interest paid and received by the Group during nine months ended 30 September 2007 amounted to RUR 3,616,962 thousand and RUR 5,883,583 thousand, respectively.

Interest paid and received by the Group during nine months ended 30 September 2006 amounted to RUR 1,747,760 thousand and RUR 3,360,114 thousand, respectively.

On behalf of the Management Board:

S.Y. Zaitsev
Chairman of the Board

18 January 2008
Moscow

S.A. Zavialov
Deputy Chairman of the Board

18 January 2008
Moscow

The notes on pages 8-52 form an integral part of these interim consolidated financial statements.

1. ORGANISATION

Joint Stock Bank "Moscow Bank for Reconstruction and Development" (open joint stock company) ("MBRD") is a joint stock bank, which was incorporated in the Russian Federation (the "RF") in 1993. MBRD is regulated by the Central bank of the RF (the "CBR") and conducts its business under license number 2268. MBRD's primary business consists of commercial banking activities, securities dealings and foreign currency transactions.

MBRD's principal business activities are within the RF. Registered headquarters of MBRD is located at: 5 bldg. 1, Yeropkinsky per., Moscow, 119034, RF.

MBRD has 15 branches in the territory of the RF.

Joint Stock Bank "Moscow Bank for Reconstruction and Development" is the Group's parent company (the "Group"). The following companies are included in the interim consolidated financial statements for the nine months ended 30 September 2007:

Name	Country of operation	Proportion of ownership interest and voting power of JSB "MBRD" 30 September 2007	31 December 2006	Type of activity
OJSB "MBRD"	Russian Federation	100%	100%	Banking activities
CJSC "Sistema K-Invest"	Russian Federation	100%	100%	Operating lease
LLC "MBRR-Capital"	Russian Federation	100%	100%	Financial services
LLC "MBRR-Finance"	Russian Federation	100%	100%	Financial services
LLC "Leasing -Maximum"	Russian Federation	100%	100%	Finance lease
CJSC "Invest-Sviaz-Holding"	Russian Federation	100%	100%	Finance lease
CJSC "Leasing Company "Sistema-Finleasing"	Russian Federation	100%	100%	Finance lease
LLC "Nostro"	Russian Federation	100%	-	Operating lease

LLC "Nostro" was acquired by the Group in June 2007 (see Note 4).

The Group renders services to a group of entities related by means of direct or indirect ownership by one parent company which is also an ultimate parent of the Group. At the close of business on 30 September 2007 and 31 December 2006 loans issued to such companies and banks comprised 15.0% and 16.2% of the total loans to customers and other receivables and due from banks (see Note 30). Customer accounts of such companies and banks comprised 46.2% and 71.2% of the total amount of customer accounts and due to banks as of 30 September 2007 and 31 December 2006 (see Note 30), respectively.

As of 30 September 2007 and 31 December 2006, shareholders owned outstanding shares as follows:

Shareholder	%
JSFC "Sistema"	66.44
CJSC "Promtorgcenter", controlled by Sistema	13.75
OJSC "Moscow City Telephone Network", controlled by Sistema	4.57
LLC "Notris", controlled by Sistema	4.24
Other	11.00
Total	**100.00**

As of 30 September 2007 and 31 December 2006 JSFC "Sistema" directly or indirectly owed 99.2% of the share capital of MBRD. Mr. Evtushenkov owns a controlling stake in JSFC "Sistema".

The interim consolidated financial statements for the nine months ended 30 September 2007 were authorized for issue on 18 January 2008 by the Management Board of the Group.

2. BASIS OF PRESENTATION

Accounting basis

These interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These interim consolidated financial statements are presented in thousands of Russian Roubles ("RUR") unless otherwise indicated. These interim consolidated financial statements are prepared under the historical cost convention, except for measurement at fair value of certain financial instruments, measurement of buildings at revalued amounts according to International Accounting Standard ("IAS") No. 16 "Property, Plant and Equipment".

In accordance with IAS 29 the economy of Russian Federation was considered to be hyperinflationary during 2002 and prior years. Starting 1 January 2003, the Russian economy is no longer considered to be hyperinflationary and the values of the Bank's non-monetary assets, liabilities and equity as stated in measuring units as of 31 December 2002 have formed the basis for the amounts carried forward to 1 January 2003.

Since the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the year. These interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group as at 31 December 2006 and for the year then ended.

The Group maintains its accounting records in accordance with Russian law. These interim consolidated financial statements have been prepared from the Russian statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Key assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts. Such estimates and assumptions are based on the information available to the Group's management as of the date of the consolidated financial statements. Therefore, actual results could differ from those estimates and assumptions.

Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

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

	30 September 2007	**31 December 2006**
Loans to customers and other receivables	50,676,097	34,593,625
Investments available-for-sale	492,024	187,887
Property, plant, equipment and intangible assets	1,580,560	809,466

Loans to customers and other receivables, investments available-for-sale and property, plant, equipment and intangible assets are measured at amortized cost/costless allowance for impairment losses (if any). The estimation of allowance for impairment losses involves an exercise of judgment. It is impracticable to assess the extent of the possible effects of key assumptions or other sources of uncertainty on these balances at the balance sheet date.

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

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

Certain property (buildings) is measured at revalued amounts. The date of the latest appraisal was 30 June 2007. The next revaluation is preliminary scheduled as of 31 December 2007.

The accounting policy for the impairment of financial instruments is discussed in Note 3 below. Taxation is discussed in Note 28.

Functional currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

On acquisition (unless from parent or entities under common control), assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition. Any difference between the nominal amount of consideration paid by the Group and carrying value of Group's share in carrying value of assets, liabilities and contingent liabilities of a subsidiary purchased from a parent or entities under common control is accounted as an adjustment of the Group's equity.

Results of subsidiaries acquired or disposed off during the period are included in the interim consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All balances related to transactions between MBRD and consolidated entities and any income and expenses resulting from such transactions are eliminated on consolidation.

Recognition and measurement of financial instruments

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

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

Cash and cash equivalents

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent derivative instruments or securities acquired principally for the purpose of selling them in the near future, or are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking securities that upon initial recognition are designated by the Group at fair value through profit or loss or is a derivative. Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial assets at fair value through profit or loss. Fair value adjustment on financial assets at fair value through profit or loss is recognized in the consolidated income statement for the period. The Group does not reclassify financial instruments in or out of this category while they are held.

The Group enters into derivative financial instruments to manage currency and liquidity risks. Derivative financial instruments include forwards on foreign currency and securities. No derivatives used by the Group are qualified for hedging purposes.

Repurchase and reverse repurchase agreements

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

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

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

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

Due from banks

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

Loans to customers and other receivables

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

Loans granted by the Group are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and other receivables

Loans and other receivables are written off against allowance for impairment losses in case of uncollectibility of loans and other receivables, including through repossession of collateral. Loans and other receivables are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. The decision on writing off bad debt against allowance for impairment losses for all major, preferential, unsecured and insider loans should necessarily be confirmed with a procedural document of judicial or notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor’s funds.

Allowance for impairment losses

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

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

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

The Group accounts for impairment losses on financial assets at amortised cost using allowance account, for financial assets measured at cost through direct write off.

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

Investments in finance lease

Lease is classified as finance lease if the contract transfers substantially all the risks and rewards of ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

The lease is classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

The Group as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease.

Finance income is allocated over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. Finance income from leases is recorded as interest income in the income statement.

Before commencement date equipment purchased for future transfer to financial lease is recognized in the consolidated financial statements as property and equipment purchased to transfer to finance lease as a component of other assets at cost.

Investments available-for-sale

Investments available-for-sale represent non-marketable equity investments that are intended to be held for an indefinite period of time.

They are stated at cost less impairment losses, if any.

Property, plant, equipment and intangible assets

Property, plant, equipment and intangible assets except for buildings acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Property except for buildings, equipment and intangible assets, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss, if any.

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

Buildings and facilities	2%
Furniture and equipment	25%
Intangible assets	15% – 33.3%

Depreciation of assets under construction commences when the assets are put in use.

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

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

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

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

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

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

Investment property

Investment property, comprising office buildings, is held for long-term rental yields or appreciation in value and is not occupied by the Group. Investment property is initially measured at cost together with transaction costs. Subsequent to initial recognition, investment property is carried at revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Operating leases

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments effected by the Group under operating lease are recognized as expense on a straight-line basis over the lease term and included into operating expense.

Taxation

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

Financial guarantee contracts issued and letters of credit

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

Share capital and share premium

Contributions to share capital, made before 1 January 2003 are recognized at their cost restated for inflation. Contributions to share capital, made after 1 January 2003 are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued.

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

Retirement and other benefit obligations

In accordance with the requirements of the Russian legislation such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income also includes income earned on investments in securities. Other income is credited to consolidated income statement when the related transactions are completed.

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated profit and loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated profit and loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided.

Foreign currency translation

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

Rates of exchange

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

	30 September 2007	**31 December 2006**	**30 September 2006**
RUR/USD	24.9493	26.3311	26.7799
RUR/EUR	35.3457	34.6965	33.9783

Fiduciary activities

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

Segment reporting

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

Adoption of new standards

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

Adoption of IFRS 7 **–** Effective 1 January 2007, the Group adopted IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7"). IFRS 7 establishes new requirements and recommendations on financial instrument disclosure. The Group will disclose all information required under IFRS 7 in its annual consolidated financial statements for the year 2007. Adoption of IFRS 7 did not affect the classification and measurement of Group's financial instruments in these interim consolidated financial statements.

Adoption of IFRS 8 – Effective 1 January 2009, the new IFRS 8 "Operating Segments" will replace IAS 14 "Operating Segments". Currently the Group estimates the effect of this new Standard on its financial statements and develops an action plan to modify its accounting and reporting systems to provide reliable disclosure of the required information.

