RUSSIAN AGRICULTURAL BANK GROUP

Consolidated Financial Statements and Auditor's Report

31 December 2006

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of Russian Agricultural Bank Group:

1 We have audited the accompanying consolidated financial statements of Open Joint-Stock Company Russian Agricultural Bank and its subsidiary (the "Group") which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cashflows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
23 April 2007

In thousands of Russian Roubles	Note	31 December 2006	31 December 2005
ASSETS			
Cash and cash equivalents	7	13 315 779	4 792 688
Mandatory cash balances with the Central Bank of the Russian Federation		1 717 423	484 714
Trading securities	8	6 733 224	4 523 052
Repurchase receivable	8	152 573	-
Due from other banks	9	3 164 541	1 435 563
Loans and advances to customers	10	155 865 243	44 159 707
Deferred income tax asset	23	184 758	107 078
Intangible assets	11	170 097	67 643
Premises and equipment	11	2 419 370	1 313 533
Current income tax prepayment		303 052	75 522
Other assets	12	554 567	75 418
TOTAL ASSETS		**184 580 627**	**57 034 918**
LIABILITIES			
Due to other banks	13	37 972 816	6 691 641
Customer accounts	14	34 462 791	14 676 969
Promissory notes issued	15	38 235 757	14 109 477
Other borrowed funds	17	37 700 589	9 841 479
Current income tax liability		3 190	2 224
Other liabilities	18	938 640	516 271
Subordinated debt	16	13 337 088	165 155
TOTAL LIABILITIES		**162 650 871**	**46 003 216**
EQUITY			
Share capital	19	21 620 833	11 519 833
Retained earnings		308 366	(488 568)
Net assets attributable to the Bank's equity holders		**21 929 199**	**11 031 265**
Minority interest		**557**	**437**
TOTAL EQUITY		**21 929 756**	**11 031 702**
TOTAL LIABILITIES AND EQUITY		**184 580 627**	**57 034 918**

Approved for issue and signed on behalf of the Management Board on 23 April 2007.

Открытое акционерное общество «Российский Сельскохозяйственный банк» ОАО «Россельхозбанк» г.р. № 002.003.381 * МОСКВА *

Y.V. Trushin
Chairman of the Management Board

I.E. Galperin
Deputy Chief Accountant

In thousands of Russian Roubles	Note	2006	2005
Interest income	20	14 953 028	4 895 117
Interest expense	20	(6 705 353)	(1 920 424)
Net interest income		**8 247 675**	**2 974 693**
Provision for loan impairment	9, 10	(2 631 382)	(790 120)
Net interest income after provision for loan impairment		**5 616 293**	**2 184 573**
Gains less losses from trading securities		99 299	82 027
Gains less losses from trading in foreign currencies		6 768	17 083
Foreign exchange translation gains less losses/(losses, net of gains)		1 676 908	(12 177)
Losses, net of gains from currency derivatives	28	(1 541 277)	(152)
Fee and commission income	21	613 543	366 528
Fee and commission expense	21	(43 054)	(17 003)
(Provision)/Recovery of provision for other assets	12	(2 826)	59
Income from the Ministry of Agriculture of the Russian Federation for participation in the national project	22	127 118	-
Gain from early retirement of debt		43 415	7 595
Other operating income		60 475	29 120
Administrative and other operating expenses	22	(5 480 576)	(2 511 939)
Profit before tax		**1 176 086**	**145 714**
Income tax expense	23	(322 909)	(55 566)
Profit for the year		**853 177**	**90 148**
Profit attributable to			
Equity holders of the Bank		853 045	90 084
Minority interest		132	64
Profit for the year		**853 177**	**90 148**
Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted	30	**63**	**14**

In thousands of Russian Roubles	Note	Attributable to equity holders of the Bank Share capital	Retained earnings	Total	Minority interest	Total equity
Balance at 31 December 2004		**5 398 833**	**(564 031)**	**4 834 802**	**379**	**4 835 181**
Profit for the year		-	90 084	90 084	64	90 148
Share issue	19	6 121 000	-	6 121 000	-	6 121 000
Dividends declared	24	-	(14 621)	(14 621)	(6)	(14 627)
Balance at 31 December 2005		**11 519 833**	**(488 568)**	**11 031 265**	**437**	**11 031 702**
Profit for the year		-	853 045	853 045	132	853 177
Share issue	19	10 101 000	-	10 101 000	-	10 101 000
Dividends declared	24	-	(56 111)	(56 111)	(12)	(56 123)
Balance at 31 December 2006		**21 620 833**	**308 366**	**21 929 199**	**557**	**21 929 756**

In thousands of Russian Roubles	Note	2006	2005
Cash flows from operating activities			
Interest received		14 710 148	4 845 229
Interest paid		(5 693 979)	(1 522 012)
Income received from trading in trading securities		75 473	76 199
Income received from trading in foreign currencies		6 783	16 664
Losses on currency derivatives		(1 073 007)	4 621
Fees and commissions received		613 543	369 031
Fees and commissions paid		(43 054)	(19 506)
Income received from the Ministry of Agriculture of the Russian Federation	22	127 118	-
Other operating income received		63 012	28 709
Staff costs paid		(3 311 452)	(1 543 843)
Administrative and other operating expenses paid		(1 877 599)	(916 003)
Income tax paid		(622 393)	(151 238)
Cash flows from operating activities before changes in operating assets and liabilities		**2 974 593**	**1 187 851**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(1 232 709)	(248 723)
Net increase in trading securities		(2 387 122)	(1 787 024)
Net (increase)/decrease in due from other banks		(1 836 896)	3 126 297
Net increase in loans and advances to customers		(114 132 212)	(31 376 522)
Net (increase)/decrease in other assets		(263 231)	33 058
Net increase due to other banks		31 528 772	5 545 437
Net increase in customer accounts		19 708 919	2 322 467
Net increase in promissory notes issued		23 740 943	9 890 078
Net increase/(decrease) in other liabilities		49 055	(934)
Net cash used in operating activities		**(41 849 888)**	**(11 308 015)**
Cash flows from investing activities			
Acquisition of premises and equipment	11	(1 232 648)	(1 080 225)
Proceeds from disposal of premises and equipment		3 997	3 902
Dividends received		1 409	153
Acquisition of intangible assets	11	(133 328)	(34 345)
Net cash used in operating activities		**(1 360 570)**	**(1 110 515)**
Cash flows from financing activities			
Issue of ordinary shares	18, 19	9 608 000	6 614 000
Proceeds from other borrowed funds	17	29 001 174	6 898 550
Receipt of subordinated debt		13 398 700	-
Repayment of subordinated debt	16	(165 000)	(6 000)
Dividends paid	24	(56 123)	(14 627)
Net cash from financing activities		**51 786 751**	**13 491 923**
Effect of exchange rate changes on cash and cash equivalents		**(53 202)**	**(27 238)**
Net increase in cash and cash equivalents		**8 523 091**	**1 046 155**
Cash and cash equivalents at the beginning of the year		4 792 688	3 746 533
Cash and cash equivalents at the end of the year	7	**13 315 779**	**4 792 688**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2006 for Open Joint-Stock Company Russian Agricultural Bank (the "Bank") and its subsidiary, Closed Joint-Stock Company Chelyabinsky Commercial Land Bank (together referred to as the "Group"). The Group also consolidates a special purpose entity RSHB Capital S.A., a company incorporated in Luxembourg in 2005 and governed through its foundation documents under the laws of the Netherlands. RSHB Capital S.A. has been established as a special purpose vehicle for the sole purpose of issuing Eurobonds and lending the issue proceeds to the Bank (refer to Notes 16 and 17). Refer to Note 32 for information about the subsidiary and special purpose entity.