4. GROUP REORGANISATION

In June 2007 the company which is under common control with the Group transferred a control over LLC "Nostro" to MBRD for cash consideration of RUR 1,290,574 thousand. As a result of this acquisition the Group acquired an office building in Moscow which will be used in supply of services, for administrative purposes and for rental earning. The ownership interest and proportion of voting power of MBRD in LLC "Nostro" as of 30 September 2007 are presented in Note 1.

The carrying values of acquired company net assets as of the date of acquisition are presented below:

	LLC "Nostro" RUR'000
Cash	2
Due from banks	187
Property, plant, equipment and intangible assets	698,815
Investment property	816,159
Value added tax recoverable	26,570
Other assets	35,641
Due to banks	(20,086)
Deferred income tax liabilities	(322,388)
Other liabilities	(12,474)
Net assets	**1,222,426**
Consideration to be paid	**(1,290,574)**
Net accumulated deficit acquired by the Group	**(68,148)**
Consideration paid in cash	(803,556)
Less: cash acquired	2
Net cash outflow on acquisition	**(803,554)**

The Group recognised a decrease in its equity of RUR 68,148 thousand as a result of the acquisition.

5. NET INTEREST INCOME

Net interest income comprises:

	Nine months ended 30 September 2007 RUR'000	Nine months ended 30 September 2006 RUR'000
Interest income		
Interest on loans to customers	4,579,023	2,752,834
Interest on due from banks	924,146	373,188
Interest on debt securities	190,591	246,054
Interest on promissory notes	3,838	22,624
Total interest income	5,697,598	3,394,700
Interest expense		
Interest on customer accounts	(2,059,049)	(1,188,418)
Interest on debt securities issued	(745,022)	(487,326)
Interest on due to banks	(341,329)	(158,440)
Other interest expense	(43,118)	(396)
Total interest expense	(3,188,518)	(1,834,580)
Net interest income before provision for impairment losses on interest bearing assets	**2,509,080**	**1,560,120**

6. PROVISION FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets and on other transactions were as follows:

	Loans to customers RUR'000	Guarantees and commitments RUR'000
31 December 2005	1,206,870	2,861
Provision	513,649	829
30 September 2006	1,720,519	3,690
31 December 2006	1,876,281	13,018
Provision	392,351	8,400
30 September 2007	2,268,632	21,418

Allowances for impairment losses on assets are deducted from the related assets, allowances for impairment losses on other transactions are shown in other liabilities (Note 26).

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

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

	Nine months ended 30 September 2007 RUR'000	Nine months ended 30 September 2006 RUR'000

Forward operations	105,661	18,994
Operations with debt securities	83,232	(15,843)
Operations with equity securities	16,388	13,637
Other	-	898
Total net loss on financial assets at fair value through profit or loss	**205,281**	**17,686**

Net loss on forward operations arises primarily from long forward position in US Dollars, held for the purpose of matching short balance sheet position in US Dollars. The Group's open currency position as of 30 September 2007 and 31 December 2006 is disclosed in Note 34.

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Nine months ended 30 September 2007 RUR'000	Nine months ended 30 September 2006 RUR'000
Fee and commission income from:		
Settlement operations	293,317	181,302
Cash operations	155,960	64,149
Documentary operations	38,705	28,600
Currency control operations	10,765	8,663
Trust operations	3,757	3,568
Other	25,225	14,892
Total fee and commission income	**527,729**	**301,174**
Fee and commission expense on:		
Settlement operations	(44,065)	(29,837)
Documentary operations	(6,485)	(10,747)
Cash operations	(5,800)	(2,386)
Other	(2,605)	(574)
Total fee and commission expense	**(58,955)**	**(43,544)**

9. OPERATING EXPENSES

Operating expenses comprise:

	Nine months ended 30 September 2007 RUR'000	Nine months ended 30 September 2006 RUR'000
Staff cost	902,427	502,212
Operating lease	299,434	143,740
Employer social security contributions	161,869	81,051
Depreciation of property, plant and equipment and amortization of intangible assets	121,381	63,148
Taxes other than income tax	78,606	48,786
Professional services	71,407	33,606
Security	57,111	30,298
Deposit insurance system contributions	52,054	25,704
Telecommunication	26,832	19,928

Maintenance of property, plant and equipment and intangible assets	23,637	50,207
Financing of social needs	22,153	14,409
Advertising expenses	22,088	12,313
Stationery and other office expenses	18,809	8,438
Business trip expenses	17,455	9,322
Insurance expenses	13,206	15,003
Hospitality expenses	3,551	1,254
Other expenses	45,352	25,174
Total operating expenses	**1,937,372**	**1,084,593**

10. INCOME TAX

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

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for the purposes of taxation. Temporary differences as of 30 September 2007 and 31 December 2006 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as of 30 September 2007 and 31 December 2006 comprise:

	30 September 2007 RUR'000	31 December 2006 RUR'000
Deductible temporary differences:		
Other liabilities	119,035	33,067
Other assets	21,990	22,884
Financial assets at fair value through profit or loss	91,759	21,141
Other provisions	21,418	10,374
Loans to customers and other receivables	-	100,587
Total deductible temporary differences	**254,202**	**188,053**
Taxable temporary differences:		
Property, plant, equipment and intangible assets	1,532,316	169,857
Loans to customers and other receivables	209,580	-
Debt securities issued	10,400	25,223
Due to banks	10,537	1,395
Total taxable temporary differences	**1,762,833**	**196,475**
Net deferred tax asset	**12,070**	**-**
Net deferred tax liability	**(374,141)**	**(23,728)**

Relationships between income tax expense and net profit for the nine months ended 30 September 2007 and 2006 are explained as follows:

	9 months ended 30 September 2007 RUR'000	9 months ended 30 September 2006 RUR'000
Profit before income tax	781,453	433,684

Tax at the statutory tax rate (24%)	187,549	104,084
Tax effect on income taxed at different rates	1,698	523
Change in valuation allowance	(21,707)	-
Tax effect of permanent differences	71,315	87,229
Income tax expense	238,855	191,836
Current income tax expense	222,900	142,538
Change in net deferred tax asset	(12,070)	-
Change in net deferred tax liability	28,025	49,298
Income tax expense	(238,855)	(191,836)

	30 September 2007 RUR'000	**31 December 2006 RUR'000**
1 January	23,728	20,936
Decrease in deferred income tax liability recognised in consolidated income statement	-	(20,936)
Increase in deferred income tax liability on items recorded due to Group reorganisation	322,388	-
Accrued deferred tax on items recorded in equity	28,025	23,728
End of the period	**374,141**	**23,728**

11. EARNINGS PER SHARE

The Group's basic and diluted earnings per share are calculated as follows:

	Nine months ended 30 September 2007 RUR'000	**Nine months ended 30 September 2006 RUR'000**
Profit:		
Net profit for the period	542,598	241,848
Less:		
Dividends on preferred shares	(868)	(868)
Profit less dividends on preferred shares	541,730	240,980
Weighted average number of ordinary shares for the calculation of basic and diluted earnings per share	932,765	930,000
Earnings per share – basic and diluted (RUR)	580.78	259.12

12. CASH AND BALANCES WITH THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Cash and balances with the Central Bank of the Russian Federation comprise:

	30 September 2007 RUR'000	**31 December 2006 RUR'000**
Cash in vault	1,457,594	1,326,708
Balance with the Central Bank of the Russian Federation	3,247,043	4,776,219

Total cash and balances with the Central Bank of the Russian Federation	**4,704,637**	**6,102,927**

The balances with the CBR as of 30 September 2007 and 31 December 2006 include RUR 1,673,828 thousand and RUR 1,474,274 thousand, respectively, that represent the minimum reserve deposit required by the CBR. The Group is required to maintain the reserve deposit with the CBR at all times.

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

	30 September 2007 RUR'000	31 December 2006 RUR'000	30 September 2006 RUR'000
Cash in vault	1,457,594	1,326,708	914,742
Balances with the Central Bank of the Russian Federation	3,247,043	4,776,219	1,900,083
Due from banks in OECD countries	2,795,578	8,537,019	10,748,934
Financial assets at fair value through profit or loss	588,563	539,734	565,601
	8,088,778	15,179,680	14,129,360
Less minimum reserve deposit with the CBR	(1,673,828)	(1,474,274)	(1,078,128)
Cash and cash equivalents	**6,414,950**	**13,705,406**	**13,051,232**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	Interest to nominal %	30 September 2007 RUR'000	Interest to nominal %	31 December 2006 RUR'000
Corporate and bank bonds				
CJSC "The Seventh Continent" bonds	8%	247,646		-
LenspecSMU eurobonds	10%	244,305		-
CJSC "Russian Standard Bank" bonds	8%	170,611	8%	58,876
CJSC " PF "Trans Tekh Servis" bonds	10%	150,526		-
Moscow Administration bonds	10%	131,934		-
Finance Lease Company Eurobonds	9%	127,827		-
CB "Moskommertsbank" LLC bonds	9%	122,400		-
Moscow credit bank bonds	10%	45,427		-
OJSC Bank "Soyuz" eurobonds	9%	120,595		-
OJSC "Koks" bonds	9%	114,286		-
OJSC "Kubanenergo" bonds	8%	101,441		-
OJSC "Severstal-Auto" bonds	8%	97,913		-
OJSC "Petrocommerc" Bank eurobonds	9%	96,487		-
OJSC "Corporation "Nordteks" bonds	12%	95,666		-
OJSC Stroytransgaz	8%	76,540		-
OJSC "Nizhnekamskneftekhim" eurobonds	9%	73,925		-
Mirax group eurobonds	9%	73,173		-
OJSC "Sugar Company" bonds	13%	71,974	13%	101,142
OJSC "IzhAuto" bonds	10%	70,978		-
"ACBK-Invest" LLC bonds	10%	67,080		-
"TOAP Finance" LLS bonds	12%	66,566	12%	100,559
OJSC "Moscow Region Gas Company" bonds	9%	51,931		-
"Miratorg Finance" LLS bonds	11%	50,801		-
Zenit Capital eurobonds	9%	50,446		-
"UBRR-Finance" LLS bonds	10%	49,977		-
"UTeir-Finance" LLS bonds	10%	47,812		-