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

The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property. The Bank's principal business activity is commercial and retail banking operations in the Russian Federation with emphasis on lending to agricultural enterprises. The main objectives of the Bank are:

- To participate in realisation of the monetary policy of the Russian Federation in the area of agricultural production;
- To develop within the agricultural industry a national system of lending to the domestic agricultural producers; and
- To maintain an effective and uninterrupted performance of the settlement system in the area of agricultural production across the Russian Federation.

The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation ("CBRF") since 13 June 2000. The Bank participates in the state deposit insurance scheme, which was introduced by the Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 100 thousand and repayment of 90% of individual deposits in excess of 100 thousand up to a limit of RR 400 thousand per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

The Bank has 71 (2005: 66) branches within the Russian Federation. The Bank's registered address is: 119034 Russia, Moscow, Gagarinsky lane, 3.

The number of the Group's employees as at 31 December 2006 was 10 986 (31 December 2005: 5 324).

Activities of the Group include deposit taking and commercial lending, foreign exchange dealing, cash operations and securities trading. These activities are conducted principally in Russia.

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

2 Operating Environment of the Group

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

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

3 Summary of Significant Accounting Policies

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

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

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference, if any, between the fair values of the net assets at the dates of exchange and at the date of acquisition is recorded directly in equity.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Loans from government are initially recorded at cost (being the issue proceeds), net of transaction costs, and subsequently measured at amortised cost.

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Securities lent to counterparties are retained in the consolidated financial statements in their original balance sheet category unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in due to other banks or customer accounts.

3 Summary of Significant Accounting Policies (Continued)

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

Investments in agricultural cooperatives. Investments in agricultural cooperatives are made by the Bank as part of its participation in the National Project "Development of the Agro-Industrial Sector". These investments represent term contributions to coperatives and bear fixed annual dividend income on amount of contributions made, which is included in interest income in the consolidated income statement. Investments in agricultural cooperatives are included in loans and advances to customers. Investments in agricultural cooperatives are carried at amortised cost.

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

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

Construction in progress is carried at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less provision for impairment where required. Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

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

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

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

Premises	2.5%;
Equipment	5%-20%.

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

Promissory notes issued. Promissory notes issued by the Group include promissory notes denominated in Russian Roubles, US Dollars and Euro. Promissory notes are stated at amortised cost. If the Group purchases its own Promissory notes issued, they are removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Other borrowed funds. Other borrowed funds represent amounts attracted from Eurobonds issue and bonds denominated in Russian roubles. Issued Eurobonds and bonds denominated in Russian roubles carry a coupon and are redeemable on a specific date. Other borrowed funds are carried at amortised cost.

Subordinated debt. Subordinated debt is measured at amortised cost. Creditors' claims on subordinated debt will be considered only after all claims of other creditors of the Group are satisfied.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts (forwards and swaps) are carried at their fair value. Non-derivative transactions are aggregated and treated as a derivative when the transaction result, in substance, is a derivative.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Agency fees are recognised as earned based on the applicable service contracts. Income received from the Ministry of Agriculture and expenses incurred related to the Bank's participation in the national project "Development of Agro-Industrial Sector" are recognised by reference to the stage of completion of the services.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported on the consolidated balance sheet. The extent of such balances and transactions is indicated in Note 27. For the purposes of disclosure, fiduciary activities do not encompass safe custody functions. Commissions received from fiduciary activities are shown in fee and commission income.

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

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

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

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group makes payments to a non-state pension fund in respect of certain groups of employees (a defined contribution plan). These payments are included in the staff costs in the consolidated income statement.

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

3 Summary of Significant Accounting Policies (Continued)

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

The effect of reclassifications on the consolidated balance sheet is as follows:

In thousands of Russian Roubles	**2005**
Increase in	
Current income tax prepayment	75 522
Promissory notes issued	14 109 477
Other borrowed funds	2 693 535
Current income tax liability	2 224
Decrease in	
Other assets	75 522
Debt securities in issue	16 803 012
Other liabilities	2 224

The effect of reclassifications on the consolidated income statement is as follows:

In thousands of Russian Roubles	**2005**
Increase in	
Interest income	16 236
Gains less losses on trading in foreign currencies	152
Gain from early retirement of debt	7 595
Decrease in	
Losses, net of gains from currency derivatives	152
Other operating income	23 831

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

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the financial position of borrowers (assessed based on internal rating system), or an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed probability of default within pools of the total loans and advances to customers differs by +/- one percent, the provision would be approximately RR 35 056 thousand higher or RR 2 248 thousand lower. To the extent that the assessed loss identification period for 3% of not impaired loans differs by +/- 1 month, the provision would be approximately RR 71 837 thousand higher or RR 70 999 thousand lower.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 27.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques (for example, models). To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values.

In the absence of direct and clear evidence on difference between contractual prices on derivatives and observable market prices for similar instruments on the most favourable open market accessible for the Group the fair value of derivatives at the date of initial recognition is considered to be the amount of net investment (or nil in case of no initial net investment). For currency swaps in which the Group agreed to pay roubles and receive dollars (Note 28), this is achieved by shifting rouble yield curve used to discount future cashflows in order to reflect the Group's credit risk. This credit spread is subsequently adjusted only if there are observable market data about the Group's credit spread for similar contracts. To the extent that the shift of rouble yield curve used to discount future cashflows in order to reflect the Group's credit risk is averaged for deals in one currency and within one period, the fair value of currency swaps would be approximately RR 2 125 thousand higher.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Related party transactions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property (See Note 1). Currently the Government of the Russian Federation does not provide to the general public or entities under its ownership/control a complete list of the entities which are owned or controlled directly or indirectly by the State. Judgement is applied by the Management in identification of related parties to be disclosed in the consolidated financial statements. Refer to Note 31.

5 Adoption of New or Revised Standards and Interpretations

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

IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires that determining whether an arrangement is, or contains, a lease be based on the substance of the arrangement. It requires an assessment of whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. The Group reassessed its arrangements and concluded that no adjustments are required as a result of adoption of IFRIC 4.

IAS 39 (Amendment) – The Fair Value Option (effective from 1 January 2006). IAS 39 (as revised in 2003) permitted entities to designate irrevocably on initial recognition practically any financial instrument as one to be measured at fair value with gains and losses recognised in profit or loss ('fair value through profit or loss'). The amendment changes the definition of financial instruments 'at fair value through profit or loss' and restricts the ability to designate financial instruments as part of this category. The Group amended its policies and management now designates financial instruments as part of this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Bank's Management Board.

The Group applies the amendment retrospectively in accordance with the transitional provisions of the Fair Value Option amendment to IAS 39. The amendment did not have an impact on these financial statements.

IAS 39 (Amendment) - Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect consolidated profit or loss. The Group does not apply hedge accounting and therefore the amendment did not have an impact on these financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

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

IAS 21 (Amendment) - Net Investment in a Foreign Operation (effective from 1 January 2006). This amendment requires foreign exchange gains and losses on monetary items that form part of net investment in a foreign operation (e.g. quasi-equity intercompany loans) to be reported in consolidated equity even if the loans are not in the functional currency of either the lender or the borrower. Previously, such exchange differences were required to be recognised in consolidated profit or loss. It also extended the definition of ‘net investment in a foreign operation’ to include loans between sister companies. This amendment did not have a significant impact on these financial statements.