	Interest to nominal %	30 September 2007 RUR'000	Interest to nominal %	31 December 2006 RUR'000
CJSC "Wild Orchid" bonds	11%	46,129	11%	46,460
OJSC "EESC" bonds	9%	45,654		-
"TekhnoNikol-Finance" LLS bonds	10%	43,853		-
OJSC "EFKO" bonds	11%	34,719		-
Sunway-Group eurobonds	10%	25,803		-
OJSC "Detsky Mir-Center" bonds	9%	23,184		-
"Sevkabel-Finance" LLS bonds	13%	22,117	13%	22,384
OJSC "AmurSteel" bonds	9%	21,848		-
"Uralvagonzavod-Finance" LLS bonds	9%	16,214		-
OJSC "Salavatsteklo" bonds	9%	14,740		-
OJSC "Russian Railways" bonds	8%	12,296	8%	12,247
OJSC "Salavatnefteorgsyntez" eurobonds	-	-	8-9%	66,918
OJSC "Corporation "Irkut" eurobonds	-	-	8%	65,819
OJSC Bank "Soyuz" bonds	-	-	8%	203,982
"RCC-Finanse" LLS bonds	-	-	9%	132,023
CJSC "Group "Magnezit" bonds	-	-	10%	115,362
OJSC "Avtovaz" eurobonds	-	-	9%	107,090
OJSC "Salut Energy" bonds	-	-	10%	103,247
OJSC "Impex" Bank eurobonds	-	-	9%	53,320
CJSC "Marta Finance" bonds	-	-	15%	38,640
OJSC "Corporation "Irkut" bonds	-	-	9%	5,516
		2,924,824		1,233,585
Corporate and bank promissory notes				
Promissory notes of OJSC "Stroytransgaz"	9%	257,607	10%	409,718
Promissory notes of CJSC "Kedr" bank	10%	51,213		-
Promissory notes of FSUE MMBPE "Salut"	11%	50,149		-
Promissory notes of OJSC "RTK-Leasing"	10%	24,701	10%	23,063
Promissory notes of CJSC "Promsvyazbank"		-	8%	163,640
Promissory notes of CJSC "Absolut" bank		-	9%	74,848
Promissory notes of CJSC "NOMOS" bank		-	7%	58,799
Promissory notes of OJSC "Soyuz" bank		-	10%	54,764
Promissory notes of OJSC "Center Telekom"		-	10%	29,854
"Kamaz-Finance" LLS promissory notes		-	10%	29,645
		383,670		844,331
Russian government debt securities				
Russian State Bonds (OFZ)	0-9%	403,654	7-9%	345,097
Russian State US Dollar denominated Bonds (OVGVZ bonds)	3%	184,909	3%	194,637
		588,563		539,734
Shares				
Preferred shares of OJSC "Surgutneftegaz"		9,905		14,127
Ordinary and preferred shares of OJSC "MGTS"		7,886		2,867
Preferred shares OJSC "Uralsvyazinform"		1,203		-
Ordinary shares of OJSC "Lukoil"		-		11,435
		18,994		28,429
Derivative financial instruments – foreign currencies exchange contracts		-		14,132
Total financial assets at fair value through profit or loss		**3,916,051**		**2,660,211**

Russian State Bonds (OFZ) are Russian Rouble denominated government securities with medium to long-term maturities issued at discount to face value or with an interest payable four times a year at the annual rates of 6-10% of the par value and guaranteed by the Ministry of Finance of the RF.

OVGVZ Bonds are US Dollar denominated government securities issued at discount to face value with maturity in 2011. Interest on these bonds is payable once a year at the annual rates of 3% of the par value.

Corporate and bank promissory notes represent debt instruments issued by companies and commercial banks in the Russian Federation. Corporate promissory notes mature within one year.

Corporate bonds are bonds issued by Russian enterprises. A coupon of 8% to 13% and 8% to 15% to the nominal value is payable under the bonds outstanding as of 30 September 2007 and 31 December 2006, respectively. Corporate bonds have maturities between 1 and 6 years.

As of 30 September 2007 and 31 December 2006 included in financial assets through profit or loss is accrued interest income on debt securities amounting to RUR 83,407 thousand and RUR 29,318 thousand, respectively.

As 30 September 2007 included in financial assets through profit or loss were OFZ bonds of RUR 108,465 thousand and corporate and bank bonds of RUR 12,296 thousand which were provided as collateral for CBR loan facilities. As 30 September 2007, none of them were pledged and no funds were received by the Group on such facilities.

As 31 December 2006 included in financial assets through profit or loss were OFZ bonds of RUR 248,001 thousand and corporate and bank bonds of RUR 69,346 thousand which were provided as collateral for CBR loan facilities. As of 31 December 2006, none of them were pledged and no funds were received by the Group on such facilities.

As of 30 September 2007 and 31 December 2006 derivative financial instruments included in financial assets through profit or loss and other liabilities (Note 26) are represented by the following foreign currencies exchange contracts:

		30 September 2007	
	Nominal	**Net fair value**	
	amount	**Asset**	**Liability**
	RUR'000	**RUR'000**	**RUR'000**
Foreign currency contracts			
Forwards	2,163,193	-	53,474
		-	53,474

		31 December 2006	
	Nominal	**Net fair value**	
	amount	**Asset**	**Liability**
	RUR'000	**RUR'000**	**RUR'000**
Foreign currency contracts			
Forwards	3,095,778	14,132	36,935
		14,132	**36,935**

14. DUE FROM BANKS

Due from banks comprise:

	30 September 2007 RUR'000	31 December 2006 RUR'000
Loans and deposits to banks	10,588,059	12,722,073
Correspondent accounts with banks	474,901	342,603
Securities purchased under agreement to resell	100,071	-
Total due from banks	**11,163,031**	**13,064,676**

As of 30 September 2007 and 31 December 2006 due from banks included RUR 46,168 thousand and RUR 25,204 thousand, respectively, placed as a guarantee deposits on operations with plastic cards.

Included in due from banks is accrued interest in the amount of RUR 17,133 thousand and RUR 22,002 thousand as of 30 September 2007 and 31 December 2006, respectively.

As of 30 September 2007 and 31 December 2006 the Group had loans and placements with 6 and 7 banks totaling RUR 9,122,495 thousand and RUR 11,069,564 thousand, respectively, that individually exceeded 10% of the Group's equity.

As of 30 September 2007 and 31 December 2006 the maximum credit risk exposure on due from banks amounted to RUR 11,163,031 thousand and RUR 13,064,676 thousand, respectively.

Securities purchased under agreement to resell as of 30 September 2007 comprise:

	Carrying value of receivables RUR'000	Fair value of securities RUR'000
OJSC "Uralsvyazinform" shares	100,071	111,111
Total securities purchased under agreement to resell	**100,071**	**111,111**

15. LOANS TO CUSTOMERS AND OTHER RECEIVABLES

Loans to customers and other receivables comprise:

	30 September 2007 RUR'000	31 December 2006 RUR'000
Originated loans	49,060,057	33,387,047
Net investment in finance lease	3,133,147	2,510,455
Receivables on finance lease	751,525	572,404
	52,944,729	36,469,906
Less allowance for impairment losses	(2,268,632)	(1,876,281)
Total loans to customers and other receivables	**50,676,097**	**34,593,625**

As of 30 September 2007 and 31 December 2006 included in loans to customers are receivables on finance lease of RUR 751,525 thousand and RUR 572,404, respectively, which represent advances paid to suppliers for equipment delivery to be further transferred into finance lease.

As of 30 September 2007 and 31 December 2006 accrued interest income included in loans to customers amounted to RUR 308,911 thousand and RUR 172,146 thousand, respectively.

	30 September 2007 RUR'000	31 December 2006 RUR'000
Analysis by type of collateral:		
Loans collateralized by pledge of equipment	26,222,993	17,665,315
Loans secured by corporate guarantees	5,554,028	3,782,005
Loans collateralized by pledge of real estate	6,133,916	4,165,785
Loans collateralized by pledge of shares of other companies	3,792,958	3,149,870
Loans collateralized by pledge of inventory	-	182,104
Other	1,320,456	1,390,589
Unsecured loans	9,920,378	6,134,238
	52,944,729	36,469,906
Less allowance for impairment losses	(2,268,632)	(1,876,281)
Total loans to customers and other receivables	**50,676,097**	**34,593,625**

Movements in allowances for impairment losses for the nine months ended 30 September 2007 and 2006 are disclosed in Note 6.

	30 September 2007 RUR'000	31 December 2006 RUR'000
Analysis by sector:		
Individuals	18,262,406	9,741,303
Finance lease	9,051,148	5,676,217
Real estate management and development	7,979,491	6,291,015
Trading	6,330,067	4,968,387
Telecommunications	3,996,913	3,682,768
Manufacturing	2,295,244	2,070,017
Transport	2,275,778	1,523,451
Finance	1,944,786	1,811,973
Tourist and hotel business	40,917	19,194
Other	767,979	685,581
	52,944,729	36,469,906
Less allowance for impairment losses	(2,268,632)	(1,876,281)
Total loans to customers and other receivables	**50,676,097**	**34,593,625**

As of 30 September 2007 and 31 December 2006 the Group had loans to 8 and 13 borrowers totaling RUR 5,403,867 thousand and RUR 10,218,293 thousand, respectively, whose individual exposure exceeded 10% of the Group's equity.

The Group's loans to customers in Moscow and the Moscow region represent 50% and 77% of the total loan portfolio as of 30 September 2007 and 31 December 2006, respectively. Thus, there is a significant geographical concentration of the loan portfolio.

As of 30 September 2007 and 31 December 2006 the maximum credit risk exposure of loans to customers and other receivables amounted to RUR 50,676,097 thousand and RUR 34,593,625 thousand, respectively.

The components of net investment in finance leases as of 30 September 2007 and 31 December 2006 are as follows:

	30 September 2007 RUR'000	31 December 2006 RUR'000
Not later than one year	1,844,179	1,372,682
Later than one year and not later than five years	2,225,778	1,984,856
More than 5 years	-	16,542
Total minimum lease payments	4,069,957	3,374,080
Less: unearned finance income	(936,810)	(863,625)
Net investment in finance lease	**3,133,147**	**2,510,455**
Current portion	1,270,503	903,428
Long-term portion	1,862,644	1,607,027
Net investment in finance lease	**3,133,147**	**2,510,455**

16. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	Ownership share %	30 September 2007 RUR'000	Ownership share %	31 December 2006 RUR'000
Equity securities				
East West United Bank S.A. ordinary shares	17%	491,634	17%	187,498
Other		390		389
Total investments available-for-sale		**492,024**		**187,887**

17. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and facilities	Leasehold improve-ments	Furniture and equipment	Intangible assets	Constructi on is progress	Total
	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000
Cost						
31 December 2005	34,169	67,870	331,027	62,270	127,913	623,249
Additions	-	78,738	175,563	34,624	40,633	329,558
Additions on the group reorganization	-	-	25,125	-	-	25,125
Write-off of accumulated depreciation on revaluation	(2,777)	-	-	-	-	(2,777)
Revaluation	98,865	-	-	-	-	98,865
Disposals	-	(315)	(7,218)	(3,199)	-	(10,732)
31 December 2006	130,257	146,293	524,497	93,695	168,546	1,063,288
Additions	-	44,163	188,430	31,216	48,719	312,528
Group reorganisation	695,246	-	361	-	3,340	698,947
Transfer to non-current assets held for sale (Note 19)	-	-	-	-	(112,821)	(112,821)
Disposals	-	(4)	(15,255)	(229)	-	(15,488)

	Buildings and facilities	Leasehold improve-ments	Furniture and equipment	Intangible assets	Constructi on is progress	Total
	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000
30 September 2007	825,503	190,452	698,033	124,682	107,784	1,946,454
Accumulated depreciation						
31 December 2005	2,079	31,007	110,257	27,487	-	170,830
Charge for the period	698	18,023	63,004	10,413	-	92,138
Group reorganization	-	-	2,173	-	-	2,173
Write-off of accumulated depreciation on revaluation	(2,777)	-	-	-	-	(2,777)
Disposals	-	(315)	(5,851)	(2,376)	-	(8,542)
31 December 2006	-	48,715	169,583	35,524	-	253,822
Charge for the period	3,476	29,018	76,639	12,248	-	121,381
Group reorganization	-	-	132	-	-	132
Disposals	-	(167)	(9,274)	-	-	(9,441)
30 September 2007	3,476	77,566	237,080	47,772	-	365,894
Net book value as of 30 September 2007	**822,027**	**112,886**	**460,953**	**76,910**	**107,784**	**1,580,560**
31 December 2006	**130,257**	**97,578**	**354,914**	**58,171**	**168,546**	**809,466**

As of 30 June 2007, the Group performed a revaluation of building carried on its balance sheet at that date based on the report issued by an independent appraiser. As a result, the carrying amount of buildings became RUR 822,027 thousand. The carrying amount of buildings which would have been reported had the buildings been carried at initial indexed cost less accumulated depreciation and impairment losses, amounts to RUR 238,984 thousand as of 30 September 2007.

The following methods were used to derive the fair value of the buildings:

- Discounted cash flow method (income approach);
- Comprehensive cost method (cost approach);
- Sales comparison method (market approach).

To obtain the final value the estimations derived using various approaches were assigned weights based on the extent to which the estimates achieved the following: completeness and reliability of information, reflection of the individual nature of the subject property, and other.

18. INVESTMENT PROPERTY

Investment property comprises:

	30 September 2007 RUR'000
Revalued amount	
31 December 2006	-
Additions resulting from acquisition through business combinations	816,159

30 September 2007	**816,159**

Included in other income is investment property rental income for nine months ended 30 September 2007 of to RUR 32,366 thousand.

Operating expenses arising from the investment property that generated rental income during nine months ended 30 September 2007 amounted to RUR 14,734 thousand.

19. NON-CURRENT ASSETS HELD FOR SALE

In August 2007 the Group approved to sell the office building located in Ekaterinburg for a negotiated price of RUR 363,646 thousand. Net book value of the building comprised RUR 112,821 thousand.

As a result of the decision to sell the building the Group classified it as held for sale in accordance with IFRS 5 «Non-current assets held for sale and discontinued operation». The Group sold office building for the negotiated price in November 2007.

20. OTHER ASSETS

Other assets comprise:

	30 September 2007 RUR'000	31 December 2006 RUR'000
Value added tax recoverable	380,787	351,758
Prepaid expenses and receivables on other transactions	187,862	134,755
Property and equipment purchased for transfer into lease	147,497	193,005
Current income tax assets	25,583	-
Deferred expense	23,784	-
Deferred income tax assets	12,070	-
Taxes recoverable, other than income tax	1,260	6,899
Other	42	-
Total other assets	**778,885**	**686,417**

As of 30 September 2007 and 31 December 2006 included in value added tax recoverable on finance lease transactions is RUR 332,302 thousand and RUR 328,972 thousand, respectively, which represents value added tax paid on purchase of equipment already transferred or ready to transfer to lessee under finance lease agreements and is expected to be gradually recovered during the life of related finance lease agreement.

As of 30 September 2007 and 31 December 2006 included in other assets is property and equipment of RUR 147,497 thousand and RUR 193,005 thousand, respectively, purchased for further transfer under finance lease agreements.

21. DUE TO BANKS

Due to banks comprise:

	30 September 2007 RUR'000	31 December 2006 RUR'000
Loans from banks	8,555,764	5,427,121
Loans under repurchase agreements	1,567,636	-
Correspondent accounts of banks	270,932	14,518

Total due to banks	**10,394,332**	**5,441,639**

As of 30 September 2007 and 31 December 2006 accrued interest expenses included in due to banks amounted to RUR 68,618 thousand and RUR 10,719 thousand, respectively.

As of 30 September 2007 included in deposits from banks are loans under repurchase agreements amounting to RUR 1,567,636 thousand with maturity of 5 to 30 days. Such agreements are secured with the following assets included in financial assets at fair value through profit or loss (Note 13):

	30 September 2007 RUR'000 Carrying value	30 September 2007 RUR'000 Fair value
Corporate and bank bonds		
CJSC "The Seventh Continent" bonds	235,179	247,646
CJSC "Russian Standard Bank" bonds	115,151	123,219
OJSC Bank ZENIT Eurobonds	98,840	123,619
OJSC "Severstal-Auto" bonds	85,698	97,913
OJSC Bank "Soyuz" eurobonds	84,130	120,595
OJSC "Petrocommerc" Bank eurobonds	67,759	96,487
CJSC " PF "Trans Tekh Servis" bonds	63,945	69,536
"ACBK-Invest" LLC bonds	62,598	67,080
OJSC "Nizhnekamskneftekhim" eurobonds	59,455	73,925
"UBRR-Finance" LLS bonds	45,942	49,977
OJSC "Koks" bonds	44,702	47,619
OJSC "EFKO" bonds	30,093	32,838
CB "Moskommertsbank" LLC bonds	27,651	28,996
CJSC "Wild Orchid" bonds	27,585	30,554
OJSC "AmurSteel" bonds	19,958	21,848
OJSC "Salavatsteklo" bonds	13,357	14,740
OJSC "Sugar Company" bonds	8,835	10,282
"TekhnoNikol-Finance" LLS bonds	8,291	9,745
	1,099,169	1,266,619
Russian government debt securities		
Russian State Bonds (OFZ)	283,550	295,189
Russian state US Dollar denominated bonds (OVGVZ)	184,917	184,909
	468,467	480,098
Total loans under repurchase agreements	**1,567,636**	**1,746,717**

22. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 September 2007 RUR'000	31 December 2006 RUR'000
Time deposits	26,846,679	26,662,343
Demand deposits	13,207,111	10,099,798
Securities sold under agreements to repurchase	45,743	-
Total customer accounts	**40,099,533**	**36,762,141**

	30 September 2007 RUR'000	31 December 2006 RUR'000
Analysis by sector:		
Individuals	12,813,843	10,876,839
Telecommunications	9,893,311	8,686,699
Finance	5,793,146	5,904,531
Production	4,933,789	1,439,053
Real estate management and construction	4,739,245	7,840,509
Culture and sports	1,010,341	645,729
Trading	627,036	898,798
Other	288,822	469,983
Total customer accounts	**40,099,533**	**36,762,141**

As of 30 September 2007 and 31 December 2006 accrued interest expenses included in customers accounts amounted to RUR 589,140 thousand and RUR 206,044 thousand, respectively.

As of 30 September 2007 and 31 December 2006 customer accounts of RUR 1,197,341 thousand and RUR 384,786 thousand, respectively, were placed with the Group to cover guarantees issued by the Group.