IAS 19 (Amendment) - Employee Benefits (effective from 1 January 2006). The amendment introduced an additional option to recognise actuarial gains and losses arising in post-employment defined benefit plans in full directly in retained earnings in equity. It also requires new disclosures about defined benefit plans and clarifies accounting for a contractual agreement between a multi-employer plan and participating employers. This amendment did not have a significant impact on these financial statements.

Effect of Adoption of New or Revised Standards. The effect of adoption of the above new or revised standards and interpretations on the Group’s financial position at 31 December 2006 and 31 December 2005 and on the results of its operations for the years then ended was not significant.

6 New Accounting Pronouncements

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

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

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). This Standard applies to entities the debt instrument of which are traded in the open market, and entities which provide, or plan to provide, their financial statements to supervisory bodies in connection with placement of certain instruments in the open market. IFRS 8 requires to disclose financial and narrative information in respect of operating segments and clarifies how to disclose it in the financial statements. Currently, the management evaluates the effect of this Standard on disclosing information on segments in the Group’s consolidated financial statements.

6 New Accounting Pronouncements (Continued)

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

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

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

7 Cash and Cash Equivalents

In thousands of Russian Roubles	**2006**	**2005**
Cash on hand	1 249 651	639 297
Cash balances with the CBRF (other than mandatory reserve deposits)	11 663 404	2 689 306
Correspondent accounts and overnight placements with other banks		
- the Russian Federation	341 529	11 534
- The United States of America	43 705	1 433 531
- Other countries	15 301	12 400
- Settlement accounts with MICEX and RTS	2 189	6 620
Total cash and cash equivalents	**13 315 779**	**4 792 688**

Geographical, currency and interest rate analyses of cash and cash equivalents are disclosed in Note 26. The information on related party balances is disclosed in Note 31.

8 Trading Securities and Repurchase Receivable

In thousands of Russian Roubles	2006	2005
Promissory notes	2 447 538	1 831 885
Corporate bonds	1 670 004	796 704
Federal loan bonds (OFZ bonds)	1 069 928	828 851
Municipal bonds	765 238	493 251
Corporate Eurobonds	692 358	562 646
Corporate shares	88 158	9 715
Total trading securities	**6 733 224**	**4 523 052**
Repurchase receivable	**152 573**	**-**

As at 31 December 2006 promissory notes in the Group's portfolio are represented by promissory notes issued by Russian banks. These promissory notes have maturities from January to December 2007 (2005: from demand to October 2006). As at 31 December 2006 yield to maturity ranges from 8.7% p.a. to 17.3% p.a. (2005: from 8.5% p.a. to 20.0% p.a.).

Corporate bonds are securities denominated in Russian Roubles issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. These bonds have maturity dates from January 2007 to February 2016 (2005: from April 2006 to June 2010), coupon rate from 7.1% to 10.7% (2005: from 7.2% to 14.2%) and yield to maturity from 6.6% to 11.1% (2005: from 6.6% to 14.0%), depending on the type of the bond issue, the issuer and the market conditions.

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from July 2010 to August 2018 (2005: from July 2010 to August 2018), coupon rate from 8.5% to 10% p.a. (2005: 10% p.a.) and yield to maturity from 6.8% p.a. to 7.6% p.a. as at 31 December 2006 (2005: from 7.5% to 7.6% p.a.), depending on the type of the bond issue and the market conditions

Municipal bonds are represented by bonds issued by Russian municipal authorities. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. These bonds have maturity dates from November 2007 to June 2015 (2005: from July 2006 to November 2013), coupon rate from 6.8% to 13.3% p.a. (2005: from 6.8% to 14.0% p.a.) and yield to maturity from 6.0% to 9.0% as at 31 December 2006 (2005: from 6.0% to 13.5% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Corporate Eurobonds are interest bearing securities denominated in USD, issued by major Russian companies, and are freely tradable internationally. These bonds have maturity dates from June 2007 to October 2016 (2005: from October 2006 to September 2015), coupon rate from 7.5% to 9.8% p.a. (2005: from 6.2% to 10.9% p.a.) and yield to maturity from 5.4% to 9.6% p.a. as at 31 December 2006 (2005: from 6.0% to 8.2% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Corporate shares are shares of Russian companies.

Trading securities are tradable on Russian Stock Exchanges (RTS or MICEX), internationally or in an over-the-counter market depending on the type of security. The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

Repurchase receivable represents corporate bonds sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. At 31 December 2006 the aggregate estimated fair value of repurchase receivable was RR 152 573 thousand (2005: none). Refer to Note 27.

Geographical, currency and interest rate analyses of trading securities and repurchase receivable are disclosed in Note 26. The information on trading securities issued by related parties is disclosed in Note 31.

9 Due from Other Banks

In thousands of Russian Roubles	2006	2005
Current term placements with other banks	2 964 740	1 435 563
Reverse sale and repurchase agreements	199 801	-
Total due from other banks	**3 164 541**	**1 435 563**

Movements in the provision for impairment of due from other banks are as follows:

In thousands of Russian Roubles	2006	2005
Provision for impairment of due from other banks at 1 January	**-**	**58 080**
Recovery of provision for impairment of due from other banks during the year	-	(58 080)
Provision for impairment of due from other banks as at 31 December	**-**	**-**

As at 31 December 2006 the estimated fair value of due from other banks was RR 3 164 541 thousand (2005: RR 1 435 563 thousand). Refer to Note 29.

As at 31 December 2006 the Group has placements with two Russian banks with aggregated balances of RR 1 853 779 thousand, or 58% of total due from other banks (2005: two banks with aggregated amount of RR 1 277 091 thousand, or 89% of total due from other banks), which mature from January to April 2007.

Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 26. The information on related party balances is disclosed in Note 31.

10 Loans and Advances to Customers

In thousands of Russian Roubles	2006	2005
Current loans	157 524 986	44 975 413
Overdue loans	1 203 452	632 289
Reverse sale and repurchase agreements	797 386	-
Investments in agricultural cooperatives	396 935	-
Total loans and advances to customers (before impairment)	**159 922 759**	**45 607 702**
Less: Provision for loan impairment	(4 057 516)	(1 447 995)
Total loans and advances to customers	**155 865 243**	**44 159 707**

Overdue loans represent the amount of overdue loan payments and do not include the entire outstanding balance of the loans with overdue payments.

Investments in agricultural cooperatives represent contributions made by the Bank as part of its participation in the National Project "Development of the Agro-Industrial Sector". According to the contracts with cooperatives the Bank receives fixed annual dividends at the rate of 6% of contributions made. According to the Bank’s approved program, it makes cooperative member contributions for the period of 5 to 8 years, at the end of which the Bank will withdraw its contributions.