As at 30 September 2007 included in customer accounts are loans under repurchase agreements amounting to RUR 45,743 thousand with maturity of 7 days. Such agreements are secured with the following assets included in financial assets at fair value through profit or loss (Note 13):

	30 September 2007 RUR'000 Carrying value	30 September 2007 RUR'000 Fair value
Russian Standard Bank bonds	45,743	47,392
Total loans under repurchase agreements	**45,743**	**47,392**

23. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Redemp-tion date (month, year)	Interest to nominal %	30 September 2007 RUR'000	Redemp-tion date (month, year)	Interest to nominal %	31 December 2006 RUR'000
Eurobonds	Mar'08, June'09	8.6-8.8%	6,289,689	Mar'08-June'09	8.6-8.8%	6,653,143
Discount-bearing promissory notes	Oct'07-Feb'10	3-8.5%	5,781,473	Jan'07-Feb'10	1-10.4%	2,748,429
Interest-bearing promissory notes	Dec'07-Dec'10	1-9%	1,680,334	Jan'07-Dec'10	1-8.3%	214,651
Certificates of deposit	Aug'07-May'08	7.5-8.5%	17,894	Mar'07	6.0%	5,025
No interest/discount settlement promissory notes	Oct'07	-	62,629	Jan'07-Mar'07	-	222
Total debt securities issued			**13,832,019**			**9,621,470**

As of 30 September 2007 and 31 December 2006 included in debt securities issued is accrued interest expense of RUR 289,538 thousand and RUR 302,089 thousand, respectively.

24. SUBORDINATED DEBT

	Maturity date	Currency	Interest rate %	30 September 2007 (RUR '000)	31 December 2006 (RUR '000)
Loan participation note	2016	RUR	8.875%	1,472,317	1,587,141
Subordinated debt from Group's parent company	2017	RUR	11.5%	1,038,754	-
Total subordinated debt				**2,511,071**	**1,587,141**

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

25. LIABILITIES ON FINANCE LEASE TRANSACTIONS

Liabilities on finance lease transactions comprise:

	30 September 2007 RUR'000	31 December 2006 RUR'000
Advances received from customers on finance lease operations	157,750	175,713
Payables to suppliers of equipment for further transfer to finance lease	105,945	305,622
Total liabilities on finance lease transactions	**263,695**	**481,335**

26. OTHER LIABILITIES

Other liabilities comprise:

	30 September 2007 RUR'000	31 December 2006 RUR'000
Payables on LLC "Nostro" acquisition	487,018	-
Salaries and other compensations payable to employees	143,370	33,198
Taxes payable, other than income tax	65,581	28,121
Forward operations on foreign currencies	53,474	36,935
Provisions	21,418	13,018
Current income tax liabilities	4,877	3,879
Settlements on securities	-	24,817
Other payables	57,356	21,514
Total other liabilities	**833,094**	**161,482**

Movements in provision for guarantees and other commitments for the nine months ended 30 September 2007 and for the year ended 31 December 2006 are disclosed in Note 6.

27. SHARE CAPITAL AND SHARE PREMIUM

As of 30 September 2007 and 31 December 2006 authorized share capital comprised of 1,165,000 ordinary shares with par value of RUR 500 each and 1,000 preferred shares with par value of RUR 500 each.

As of 30 September 2007 share capital issued and fully paid comprised of 1,090,000 ordinary shares with par value of RUR 500 each and 1,000 preferred shares with par value of RUR 500 each.

As of 31 December 2006 share capital issued and fully paid comprised of 930,000 ordinary shares with par value of RUR 500 each and 1,000 preferred shares with par value of RUR 500 each.

During 2007 the Group issued additional 160,000 ordinary shares with par value of RUR 500 each at RUR 10 thousand each.

Changes in the quantity of Group's ordinary and preferred shares for the period ended 30 September 2007 and 31 December 2006 are presented below:

	Ordinary shares	Preferred shares
31 December 2005	930,000	1,000
Shares issue	-	-
31 December 2006	930,000	1,000
Shares issue	160,000	-
30 September 2007	1,090,000	1,000

All ordinary shares are of the same type and bear one vote. Preferred shares are not cumulative.

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

On 1 June 2007 annual shareholders' meeting of MBRD approved a dividends payout on preferred and ordinary shares for 2006 of RUR 1,157 thousand and RUR 167,186 thousand, respectively. The dividends were paid before 30 September 2007.

On 31 May 2006 annual shareholders' meeting of MBRD approved a dividends payout on preferred and ordinary shares for 2005 of RUR 1,236 thousand and RUR 83,784 thousand, respectively. The dividends were paid before 30 September 2006.

The Group's reserves distributable to shareholders are limited to the amount of its reserves (share capital, share premium and retained earnings) as disclosed in its statutory accounts. Non-distributable reserves are represented by a general reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve was created in accordance with the Charter.

28. COMMITMENTS AND CONTINGENCIES

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

Provision for losses on letters of credit, guarantees and unused overdraft limits amounted to RUR 21,418 thousand and RUR 13,018 thousand as of 30 September 2007 and 31 December 2006, respectively.

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

As of 30 September 2007 and 31 December 2006, the nominal, or contract amounts and the risk-weighted amounts were:

	30 September 2007		31 December 2006	
	Nominal amount RUR'000	**Risk-weighted amount RUR'000**	**Nominal amount RUR'000**	**Risk-weighted amount RUR'000**
Contingent liabilities and credit commitments				
Guarantees and other similar commitments	2,052,226	833,467	1,293,781	906,351
Letters of credit and other transactions related to contingent liabilities	1,294,357	647,179	300,513	150,257
Credit commitments	5,124,237	802,598	4,767,752	984,279
Total contingent liabilities and credit commitments	**8,654,046**	**2,283,244**	**6,362,046**	**2,040,887**

As of 30 September 2007 and 31 December 2006 RUR 1,197,341 thousand and RUR 384,786 thousand of guarantees issued were covered by customers' funds, respectively.

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non-cancelable operating leases of buildings, equipment and cars are as follows:

	30 September 2007 RUR'000	**31 December 2006 RUR'000**
Not later than one year	220,690	208,681
Later than one year and not later than five years	508,921	286,503
Later than five years	181,804	164,593
Total operating lease commitments	**911,415**	**659,777**

Fiduciary activities – In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client due to gross negligence or willful misconduct by the Group only. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the client's position. In the judgment of management, as of 31 December 2006 the maximum potential financial risk on securities accepted by the Group on behalf of its clients does not exceed RUR 1,558,379 thousand.

The Group also provides depositary services to its customers. As of 30 September 2007 and 31 December 2006, the Group had customer securities totaling 85,335,685 items and 12,821,649 items, respectively, in its nominal holder accounts.

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

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

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

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

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

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

29. SUBSEQUENT EVENTS

In November 2007 the Group sold one of its buildings to a third party for a cash consideration of RUR 363,646 thousand. As of 30 September 2007 the building is stated at cost of RUR 112,821 thousand under non current assets held for sale.

On 27 December 2007 the Board of Directors approved the issue of Rouble denominated bonds totaling RUR 6,000,000 thousand on Russian stock exchange.

In December 2007 the Group acquired 49% of ordinary shares of East West United Bank (Luxembourg) (the EWUB) from a third party thus increasing its share in EWUB to 66%.

30. TRANSACTIONS WITH RELATED PARTIES

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

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives then significant influence over the Group; and that have joint control over the Group;
(b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
(c) Joint ventures in which the Group is a venturer;
(d) Members of key management personnel of the Group or its parent;
(e) Close members of the family of any individuals referred to in (a) or (d);

(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

	30 September 2007 RUR'000		31 December 2006 RUR'000	
	Related party transactions	**Total category as per financial statements**	**Related party transactions**	**Total category as per financial statements**
Financial assets and fair value through profit or loss	**30,640**	**3,916,051**	**32,721**	**2,660,211**
- shareholders	8,011		2,867	
- entities with joint control or significant influence with the Group	22,629		29,854	
Due from banks	**3,989,125**	**11,163,031**	**1,203,327**	**13,064,676**
- entities with joint control or significant influence with the Group	3,989,125		1,203,327	
Loans to customers and other receivables gross of allowance for impairment losses	**5,634,680**	**52,944,729**	**6,844,039**	**36,469,906**
- shareholders	594,137		691,194	
- key management personnel of the Group or its parent company	11,033		24,823	
- entities with joint control or significant influence with the Group	5,029,510		6,128,022	
Allowance for impairment losses on loans to customers and other receivables	**(268,683)**	**(2,268,632)**	**(315,064)**	**(1,876,281)**
- shareholders	(917)		-	
- key management personnel of the Group or its parent company	(409)		(923)	
- entities with joint control or significant influence with the Group	(267,357)		(314,141)	
Investments available-for-sale	**491,634**	**492,024**	**187,498**	**187,887**
- entities with joint control or significant influence with the Group	491,634		187,498	
Due to banks	**376,177**	**10,394,332**	**20,858**	**5,441,639**
- entities with joint control or significant influence with the Group	376,177		20,858	
Customer accounts	**22,961,935**	**40,099,533**	**30,006,497**	**36,762,141**
- shareholders	2,854,608		1,153,856	
- key management personnel of the Group or its parent company	3,724,149		5,432,638	
- entities with joint control or significant influence with the Group	16,383,178		23,420,003	

	30 September 2007 RUR'000		31 December 2006 RUR'000	
	Related party transactions	Total category as per financial statements	Related party transactions	Total category as per financial statements
Subordinated debt	**1,038,754**	**2,511,071**	**-**	**1,587,141**
- shareholders	1,038,754		-	
Liabilities on finance lease transactions	**11,811**	**263,695**	**182,309**	**481,335**
- entities with joint control or significant influence with the Group	**11,811**		182,309	
Other liabilities	**506,716**	**833,094**	**(4,481)**	**161,482**
- shareholders	434		(3,242)	
- key management personnel of the Group or its parent company	5,517		-	
- entities with joint control or significant influence with the Group	500,765		(1,239)	
Guarantees issued and similar commitments	**1,933,782**	**2,052,226**	**696,385**	**1,293,781**
- shareholders	46,227		503,799	
- entities with joint control or significant influence with the Group	1,887,555		192,586	
Commitments on loans and unused credit lines	**211,453**	**5,307,463**	**150,310**	**4,767,752**
- shareholders	18,405		127	
- entities with joint control or significant influence with the Group	193,048		150,183	
Fiduciary activities – trust operations	**-**	**-**	**1,558,379**	**1,558,379**
- entities with joint control or significant influence with the Group	-		1,558,379	