10 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment are as follows:

In thousands of Russian Roubles	2006	2005
Provision for loan impairment at 1 January	**1 447 995**	**609 266**
Provision for loan impairment during the year	2 631 382	848 200
Loans and advances to customers written off during the year as uncollectible	(21 861)	(9 471)
Provision for loan impairment at 31 December	**4 057 516**	**1 447 995**

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

	2006		2005	
In thousands of Russian Roubles	Amount	%	Amount	%
Agriculture	96 584 691	60	27 520 074	60
Individuals	21 293 941	13	797 951	2
Industry	20 011 369	13	7 661 241	17
Trading	14 270 484	9	7 824 212	17
Construction	3 439 537	2	420 099	1
Other	4 322 737	3	1 384 125	3
Total loans and advances to customers (before impairment)	**159 922 759**	**100**	**45 607 702**	**100**

As at 31 December 2006 the Group had loans in the aggregate amount of RR 4 490 331 thousand (2005: RR 2 465 226 thousand) issued at 6.5% p.a. to an entity which is 100% owned by the Federal Government of the Russian Federation.

The Bank provides loans to its borrowers at prevailing market rates. As at 31 December 2006 included in gross amount of loans are loans in the amount of RR 101 532 425 thousand (2005: RR 19 495 644 thousand), for which the borrowers receive subsidies from Federal and regional budgets. Subsidies are paid directly to the borrowers at two thirds of the CBRF refinancing rate.

As at 31 December 2006, the aggregate amount of loans to individuals included loans in the amount of RR 16 945 011 thousand issued to individuals - sole farmers (2005: RR 396 064 thousand).

As at 31 December 2006 the estimated fair value of loans and advances to customers was RR 155 865 243 thousand (2005: RR 44 159 707 thousand). Refer to Note 29.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 26. The information on related party balances is disclosed in Note 31.

11 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	Note	Premises	Office and computer equip-ment	Land	Total premises and equip-ment	Intangible assets	Total
Cost at 1 January 2005		103 271	307 022	-	410 293	121 453	531 746
Accumulated depreciation		(6 850)	(96 415)	-	(103 265)	(61 937)	(165 202)
Carrying amount at 1 January 2005		**96 421**	**210 607**	-	**307 028**	**59 516**	**366 544**
Additions		899 663	180 562	-	1 080 225	34 345	1 114 570
Disposals		(1 637)	(7 532)	-	(9 169)	-	(9 169)
Depreciation charge	22	(6 394)	(58 157)	-	(64 551)	(26 218)	(90 769)
Carrying amount at 31 December 2005		**988 053**	**325 480**	-	**1 313 533**	**67 643**	**1 381 176**
Cost at 31 December 2005		1 001 210	474 034	-	1 475 244	155 798	1 631 042
Accumulated depreciation		(13 157)	(148 554)	-	(161 711)	(88 155)	(249 866)
Carrying amount at 31 December 2005		**988 053**	**325 480**	**-**	**1 313 533**	**67 643**	**1 381 176**
Additions		622 828	609 119	701	1 232 648	133 328	1 365 976
Disposals		(1 459)	(4 141)	-	(5 600)	-	(5 600)
Depreciation charge	22	(20 870)	(100 341)	-	(121 211)	(30 874)	(152 085)
Carrying amount at 31 December 2006		**1 588 552**	**830 117**	**701**	**2 419 370**	**170 097**	**2 589 467**
Cost at 31 December 2006		1 622 423	1 068 849	701	2 691 973	287 177	2 979 150
Accumulated depreciation		(33 871)	(238 732)	-	(272 603)	(117 080)	(389 683)
Carrying amount at 31 December 2006		**1 588 552**	**830 117**	**701**	**2 419 370**	**170 097**	**2 589 467**

Intangible assets mainly include capitalised acquired computer software.

12 Other Assets

In thousands of Russian Roubles	Note	2006	2005
Trade debtors and other prepayments		275 465	46 587
Fair value of currency derivatives	28	170 404	2 673
Settlements on funds transfer operations		79 034	2 211
Rent prepayment		24 667	22 057
Prepaid taxes		1 063	1 818
Other		12 047	5 944
Less: Provision for impairment of other assets		(8 113)	(5 872)
Total other assets		**554 567**	**75 418**

Movements in the provision for impairment of other assets are as follows:

In thousands of Russian Roubles	2006	2005
Provision for impairment of other assets at 1 January	**5 872**	**5 931**
Provision for/(recovery of) impairment of other assets during the year	2 826	(59)
Other assets written off during the period as uncollectible	(585)	-
Provision for impairment of other assets at 31 December	**8 113**	**5 872**

Geographical, currency and maturity analyses of other assets are disclosed in Note 26. The information on related party balances is disclosed in Note 31.

13 Due to Other Banks

In thousands of Russian Roubles	2006	2005
Term borrowings from other banks	35 207 712	4 534 362
Syndicated loans	2 615 630	2 127 010
Correspondent accounts and overnight placements of other banks	17 453	30 269
Sale and repurchase transactions with securities	132 021	-
Total due to other banks	**37 972 816**	**6 691 641**

At 31 December 2006, syndicated loans include a loan in Euros attracted from ten OECD banks. The loan has maturity in October 2009, nominal interest rate of 4.653% (2005: a loan in Russian Roubles attracted from six Russian banks with maturity in July 2006 and nominal interest rate of 8.5% p.a. The loan was repaid in July 2006) and effective interest rate of 4.978% p.a. (2005: 10% p.a.).

As at 31 December 2006 the Group had balances due to three foreign banks with aggregated amount of RR 27 409 134 thousand, or 72% of total due to other banks (2005: due to two banks with aggregated amount of RR 2 455 231 thousand, or 37% of total due to other banks).

13 Due to Other Banks (Continued)

As at 31 December 2006 the estimated fair value of due to other banks was RR 37 972 816 thousand (2006: RR 6 691 641 thousand). Refer to Note 29.

Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 26. The information on related party balances is disclosed in Note 31.

14 Customer Accounts

In thousands of Russian Roubles	2006	2005
State and public organisations		
- Current/settlement accounts	1 208 315	1 033 234
- Term deposits	156 825	140 322
Other legal entities		
- Current/settlement accounts	10 675 414	3 450 795
- Term deposits	11 914 634	4 731 320
- Sale and repurchase transactions with securities	38 907	-
Individuals		
- Current/demand accounts	2 069 174	657 224
- Term deposits	8 399 522	4 664 074
Total customer accounts	**34 462 791**	**14 676 969**

Economic sector concentrations within customer accounts are as follows:

	2006		**2005**	
In thousands of Russian Roubles	Amount	%	Amount	%
Individuals	10 468 696	30	5 321 298	36
Insurance	6 028 030	18	2 821 221	19
Industry	4 612 042	13	437 511	3
Agriculture	4 317 408	13	1 443 796	10
Leasing	2 996 332	9	60 379	1
Trading	1 544 364	5	752 726	5
Construction	1 524 980	4	508 557	3
State and public organisations	1 365 140	4	1 173 556	8
Finance and pension security	396 298	1	1 141 010	8
Real estate	116 443	0	556 357	4
Other	1 093 058	3	460 558	3
Total customer accounts	**34 462 791**	**100**	**14 676 969**	**100**

As at 31 December 2006, the Group had three customers with balances above RR 2 200 000 thousand (2005: two customers with balances above RR 1 100 000 thousand). The aggregate balance of these customers was RR 8 259 047 thousand, or 24% of total customer accounts (2005: RR 2 548 884 thousand, or 17% of total customer accounts).

As at 31 December 2006, the estimated fair value of customer accounts was RR 34 462 791 thousand (2005: RR 14 676 969 thousand). Refer to Note 29.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 26. The information on related party balances is disclosed in Note 31.

15 Promissory Notes Issued

In thousands of Russian Roubles	2006	2005
Promissory notes issued	38 235 757	14 109 477
Total promissory notes issued	**38 235 757**	**14 109 477**

The Group issued promissory notes at a discount to nominal value and interest bearing promissory notes denominated in Russian Roubles, US dollars and Euros with effective interest rate from 0% p.a. (for promissory notes on demand) to 9% p.a. and maturity dates from January 2007 to November 2011 (2005: Russian Roubles and US dollars with effective interest rate from 0% p.a. (for promissory notes on demand) to 11% p.a. and maturity dates from January 2006 to November 2011).

As at 31 December 2006 promissory notes issued, which were initially purchased by four banks, amounted RR 36 020 979 thousand or 94% of total promissory notes issued by the Group (2005: two banks purchased promissory notes of RR 13 142 437 thousand or 93%).

As at 31 December 2006 the estimated fair value of Promissory notes issued was RR 38 235 757 thousand (2005: RR 14 109 477 thousand). Refer to Note 29.

Geographical, currency, maturity and interest rate analyses of Promissory notes issued are disclosed in Note 26.

16 Subordinated Debt

As at 31 December 2006, subordinated debt represents USD 500 000 thousand Eurobonds issued by the Group in September 2006 through its special purpose entity, RHSB Capital S.A. The Eurobonds mature in September 2016 and have semi-annual interest payments at 6.97% p.a. and yield to the next repricing date in September 2011 of 6.16% p.a.

As at 31 December 2005, subordinated debt represents funds obtained by the Group in 2001 from Agency for Restructuring of Credit Organisations (“ARCO”, Russian government financial institution) for the purpose of financing the main activity of the Group. Due to ARCO liquidation in December 2004, its rights and obligation were assigned to Government corporation “Agency for Deposit Insurance”. Interest rates on these funds amount to 3.25% p.a., maturity period is from April to June 2006. The Group repaid the debt in June 2006.

As at 31 December 2006, the fair value of subordinated debt was RR 13 845 781 thousand (2005: RR 165 155 thousand). Refer to Note 29.

Geographical, currency, maturity and interest rate analyses of subordinated debt are disclosed in Note 26. The information on related party balances is disclosed in Note 31.

17 Other Borrowed Funds

In thousands of Russian Roubles	2006	2005
Eurobonds issued	27 682 740	7 147 944
Domestic bonds issued	10 017 849	2 693 535
Total other borrowed funds	**37 700 589**	**9 841 479**

As at 31 December 2006, the Group had borrowings of RR 27 682 740 thousand (2005: RR 7 147 944 thousand) in US Dollars denominated Eurobonds issued through its special purpose entity, RHSB Capital S.A.

Eurobonds with nominal value of USD 350 000 thousand (2005: USD 250 000 thousand) have maturity on 29 November 2010 and semi-annual payment of coupon income. As at 31 December 2006, coupon income was 6.875% p.a. and yield to maturity 6.0% p.a. (2005: 6.9% p.a.).

Eurobonds with nominal value of USD 700 000 thousand (2005: nil) have maturity on 16 May 2013 and semi-annual payment of coupon income. As at 31 December 2006, coupon income was 7.175% p.a. and yield to maturity 6.09% p.a.

In December 2004, the Group placed own bonds denominated in Russian Roubles in the amount of RR 3 000 000 thousand maturing in June 2008 with the quarterly payment of coupon income. As at 31 December 2006, coupon rate is 7.2% p.a. (as at 31 December 2005: 7.5% p.a.) and yield to maturity is 7.01% p.a. (2005: 7.53% p.a.).

In February 2006, the Group placed own bonds denominated in Russian Roubles in the amount of RR 7 000 000 thousand maturing in February 2011 with the quarterly payment of coupon income. As at 31 December 2006, coupon rate is 7.85% p.a. and yield to maturity is 7.31% p.a.

As at 31 December 2006, the estimated fair value of other borrowed funds was RR 39 392 756 thousand (2005: RR 9 841 479 thousand). Refer to Note 29.

Geographical, currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 26.

18 Other Liabilities

In thousands of Russian Roubles	Note	2006	2005
Fair value of currency derivatives	28	641 254	7 400
Accrued staff expenses		207 175	4 373
Taxation payable		57 511	9 361
Provision for losses on credit related commitments		-	801
Contributions to share capital not yet registered		-	493 000
Other		32 700	1 336
Total other liabilities		**938 640**	**516 271**

Geographical, currency and interest rate analyses of other liabilities are disclosed in Note 26.

19 Share Capital

Statutory capital authorised, issued and fully paid comprises:

In thousands of Russian Roubles	Number of outstanding shares	Nominal value	Inflation adjusted amount
At 1 January 2005	**4 649**	**4 649 000**	**5 398 833**
New ordinary shares issued	6 121	6 121 000	6 121 000
At 31 December 2005	**10 770**	**10 770 000**	**11 519 833**
New ordinary shares issued	10 101	10 101 000	10 101 000
At 31 December 2006	**20 871**	**20 871 000**	**21 620 833**

The Group's authorised share capital comprises 20 871 issued and registered ordinary shares. All ordinary shares have a nominal value of RR 1 000 thousand per share and rank equally. Each share carries one vote.

In 2006, the Bank increased its share capital by issuing 10 101 ordinary shares with the total nominal amount of RR 10 101 000 thousand. All shares were purchased by the Bank's only shareholder - the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

20 Interest Income and Expense

In thousands of Russian Roubles	2006	2005
Interest income		
Loans and advances to customers	14 191 712	4 547 520
Trading securities	443 773	268 012
Due from other banks	271 412	79 014
Correspondent accounts with other banks	35 910	571
Repurchase receivable	10 221	-
Total interest income	**14 953 028**	**4 895 117**
Interest expense		
Promissory notes issued	(1 780 380)	(817 104)
Other borrowed funds and subordinated debt	(2 448 040)	(315 334)
Term deposits of other banks	(1 364 332)	(184 371)
Term deposits of individuals	(581 312)	(372 903)
Term deposits of legal entities	(520 919)	(203 414)
Current/settlement accounts	(10 368)	(27 298)
Other	(2)	-
Total interest expense	**(6 705 353)**	**(1 920 424)**
Net interest income	**8 247 675**	**2 974 693**

21 Fee and Commission Income and Expense

In thousands of Russian Roubles	2006	2005
Fee and commission income		
Commission on cash transactions	373 837	215 225
Commission on settlement transactions	172 823	105 363
Agency fees for debt collection and currency control	64 013	23 183
Commission on cash collection	2 347	2 065
Commission on transactions with securities	42	2 115
Other	481	18 577
Total fee and commission income	**613 543**	**366 528**
Fee and commission expense		
Commission on cash collection	(26 795)	(13 397)
Commission on settlement transactions	(15 651)	(2 700)
Commission on cash transactions	(101)	(18)
Other	(507)	(888)
Total fee and commission expense	**(43 054)**	**(17 003)**
Net fee and commission income	**570 489**	**349 525**

22 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2006	2005
Staff costs		3 556 721	1 568 955
Lease expenses		375 266	251 513
Other costs of premises and equipment		348 944	163 775
Taxes other than on income		215 983	92 290
Supplies and other materials consumed		150 544	27 201
Security		144 595	91 909
Depreciation of premises and equipment	11	121 211	64 551
Expenses relating to participation in the national project		94 937	-
Advertising and marketing		70 647	22 138
Utilities		55 196	27 115
Amortization of intangible assets		30 874	26 218
Stationery		29 974	14 569
Other		285 684	161 705
Total administrative and other operating expenses		**5 480 576**	**2 511 939**

Expenses relating to participation in the national project represent expenses incurred by the Group relating to information and marketing support of the national project “Development of Agro-Industrial Sector” and mainly include advertising and marketing. The Group received income in the amount of RR 127 118 thousand from the Ministry of Agriculture of the Russian Federation under the state contract concluded with the Ministry of Agriculture included in the consolidated income statement in connection with the above project.