Included in the income statement for the nine months ended 30 September 2007 and 2006 are the following amounts which arose due to transactions with related parties:

	Nine months ended 30 September 2007 RUR'000		Nine months ended 30 September 2006 RUR'000	
	Related party transactions RUR'000	Total category as per financial statements RUR'000	Related party transactions RUR'000	Total category as per financial statements RUR'000
Interest income	**890,198**	**5,697,598**	**554,828**	**3,394,700**
- shareholders	119,010		13,024	
- key management personnel of the Group or its parent company	720		79	
- entities with joint control or significant influence with the Group	770,468		541,725	
Interest expense	**(1,760,699)**	**(3,188,518)**	**(1,019,277)**	**(1,834,580)**
- shareholders	(260,695)		(242,544)	

- key management personnel of the Group or its parent company	(277,318)		(116,904)	
- entities with joint control or significant influence with the Group	(1,222,686)		(659,829)	
Recovery of provision/(provision) for impairment losses	**46,381**	**(392,351)**	**456,193**	**(513,649)**
- shareholders	(917)		(3,136)	
- key management personnel of the Group or its parent company	514		71	
- entities with joint control or significant influence with the Group	46,784		459,258	
Net gain/(loss) on foreign exchange operations	**131,397**	**274,505**	**16,184**	**213,729**
- shareholders	38,105		(44,690)	
- entities with joint control or significant influence with the Group	93,292		60,874	
Fees and commission income	**227,099**	**527,729**	**95,960**	**301,174**
- shareholders	27,308		32,769	
- entities with joint control or significant influence with the Group	199,791		63,191	
Other income	**7,731**	**72,498**	**6,208**	**18,962**
- shareholders	121		2,977	
- entities with joint control or significant influence with the Group	7,610		3,231	
Operating expense (net of staff cost)	**(65,833)**	**(873,076)**	**(52,852)**	**(501,330)**
- shareholders	(14,362)		(9,151)	
- entities with joint control or significant influence with the Group	(51,471)		(43,701)	
Provision/(recovery) for losses on other transactions	**(7,895)**	**(8,400)**	**(336)**	**(829)**
- shareholders	2,946		(336)	
- entities with joint control or significant influence with the Group	(10,841)		-	

	Nine months ended 30 September 2007 RUR'000		Nine months ended 30 September 2006 RUR'000	
	Related party transactions RUR'000	Total category as per financial statements RUR'000	Related party transactions RUR'000	Total category as per financial statements RUR'000
Key management personnel compensation	**(64,005)**	**(1,064,296)**	**(63,048)**	**(583,263)**

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

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

	30 September 2007		31 December 2006	
	Current value RUR '000	Fair value RUR '000	Current value RUR '000	Fair value RUR '000
Cash and balances with the Central bank of the Russian Federation	4,704,637	4,704,637	6,102,927	6,102,927
Financial assets at fair value through profit or loss	3,916,051	3,916,051	2,660,211	2,660,211
Due from banks	11,163,031	11,163,031	13,064,676	13,064,676
Due to banks	10,394,332	10,394,332	5,441,639	5,441,639
Customer accounts	40,099,533	40,099,533	36,762,141	36,762,141
Debt securities issued	13,832,019	13,670,501	9,621,470	9,600,473
Subordinated debt	2,511,071	2,524,485	1,587,141	1,545,109

As of 30 September 2007 and 31 December 2006 loans and advances to customers and other receivables, less allowance for impairment losses of RUR 50,676,097 thousand and RUR 34,593,625 thousand were accounted at amortised cost. It is not practicable within constrains of timeliness and cost to determine the fair value of loans with sufficient reliability.

As of 30 September 2007 and 31 December 2006, equity investments available-for-sale less allowance for impairment losses amounting to RUR 492,024 thousand and RUR 187,887 thousand, respectively, were accounted at cost less allowance for impairment losses. It is not practicable within constraints of timeliness to determine the fair value of the investments available-for-sale with sufficient reliability; therefore, the abovementioned policy was in place.

32. SEGMENT REPORTING

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

Business segments

The Group is organised on the basis of three main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities and corporate leasing;
- Investment banking – representing financial instruments trading, structured financing, and debt securities issue.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding items such as taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Retail banking RUR'000	Corporate banking RUR'000	Investment banking RUR'000	Unallocated RUR'000	Nine months ended 30 September 2007 RUR'000
Interest income	1,548,916	3,167,579	981,103	-	5,697,598
Interest expense	(735,017)	(1,535,808)	(917,693)	-	(3,188,518)
Provision for impairment losses on interest bearing assets	(327,474)	(64,877)	-	-	(392,351)
Net loss on financial assets at fair value through profit or loss	-	-	(205,281)	-	(205,281)
Net gain on foreign exchange operations	-	93,372	181,133	-	274,505
Fee and commission income	191,606	251,251	84,872	-	527,729
Fee and commission expense	-	(58,955)	-	-	(58,955)
Other income	-	70,941	1,557	-	72,498
External operating income	678,031	1,923,503	125,691	-	2,727,225
(Expense)/Income from other segments	(152,552)	12,575	139,977	-	-
Operating income	525,479	1,936,078	265,668	-	2,727,225
Operating expenses	(1,037,423)	(270,342)	(46,907)	(582,700)	(1,937,372)
Operating (loss)/profit	(511,944)	1,665,736	218,761	(582,700)	789,853
Provision for losses on other transactions	-	(8,400)	-	-	(8,400)
(Loss)/profit before income tax	(511,944)	1,657,336	218,761	(582,700)	781,453
Income tax expense	-	-	-	(238,855)	(238,855)
Net (loss)/profit	(511,944)	1,657,336	218,761	(821,555)	542,598
Segment assets	18,692,553	34,999,846	15,752,892	4,794,974	74,240,265
Segment liabilities	12,895,387	27,806,166	26,781,693	824,639	68,307,885
Other segment items					
Depreciation and amortization	(61,191)	(26,012)	(3,738)	(30,440)	(121,381)
Loans to customers and other receivables	18,262,406	32,413,691	-	-	50,676,097
Property, plant, equipment and intangible assets	230,335	647,909	70,160	632,156	1,580,560
Customer accounts	12,813,843	27,285,690	-	-	40,099,533
Capital expenditure	150,137	29,814	9,171	123,406	312,528

	Retail banking RUR'000	Corporate banking RUR'000	Investment banking RUR'000	Unallocated RUR'000	Nine months ended 30 September 2006 for income statement items, 31 December 2006 for balance sheet items RUR'000
Interest income	465,976	2,286,858	641,866	-	3,394,700
Interest expense	(351,163)	(916,060)	(567,357)	-	(1,834,580)
Provision for impairment losses on interest bearing assets	(261,421)	(252,228)	-	-	(513,649)
Net loss on financial assets at fair value through profit or loss	-	-	(17,686)	-	(17,686)
Net gain on foreign exchange operations	-	69,644	144,085	-	213,729
Fee and commission income	93,744	136,141	71,289	-	301,174
Fee and commission expense	-	(43,544)	-	-	(43,544)
Other income	-	18,962	-	-	18,962
External operating income	(52,864)	1,299,773	272,197	-	1,519,106
Income/(expense) from other segments	154,613	(483,908)	329,295	-	-
Operating income	101,749	815,865	601,492	-	1,519,106
Operating expenses	(502,076)	(166,974)	(30,744)	(384,799)	(1,084,593)
Operating (loss)/profit	(400,327)	648,891	570,748	(384,799)	434,513
Provision for losses on other transactions	-	(829)	-	-	(829)
(Loss)/profit before income tax	(400,327)	648,062	570,748	(384,799)	433,684
Income tax expense	-	-	-	(191,836)	(191,836)
Net (loss)/profit	(400,327)	648,062	570,748	(576,635)	241,848
Segment assets	10,634,578	26,845,325	15,751,053	4,874,253	58,105,209
Segment liabilities	10,871,273	26,385,221	16,682,105	140,337	54,078,936
Other segment items					
Depreciation and amortization	(32,808)	(8,710)	(2,784)	(18,846)	(63,148)
Loans to customers and other receivables	9,391,242	25,202,383	-	-	34,593,625
Property, plant, equipment and intangible assets	180,784	472,326	15,343	141,013	809,466
Customer accounts	10,876,839	25,885,302	-	-	36,762,141
Capital expenditures	150,977	38,409	12,813	127,359	329,558

Geographical segments

Segment information for the main geographical segments of the Group is set out below as at 30 September 2007 and 2006 and for the period then ended.

	Russia RUR'000	Other non-OECD countries RUR'000	OECD countries RUR'000	30 September 2007 Total RUR'000
Operating income gross of interest expense	4,932,127	219,286	546,185	5,697,598
Interest expense	(2,508,497)	(295,823)	(384,198)	(3,188,518)
Assets	65,351,360	5,984,429	2,904,476	74,240,265
Liabilities	52,469,182	4,694,538	11,144,164	68,307,885
Credit related commitments	7,546,077	7,587	917,156	8,470,820
Capital expenditure	312,528	-	-	312,528

	Russia RUR'000	Other non-OECD countries RUR'000	OECD countries RUR'000	Nine months ended 30 September 2006 for income statement items, 31 December 2006 for balance sheet items RUR'000
Operating income gross of interest expense	3,091,785	102,432	200,483	3,394,700
Interest expense	(1,179,523)	(271,539)	(383,518)	(1,834,580)
Assets	46,854,581	2,651,018	8,599,610	58,105,209
Liabilities	39,844,474	3,164,204	11,070,258	54,078,936
Credit related commitments	6,266,410	95,636	-	6,362,046
Capital expenditure	329,558	-	-	329,558

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

33. REGULATORY MATTERS

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

The ratio was calculated in accordance with rules established by the Basel Agreement (Basel 1) by applying the following risk estimates:

Estimate	Description of position
0%	Cash and balances with the Central bank of the Russian Federation
0%	State debt securities in RUR
20%	Due from banks for up to 1 year
100%	Loans to customers
100%	Guarantees issued
50%	Obligations and commitments on unused loans with the initial maturity of over to 1 year
100%	Other assets

As of 30 September 2007 the Group's total capital and tier 1 amount for Capital Adequacy purposes were RUR 8,443,451 thousand and RUR 5,857,243 thousand with ratios of 13.52% and 9.38%, respectively.

As of 31 December 2006 the Group's total capital amount and tier 1 capital for Capital Adequacy purposes was RUR 5,613,414 thousand and RUR 3,951,136 thousand with ratios of 13.67% and 9.62%, respectively.

As of 30 September 2007 and 31 December 2006 the Group included in the computation of Total capital for capital adequacy purposes subordinated debts received. In the event of bankruptcy or liquidation of the Group, repayment of these debts is subordinate to the repayments of the Group's liabilities to all other creditors.

34. RISK MANAGEMENT POLICY

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks is as follows.

The Group manages the following main types of risks:

Liquidity risk

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

Cash flow forecasts are the primary tool that the Group uses to monitor liquidity. Cash flow forecasts contain a detailed breakdown by maturity and value of all assets and liabilities based on agreements and commitments entered into by the Group. In order to manage liquidity, Group regularly requests from its major corporate customers a schedule of upcoming changes in their deposit and loan balances. On the retail banking side, the Group carries out a scenario analysis and stress testing to forecast how likely customers request to withdraw funds.

The Group aims to match the terms of loans and deposits whenever possible. Gap analysis is used to monitor liquidity positions on a weekly basis. A maximum gap is set and monitored for a liquidity deficit. Stress testing is also carried out on a monthly basis using statistical analysis on the stability of deposits. For liquidity management purposes, the Group calculates expected liquidity surpluses/shortfalls over various time periods on the basis of cash flow forecasts under an "average expected scenario" assuming there are no significant losses or withdrawals of client deposits over the relevant period and under a "worst-case scenario" assuming losses are incurred as a result of market or credit risk or significant withdrawals of deposits. The "worst-case scenario" is essentially a stress-testing technique which is based on an analysis of the impact of a combination of negative factors.

An analysis of the liquidity and balance sheet interest rate risks as of 30 September 2007 based on contractual maturity is presented below.

	On demand and up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total RUR'000
ASSETS							
Interest bearing assets:							
Financial assets at fair value through profit or loss	3,897,057	-	-	-	-	-	3,897,057
Due from banks	9,131,549	1,871,198	2,495	-	-	-	11,005,242
Loans to customers and other receivables	5,478,235	9,855,126	19,137,271	12,353,037	3,852,428	-	50,676,097
Total interest bearing assets	**18,506,841**	**11,726,324**	**19,139,766**	**12,353,037**	**3,852,428**	**-**	**65,578,396**
Cash and balances with the Central Bank of the Russian Federation	3,030,809	-	-	-	-	1,673,828	4,704,637
Financial assets at fair value through profit or loss	18,994	-	-	-	-	-	18,994
Due from banks	157,789	-	-	-	-	-	157,789
Investments available-for-sale	-	-	-	492,024	-	-	492,024
Property, plant, equipment and intangible assets	-	-	-	-	-	1,580,560	1,580,560
Investment property	-	-	-	-	-	816,159	816,159
Non-current assets held for sale	-	-	-	-	-	112,821	112,821
Other assets	4,808	114,147	397,133	262,788	9	-	778,885
Total Assets	**21,719,241**	**11,840,471**	**19,536,899**	**13,107,849**	**3,852,437**	**4,183,368**	**74,240,265**
LIABILITIES							
Interest bearing liabilities:							
Due to banks	2,798,166	333,432	1,481,698	5,765,445	-	-	10,378,741
Customer accounts	14,480,447	1,954,259	13,335,722	296,968	903,853	-	30,971,249
Debt securities issued	1,963,089	1,322,695	5,794,267	4,487,512	201,827	-	13,769,390
Subordinated debt	-	-	-	-	2,511,071	-	2,511,071
Total interest bearing liabilities	**19,241,702**	**3,610,386**	**20,611,687**	**10,549,925**	**3,616,751**	**-**	**57,630,451**
Due to banks	15,591	-	-	-	-	-	15,591
Customer accounts	9,128,284	-	-	-	-	-	9,128,284
Debt securities issued	320	62,269	40	-	-	-	62,629
Deferred tax liabilities	-	-	28,025	-	-	346,116	374,141
Other liabilities	333,477	705,223	56,842	1,247	-	-	1,096,789
TOTAL LIABILITIES	**28,719,374**	**4,377,878**	**20,696,594**	**10,551,172**	**3,616,751**	**346,116**	**68,307,885**
Liquidity gap	(7,000,133)	7,462,593	(1,159,695)	2,556,677	235,686		
Interest sensitivity gap	(734,861)	8,115,938	(1,471,921)	1,803,112	235,677		
Cumulative interest sensitivity gap	(734,861)	7,381,077	5,909,156	7,712,268	7,947,945		
Cumulative interest sensitivity gap as a percentage of total assets	(1.0%)	9.9%	8.0%	10.4%	10.7%		

An analysis of the liquidity and balance sheet interest rate risks as of 31 December 2006 based on contractual maturity is presented below.

	On demand and up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total RUR'000
ASSETS							
Interest bearing assets:							
Financial assets at fair value through profit or loss	2,631,782	-	-	-	-	-	2,631,782
Due from banks	11,520,806	1,347,675	-	-	-	-	12,868,481
Loans to customers and other receivables	2,310,506	4,987,180	15,299,681	10,278,816	1,717,443	-	34,593,626
Total interest bearing assets	**16,463,094**	**6,334,855**	**15,299,681**	**10,278,816**	**1,717,443**	**-**	**50,093,889**
Cash and balances with the Central Bank of the Russian Federation	4,628,653	-	-	-	-	1,474,274	6,102,927
Financial assets at fair value through profit or loss	28,429	-	-	-	-	-	28,429
Due from banks	196,194	-	-	-	-	-	196,194
Investments available-for-sale	-	-	-	187,887	-	-	187,887
Property, plant, equipment and intangible assets	-	-	-	-	-	809,466	809,466
Other assets	29,685	327,760	-	328,972	-		686,417
TOTAL ASSETS	**21,346,055**	**6,662,615**	**15,299,681**	**10,795,675**	**1,717,443**	**2,283,740**	**58,105,209**
LIABILITIES							
Interest bearing liabilities:							
Due to banks	2,037,534	1,108,135	737,972	1,549,345	-	-	5,432,986
Customer accounts	14,931,554	2,684,896	7,640,323	6,073,414	-	-	31,330,187
Debt securities issued	123,451	373,678	2,136,597	6,987,522	-	-	9,621,248
Subordinated debt	-	-	-	-	1,587,141	-	1,587,141
Total interest bearing liabilities	**17,092,539**	**4,166,709**	**10,514,892**	**14,610,281**	**1,587,141**	**-**	**47,971,562**
Due to banks	3,573	-	-	-	-	-	3,573
Customer accounts	5,431,954	-	-	-	-	-	5,431,954
Debt securities issued	222	-	-	-	-	-	222
Deferred tax liabilities	-	-	-	-	-	23,728	23,728
Other liabilities	87,913	556,105	3,879	-	-	-	647,897
TOTAL LIABILITIES	**22,616,201**	**4,722,814**	**10,518,771**	**14,610,281**	**1,587,141**	**23,728**	**54,078,936**
Liquidity gap	(1,270,146)	1,939,801	4,780,910	(3,814,606)	130,302		
Interest sensitivity gap	(629,445)	2,168,146	4,784,789	(4,331,465)	130,302		
Cumulative interest sensitivity gap	(629,445)	1,538,701	6,323,490	1,992,025	2,122,327		
Cumulative interest sensitivity gap as a percentage of total assets	(1.1%)	2.6%	10.9%	3.4%	3.7%		

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

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments and cash flow.

The Group has exposure to interest rate risk both thought its bonds portfolio and interest-bearing assets and liabilities that are held to maturity. The interest rate gaps are divided by maturity, and are monitored by Group's financial committee on a weekly basis. The Group also carries out a scenario analysis.

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

	30 September 2007			31 December 2006		
	RUR	**USD**	**Other currency**	**RUR**	**USD**	**Other currency**
ASSETS						
Loans from banks	7.01%	6.99%	3.90%	5.76%	5.78%	3.45%
Correspondent accounts with banks	4.54%	3.58%	1.66%	2.80%	3.72%	2.69%
Financial assets at fair value through profit or loss	8.96%	8.05%	-	8.70%	7.41%	-
Loans to customers and other receivables						
- corporate customers	13.92%	12.77%	13.01%	13.66%	13.17%	13.12%
- individuals	18.57%	14.59%	13.37%	18.02%	12.33%	19.26%
LIABILITIES						
Due to banks	10.09%	8.27%	6.64%	7.83%	8.19%	5.15%
Customer accounts – demand deposits:						
- corporate customers	2.70%	4.58%	-	2.43%	4.88%	-
- individuals	1.50%	0.95%	0.10%	2.00%	0.50%	0.50%
Customer accounts – time deposits:						
- corporate customers	8.02%	7.92%	6.50%	5.90%	6.58%	5.88%
- individuals	10.21%	8.65%	6.59%	10.26%	8.82%	7.04%
Debt securities issued	7.47%	7.50%	6.00%	8.32%	9.34%	6.00%
Subordinated debt	11.50%	9.45%	-	-	9.45%	-

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest contain clauses enabling the interest rate to be changed at the option of the lender. The Group management monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

Foreign exchange risk is managed via derivative instruments (foreign currency forward contracts) with domestic and foreign banks.