Included in staff costs are statutory social security and pension contributions of RR 523 394 thousand (2005: RR 237 166 thousand), and also contributions to a non-state pension fund in the amount of RR 35 909 thousand (2005: RR 16 182 thousand).

23 Income Taxes

Income tax expense comprises the following:

In thousands of Russian Roubles	2006	2005
Current tax	400 589	106 465
Deferred tax	(77 680)	(50 899)
Income tax expense for the year	**322 909**	**55 566**

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

In thousands of Russian Roubles	2006	2005
IFRS profit before taxation	**1 176 086**	**145 714**
Theoretical tax charge at statutory rate (2006: 24%; 2005: 24%)	282 261	34 971
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempt from taxation	409	(3 581)
- Non deductible staff costs	22 211	7 759
- Non deductible charity costs	9 005	3 586
- Other non deductible expenses	21 791	24 210
- Income on government securities taxed at different rates	(12 768)	(11 379)
Income tax expense for the year	**322 909**	**55 566**

The Group has not recorded a deferred tax liability in respect of temporary differences of RR 7 272 thousand (2005: RR 1 811 thousand) associated with investments in the subsidiary as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

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

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

23 Income Taxes (Continued)

In thousands of Russian Roubles	2005	Recognised in consolidated income statement	2006
Tax effect of deductible/(taxable) temporary differences			
Provision for loan impairment	97 996	245 883	343 879
Fair valuation of securities	(6 053)	11 908	5 855
Accruals on loans	17 838	41 031	58 869
Accrued staff costs	512	48 031	48 543
Premises and equipment	(49 934)	(28 713)	(78 647)
Accruals on due to other banks	(2 907)	(26 513)	(29 420)
Promissory notes issued	74 210	(83 680)	(9 470)
Accruals on other borrowed funds	(22 027)	(54 055)	(76 082)
Fair valuation of derivative financial instruments	-	(83 643)	(83 643)
Intangible assets	(23)	(8 938)	(8 961)
Other	(2 534)	16 369	13 835
Deferred income tax asset	**107 078**	**77 680**	**184 758**

In thousands of Russian Roubles	2004	Recognised in consolidated income statement	2005
Tax effect of deductible/(taxable) temporary differences			
Loan impairment provision	28 362	69 634	97 996
Fair valuation of securities	5 820	(11 873)	(6 053)
Accruals on loans	5 504	12 334	17 838
Accrued staff costs	-	512	512
Premises and equipment	(17 556)	(32 378)	(49 934)
Accruals on due to other banks	(627)	(2 280)	(2 907)
Accruals on promissory notes issued	39 200	35 010	74 210
Accruals on other borrowed funds	(3 791)	(18 236)	(22 027)
Intangible assets	-	(23)	(23)
Other	(733)	(1 801)	(2 534)
Deferred income tax asset	**56 179**	**50 899**	**107 078**

24 Dividends

In thousands of Russian Roubles	**2006 Ordinary**	**2005 Ordinary**
Dividends payable at 1 January	-	-
Dividends declared during the year	56 111	14 621
Dividends paid during the year	(56 111)	(14 621)
Dividends payable at 31 December	**-**	**-**
Dividends per share declared during the year	**3.7**	**3.1**

All dividends are declared and paid in Russian Roubles.

25 Segment Analysis

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

Business Segments. The Group is organised on the basis of two main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

25 Segment Analysis (Continued)

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

In thousands of Russian Roubles	Corporate banking	Retail banking	Unallocated funds	Total
2006				
External revenues	14 482 853	1 271 311	-	15 754 164
Total revenues	**14 482 853**	**1 271 311**	**-**	**15 754 164**
Total revenues comprise:				
- Interest income	13 693 738	1 259 290	-	14 953 028
- Fee and commission income	601 522	12 021	-	613 543
- Income from the Ministry of Agriculture of the Russian Federation for participation in the national project	127 118	-	-	127 118
- Other operating income	60 475	-	-	60 475
Total revenues	**14 482 853**	**1 271 311**	**-**	**15 754 164**
Total expenses comprise:				
Interest expense	(6 124 041)	(581 312)	-	(6 705 353)
- Fee and commission expense	(43 054)	-	-	(43 054)
- Other administrative and operating expenses	(5 251 523)	(229 053)	-	(5 480 576)
- Provisions	(2 438 485)	(195 723)	-	(2 634 208)
Total expense	**(13 857 103)**	**(1 006 088)**	**-**	**(14 863 191)**
Segment results	**625 750**	**265 223**	**-**	**890 973**
Unallocated net gains	-	-	-	285 113
Income tax expense	-	-	-	(322 909)
Profit for the year	**-**	**-**	**-**	**853 177**
Segment assets	**162 587 474**	**21 504 280**	**-**	**184 091 754**
Current and deferred tax assets	-	-	488 873	488 873
Total assets	**162 587 474**	**21 504 280**	**488 873**	**184 580 627**
Segment liabilities	**152 121 474**	**10 468 696**	**-**	**162 590 170**
Current and deferred tax liabilities	-	-	60 701	60 701
Total liabilities	**152 121 474**	**10 468 696**	**60 701**	**162 650 871**
Other segment items				
Capital expenditure	(1 278 007)	(87 969)	-	(1 365 976)
Provisions	(2 438 485)	(195 723)	-	(2 634 208)
Depreciation and amortisation	(142 291)	(9 794)	-	(152 085)

25 Segment Analysis (Continued)

The Group changed its accounting policy for segment revenues to exclude gains (net of losses) from segment revenues. The change was applied retrospectively from 1 January 2005. Management believes that the revised definition of segment revenue better reflects objectives of reporting segment information. The effect of the change was to reduce 2005 segment revenues in the corporate banking segment by RR 83 538 thousand, in the retail banking segment by RR 10 838 thousand.