The Group's exposure to foreign currency exchange rate risk as of 30 September 2007 is presented below:

	RUR	USD USD 1 = RUR 24.9493	Other Currency	Total RUR'000
ASSETS				
Cash and balances with the Central Bank of the Russian Federation	4,423,734	191,283	89,620	4,704,637
Financial assets at fair value through profit or loss	2,918,581	997,470	-	3,916,051
Due from banks	5,918,840	4,876,968	367,223	11,163,031
Loans to customers and other receivables	35,570,740	11,435,084	3,670,273	50,676,097
Investments available-for-sale	337	300,628	191,059	492,024
Property, plant, equipment and intangible assets	1,580,560	-	-	1,580,560
Investment property	816,159	-	-	816,159
Non-current assets held for sale	112,821	-	-	112,821
Other assets	777,707	363	815	778,885
TOTAL ASSETS	**52,119,479**	**17,801,796**	**4,318,990**	**74,240,265**
LIABILITIES				
Due to banks	3,309,018	4,323,929	2,761,385	10,394,332
Customer accounts	31,086,534	8,262,632	750,367	40,099,533
Debt securities issued	7,474,625	6,317,983	39,411	13,832,019
Deferred tax liabilities	374,141	-	-	374,141
Subordinated debt	1,038,754	1,472,317	-	2,511,071
Other liabilities	498,856	572,273	25,660	1,096,789
TOTAL LIABILITIES	**43,781,928**	**20,949,134**	**3,576,823**	**68,307,885**
OPEN BALANCE SHEET POSITION	**8,337,551**	**(3,147,338)**	**742,167**	

Derivative financial instruments

Fair values of derivative financial instruments are included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative contracts as of 30 September 2007:

Derivative financial instruments	RUR	USD USD 1= RUR 24.9493	Other currency	Total RUR'000
Payables under foreign exchange forward contracts	(1,249,210)	-	(859,779)	(2,108,989)
Receivables on foreign exchange forward contracts	-	2,108,989	-	2,108,989
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**(1,249,210)**	**2,108,989**	**(859,779)**	
TOTAL OPEN POSITION	**7,088,341**	**(1,038,349)**	**(117,612)**	

The Group's exposure to foreign currency exchange rate risk as of 31 December 2006 is presented below:

	RUR	USD USD 1 = RUR 26.3311	Other currency	Total RUR'000
ASSETS				
Cash and balances with the Central Bank of the Russian Federation	5,762,660	281,183	59,084	6,102,927
Financial assets at fair value through profit or loss	2,158,295	501,916	-	2,660,211
Due from banks	1,483,320	10,986,986	594,370	13,064,676
Loans to customers and other receivables	20,161,512	11,014,899	3,417,214	34,593,625
Investments available-for-sale	337	-	187,550	187,887
Property, plant, equipment and intangible assets	809,466	-	-	809,466
Other assets	683,476	2,510	431	686,417
TOTAL ASSETS	**31,059,066**	**22,787,494**	**4,258,649**	**58,105,209**
LIABILITIES				
Due to banks	2,722,471	1,256,861	1,457,227	5,436,559
Customer accounts	19,393,608	16,550,059	818,474	36,762,141
Debt securities issued	2,898,772	6,683,616	39,082	9,621,470
Deferred tax liabilities	23,728	-	-	23,728
Subordinated debt	-	1,587,141	-	1,587,141
Other liabilities	540,250	23,208	84,439	647,897
TOTAL LIABILITIES	**25,578,829**	**26,100,885**	**2,399,222**	**54,078,936**
OPEN BALANCE SHEET POSITION	**5,480,237**	**(3,313,391)**	**1,859,427**	

Derivative financial instruments

Fair values of derivative financial instruments are included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative contracts as of 31 December 2006:

Derivative financial instruments	RUR	USD USD 1= RUR 26.3311	Other currency	Total RUR'000
Payables under foreign exchange forward contracts	(1,881,400)	-	(1,168,709)	(3,050,109)
Receivables on foreign exchange forward contracts	-	3,050,109	-	3,050,109
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**(1,881,400)**	**3,050,109**	**(1,168,709)**	
TOTAL OPEN POSITION	**3,598,837**	**(263,282)**	**690,718**	

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group lends to corporate and retail customers. Rouble denominated loans to Russian customers represent a significant portion of Group's loan portfolio. Loans advanced are typically short-term and secured by collateral. The Group has established procedures for approving and monitoring loan quality and for extensions and refinancing of existing loans. These procedures are set out in the credit policy approved by the Group's Management Board and applied to all loans.

Credit Committee performs primary Group's lending and approval process, makes all decisions with respect to any loan made by the Group's headquarters and branches to corporate clients and individuals. The final decisions with respect to transactions exceeding 25% of the Group's total assets and transactions with related parties are made by the Group's Board of Directors. Some transactions between the Group and related parties require the approval of directors or shareholders with no interest in the transaction.

The Group evaluates borrowers on the basis of their credit history, quality of the collateral offered and financial condition. In addition, it may take into account certain business relationships when determining the interest rate of loans to certain related parties.

The Group carries out regular monitoring of its loan portfolio. As well as ensuring that the borrower fulfils its obligations under each loan, the Group regularly reviews all of the available information on the borrower's activities. In particular, the Group obtains and analyses financial reports on a quarterly basis, regularly monitors the value of the underlying collateral for each loan. In relation to its loan portfolio, the Group also monitors the level of non-performing loans and the concentration of loan portfolio per borrower, group of borrowers or industry.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The Group established a department that performs valuation and monitoring of collateral. When evaluating collateral, the Group discounts the market value of the assets to reflect the costs of sale.

Market risk

The Group's Financial Committee approves stop-loss limits, both on securities and foreign currency trading portfolios, securities position limits, foreign currency position limits. The largest limit, set for the RUR/USD exposure is in line with the CBR requirements on foreign currency exposure. Stop-loss limits are reviewed on a monthly basis, and positions are monitored and revalued daily. They are monitored in terms of mark-to-market exposure and for compliance with limits. A Value at Risk calculation is also used. In addition, the Group carries out stress testing procedures.

Geographical concentration

Country risk (risk of global changes in the bank services market and markets of the Group's principal debtors, changes in investment attractiveness of securities) are managed through on-going monitoring.

Geographical concentration analysis of assets and liabilities as of 30 September 2007 is presented below:

	Russia	OECD Countries	Other non-OECD countries	Total RUR'000
ASSETS				
Cash and balances with the Central Bank of the Russian Federation	4,704,637	-	-	4,704,637
Financial assets at fair value through profit or loss	3,916,051	-	-	3,916,051
Due from banks	2,749,644	2,824,258	5,589,129	11,163,031
Loans to customers and other receivables	50,391,939	79,864	204,294	50,676,097
Investments available-for-sale	337	53	491,634	492,024
Property, plant, equipment and intangible assets	1,580,560	-	-	1,580,560
Investment property	816,159	-	-	816,159
Non-current assets held for sale	112,821	-	-	112,821
Other assets	778,584	301	-	778,885
TOTAL ASSETS	**65,050,732**	**2,904,476**	**6,285,057**	**74,240,265**
LIABILITIES				
Due to banks	5,777,480	3,357,333	1,259,519	10,394,332
Customer accounts	36,639,858	24,658	3,435,017	40,099,533
Debt securities issued	7,542,329	6,289,690	-	13,832,019
Deferred tax liabilities	374,141	-	-	374,141
Subordinated debt	1,038,754	1,472,317	-	2,511,071
Other liabilities	1,096,621	168	-	1,096,789
TOTAL LIABILITIES	**52,469,183**	**11,144,166**	**4,694,536**	**68,307,885**
NET POSITION	**12,581,549**	**(8,239,690)**	**1,590,521**	

Geographical concentration analysis of the assets and liabilities as of 31 December 2006 is presented below:

	Russia	OECD countries	Other non-OECD countries	Total RUR'000
ASSETS				
Cash and balances with the Central Bank of the Russian Federation	6,102,927	-	-	6,102,927
Financial assets at fair value through profit or loss	2,660,211	-	-	2,660,211
Due from banks	2,270,181	8,556,956	2,237,539	13,064,676
Loans to customers and other receivables	34,325,349	42,295	225,981	34,593,625
Investments available-for-sale	337	52	187,498	187,887
Property, plant, equipment and intangible assets	809,466	-	-	809,466
Other assets	686,110	307	-	686,417
TOTAL ASSETS	**46,854,581**	**8,599,610**	**2,651,018**	**58,105,209**
LIABILITIES				
Due to banks	2,714,953	2,700,832	20,774	5,436,559
Customer accounts	33,489,738	128,973	3,143,430	36,762,141
Debt securities issued	2,968,327	6,653,143	-	9,621,470
Deferred tax liabilities	23,728	-	-	23,728
Subordinated debt	-	1,587,141	-	1,587,141
Other liabilities	647,728	169	-	647,897
TOTAL LIABILITIES	**39,844,474**	**11,070,258**	**3,164,204**	**54,078,936**
NET POSITION	**7,010,107**	**(2,470,648)**	**(513,186)**	