Segment information for the main reportable business segments of the Group for the year ended 31 December 2005 is set out below:

In thousands of Russian Roubles	**Corporate banking**	**Retail banking**	**Unallocated funds**	**Total**
External revenues	5 223 690	67 075	-	5 290 765
Total revenues	**5 223 690**	**67 075**	**-**	**5 290 765**
Total revenues comprise:				
- Interest income	4 837 056	58 061		4 895 117
- Fee and commission income	357 514	9 014	-	366 528
- Other operating income	29 120	-	-	29 120
Total revenues	**5 223 690**	**67 075**	**-**	**5 290 765**
Total expenses comprise:				
- Interest expense	(1 547 521)	(372 903)	-	(1 920 424)
- Fee and commission expense	(17 003)	-	-	(17 003)
- Other administrative and operating expenses	(2 221 318)	(290 621)	-	(2 511 939)
- Provisions	(784 676)	(5 385)	-	(790 061)
Total expense	**(4 570 518)**	**(668 909)**	**-**	**(5 239 427)**
Segment results	**653 172**	**(601 834)**	**-**	**51 338**
Unallocated net gains	-	-	-	94 376
Income tax expense	-	-	-	(55 566)
Profit for the year	**-**	**-**	**-**	**90 148**
Segment assets	**56 052 549**	**797 951**	**-**	**56 850 500**
Current and deferred tax assets	-	-	184 418	184 418
Total assets	**56 052 549**	**797 951**	**184 418**	**57 034 918**
Segment liabilities	**40 670 333**	**5 321 298**	**-**	**45 991 631**
Current and deferred tax liabilities	-	-	11 585	11 585
Total liabilities	**40 670 333**	**5 321 298**	**11 585**	**46 003 216**
Other segment items				
Capital expenditure	(985 619)	(128 951)	-	(1 114 570)
Provisions	(784 676)	(5 385)	-	(790 061)
Depreciation and amortisation	(80 267)	(10 502)	-	(90 769)

Geographical segments. The Group operates only in the Russian Federation. Substantially all revenues of the Group were received from contracting parties operating in the Russian Federation.

26 Financial Risk Management

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

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

Most of the Group's exposure to credit risk is concentrated in agricultural industry (refer to Notes 1 and 10). However, the credit risk on agricultural industry is diversified through wide spread of borrowers across Russian regions and through different types of agricultural borrowers.

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

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

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

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

26 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	**Russia**	**OECD***	**Non OECD**	**Total**
Assets				
Cash and cash equivalents	13 256 772	59 007	-	13 315 779
Mandatory cash balances with the Central Bank of the Russian Federation	1 717 423	-	-	1 717 423
Trading securities	6 733 224	-	-	6 733 224
Repurchase receivable	152 573	-	-	152 573
Due from other banks	3 164 541	-	-	3 164 541
Loans and advances to customers	155 865 243	-	-	155 865 243
Deferred income tax asset	184 758	-	-	184 758
Intangible assets	170 097	-	-	170 097
Premises and equipment	2 419 370	-	-	2 419 370
Current income tax prepayment	303 052	-	-	303 052
Other assets	382 476	172 071	20	554 567
Total assets	**184 349 529**	**231 078**	**20**	**184 580 627**
Liabilities				
Due to other banks	2 303 608	33 001 365	2 667 843	37 972 816
Customer accounts	34 402 830	59 961	-	34 462 791
Promissory notes issued	38 235 757	-	-	38 235 757
Other borrowed funds	10 017 849	27 682 740	-	37 700 589
Current income tax liabilities	3 190	-	-	3 190
Other liabilities	300 252	638 388	-	938 640
Subordinated debt	-	13 337 088	-	13 337 088
Total liabilities	**85 263 486**	**74 719 542**	**2 667 843**	**162 650 871**
Net balance sheet position	**99 086 043**	**(74 488 464)**	**(2 667 823)**	**21 929 756**
Credit related commitments	**1 441 169**	**-**	**-**	**1 441 169**

*OECD – Organization for Economic Cooperation and Development.

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

26 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	Russia	OECD*	Non OECD	Total
Assets				
Cash and cash equivalents	3 346 757	1 445 931	-	4 792 688
Mandatory cash balances with the Central Bank of the Russian Federation	484 714	-	-	484 714
Trading securities	4 523 052	-	-	4 523 052
Due from other banks	1 435 563	-	-	1 435 563
Loans and advances to customers	44 159 707	-	-	44 159 707
Deferred income tax asset	107 078	-	-	107 078
Intangible assets	67 643	-	-	67 643
Premises and equipment	1 313 533	-	-	1 313 533
Current income tax prepayment	75 522	-	-	75 522
Other assets	73 062	2 356	-	75 418
Total assets	**55 586 631**	**1 448 287**	**-**	**57 034 918**
Liabilities				
Due to other banks	5 064 560	1 623 270	3 811	6 691 641
Customer accounts	14 676 969	-	-	14 676 969
Promissory notes issued	14 109 477	-	-	14 109 477
Other borrowed funds	2 693 535	7 147 944	-	9 841 479
Current income tax liabilities	2 224	-	-	2 224
Other liabilities	508 871	7 400	-	516 271
Subordinated debt	165 155	-	-	165 155
Total liabilities	**37 220 791**	**8 778 614**	**3 811**	**46 003 216**
Net balance sheet position	**18 365 840**	**(7 330 327)**	**(3 811)**	**11 031 702**
Credit related commitments	**439 341**	**-**	**-**	**439 341**

*OECD – Organization for Economic Cooperation and Development.

26 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	RR	US Dollars	Euro	Other	Non-monetary	Total
Assets						
Cash and cash equivalents	12 766 709	333 734	209 623	5 713	-	13 315 779
Mandatory cash balances with the Central Bank of the Russian Federation	1 717 423	-	-	-	-	1 717 423
Trading securities	5 952 708	692 358	-	-	88 158	6 733 224
Repurchase receivable	152 573	-	-	-	-	152 573
Due from other banks	2 076 441	927 105	160 995	-	-	3 164 541
Loans and advances to customers	152 602 676	1 748 837	1 513 730	-	-	155 865 243
Deferred income tax asset	184 758	-	-	-	-	184 758
Intangible assets	-	-	-	-	170 097	170 097
Premises and equipment	-	-	-	-	2 419 370	2 419 370
Current income tax prepayment	303 052	-	-	-	-	303 052
Other assets	340 369	169 400	44 798	-		554 567
Total assets	**176 096 709**	**3 871 434**	**1 929 146**	**5 713**	**2 677 625**	**184 580 627**
Liabilities						
Due to other banks	23 317 425	11 340 569	3 314 822	-	-	37 972 816
Customer accounts	30 336 254	2 912 975	1 213 562	-	-	34 462 791
Promissory notes issued	37 457 285	611 534	166 938	-	-	38 235 757
Other borrowed funds	10 017 849	27 682 740	-	-	-	37 700 589
Current income tax liabilities	3 190	-	-	-	-	3 190
Other liabilities	938 640	-	-	-	-	938 640
Subordinated debt	-	13 337 088	-	-	-	13 337 088
Total liabilities	**102 070 643**	**55 884 906**	**4 695 322**	**-**	**-**	**162 650 871**
Fair value of currency derivatives	(641 254)	126 782	43 622	-	-	(470 850)
Net balance sheet position, excluding currency derivatives	**74 667 320**	**(52 140 254)**	**(2 809 798)**	**5 713**	**2 677 625**	**22 400 606**
Currency derivatives	**(57 215 881)**	**54 074 290**	**2 670 741**	**-**	**-**	**(470 850)**
Net currency position	**17 451 439**	**1 934 036**	**(139 057)**	**5 713**	**2 677 625**	**21 929 756**

26 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	RR	US Dollars	Euro	Other	Non-monetary	Total
Assets						
Cash and cash equivalents	3 240 242	1 521 661	29 327	1 458	-	4 792 688
Mandatory cash balances with the Central Bank of the Russian Federation	484 714	-	-	-	-	484 714
Trading securities	3 950 691	562 646	-	-	9 715	4 523 052
Due from other banks	1 408 006	-	27 557	-	-	1 435 563
Loans and advances to customers	43 802 653	151 396	205 658	-	-	44 159 707
Deferred income tax asset	107 078	-	-	-	-	107 078
Intangible assets	-	-	-	-	67 643	67 643
Premises and equipment	-	-	-	-	1 313 533	1 313 533
Current income tax prepayment	75 522	-	-	-	-	75 522
Other assets	72 136	3 164	118	-	-	75 418
Total assets	**53 141 042**	**2 238 867**	**262 660**	**1 458**	**1 390 891**	**57 034 918**
Liabilities						
Due to other banks	4 749 274	1 823 736	118 631	-	-	6 691 641
Customer accounts	14 339 274	200 982	136 713	-	-	14 676 969
Promissory notes issued	13 340 860	768 617	-	-	-	14 109 477
Other borrowed funds	2 693 535	7 147 944	-	-	-	9 841 479
Current income tax liabilities	2 224	-	-	-	-	2 224
Other liabilities	515 432	839	-	-	-	516 271
Subordinated debt	165 155	-	-	-	-	165 155
Total liabilities	**35 805 754**	**9 942 118**	**255 344**	**-**	**-**	**46 003 216**
Fair value of currency derivatives	(7 400)	2 673	-	-	-	(4 727)
Net balance sheet position, excluding currency derivatives	**17 342 688**	**(7 705 924)**	**7 316**	**1 458**	**1 390 891**	**11 036 429**
Currency derivatives	**(6 949 245)**	**6 944 518**	**-**	**-**	-	**(4 727)**
Net currency position	**10 393 443**	**(761 406)**	**7 316**	**1 458**	**1 390 891**	**11 031 702**

The currency derivatives position in each column represents the fair value, at the balance sheet date, of the respective currency that the Group decided to buy (positive amount) or sell (negative amount). The amounts by currency are presented gross as stated in Note 28. The net total represents fair value of the derivatives.

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

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

26 Financial Risk Management (Continued)

The table below shows assets and liabilities as at 31 December 2006 by their remaining contractual maturity. Some of the assets and liabilities, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have a longer term duration.

Overdue liabilities, such as term deposits not withdrawn by the Bank's customers, are classified within the "demand and less than 1 month" column. Overdue assets are classified within the "demand and less than 1 month" column. Certain assets that do not have contractual maturity dates are assumed to mature on the expected date on which the assets will be realised. The liquidity position of the Group as at 31 December 2006 is set out below:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Over 5 years/ No stated maturity**	**Total**
Assets						
Cash and cash equivalents	13 315 779	-	-	-	-	13 315 779
Mandatory cash balances with the Central Bank of the Russian Federation	275 018	235 500	437 861	749 402	19 642	1 717 423
Trading securities	6 733 224	-	-	-	-	6 733 224
Repurchase receivable	152 573	-	-	-	-	152 573
Due from other banks	1 980 533	1 023 013	-	160 995	-	3 164 541
Loans and advances to customers	5 761 129	34 444 982	30 638 182	70 488 216	14 532 734	155 865 243
Deferred income tax asset	-	184 758	-	-	-	184 758
Intangible assets	-	-	-		170 097	170 097
Premises and equipment	-	-	-		2 419 370	2 419 370
Current income tax prepayment	-	303 052	-	-	-	303 052
Other assets	175 734	195 575	60 917	116 344	5 997	554 567
Total assets	**28 393 990**	**36 386 880**	**31 136 960**	**71 514 957**	**17 147 840**	**184 580 627**
Liabilities						
Due to other banks	848 145	4 623 610	179 601	30 930 062	1 391 398	37 972 816
Customer accounts	15 102 380	9 138 618	8 894 871	1 326 922	-	34 462 791
Promissory notes issued	3 415 885	2 823 427	21 741 518	10 254 927	-	38 235 757
Other borrowed funds	-	289 715	-	19 098 822	18 312 052	37 700 589
Current income tax liabilities	3 190	-	-	-	-	3 190
Other liabilities	94 985	2 734	198 058	642 525	338	938 640
Subordinated debt	-	252 351	-	-	13 084 737	13 337 088
Total liabilities	**19 464 585**	**17 130 455**	**31 014 048**	**62 253 258**	**32 788 525**	**162 650 871**
Net liquidity surplus/(gap)	**8 929 405**	**19 256 425**	**122 912**	**9 261 699**	**(15 640 685)**	**21 929 756**
Cumulative liquidity surplus at 31 December 2006	**8 929 405**	**28 185 830**	**28 308 742**	**37 570 441**	**21 929 756**	

The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of portfolio's realisability and their view that it is a fairer portrayal of the Bank's liquidity position.

The allocation of the portfolio of trading securities according to the contractual maturities is the following: Demand and less than 1 month – RR 65 463 thousand; From 1 to 6 months – RR 147 020 thousand; From 6 to 12 months – RR 2 418 176 thousand; From 1 to 5 years – RR 2 273 878 thousand; Over 5 years – RR 1 740 529 thousand; No stated maturity – RR 88 158 thousand.

26 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Over 5 years/No stated maturity**	**Total**
Assets						
Cash and cash equivalents	4 792 688	-	-	-	-	4 792 688
Mandatory cash balances with the Central Bank of the Russian Federation	116 566	111 788	225 421	30 939	-	484 714
Trading securities	4 523 052	-	-	-	-	4 523 052
Due from other banks	85 175	486 595	846 343	17 450	-	1 435 563
Loans and advances to customers	2 166 330	13 378 485	17 459 876	10 928 222	226 794	44 159 707
Deferred income tax asset	-	107 078	-	-	-	107 078
Intangible assets	-	-	-	-	67 643	67 643
Premises and equipment	-	-	-	-	1 313 533	1 313 533
Current income tax prepayment	10 143	65 379	-	-	-	75 522
Other assets	24 587	7 541	30 122	8 168	5 000	75 418
Total assets	**11 718 541**	**14 156 866**	**18 561 762**	**10 984 779**	**1 612 970**	**57 034 918**
Liabilities						
Due to other banks	2 880 994	1 540 848	2 203 071	66 728	-	6 691 641
Customer accounts	6 921 316	3 863 760	3 846 266	45 627	-	14 676 969
Promissory notes issued	979 433	4 935 197	8 139 029	55 818	-	14 109 477
Other borrowed funds	-	57 191	-	9 784 288	-	9 841 479
Current income tax liabilities	2 224	-	-	-	-	2 224
Other liabilities	10 492	495 314	8 498	1 967	-	516 271
Subordinated debt	-	165 155	-	-	-	165 155
Total liabilities	**10 794 459**	**11 057 465**	**14 196 864**	**9 954 428**	**-**	**46 003 216**
Net liquidity surplus/(gap)	**924 082**	**3 099 401**	**4 364 898**	**1 030 351**	**1 612 970**	**11 031 702**
Cumulative liquidity surplus at 31 December 2005	**924 082**	**4 023 483**	**8 388 381**	**9 418 732**	**11 031 702**	**-**

The allocation of the portfolio of trading securities according to the contractual maturities is the following: Demand and less than 1 month – RR 51 765 thousand; From 1 to 6 months – RR 1 247 947 thousand; From 6 to 12 months – RR 676 865 thousand; From 1 to 5 years – RR 1 945 681 thousand; Over 5 years – RR 591 079; No stated maturity – RR 9 715 thousand.

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

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

26 Financial Risk Management (Continued)

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

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

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Total**
Assets						
Cash and cash equivalents	13 315 779	-	-	-	-	13 315 779
Mandatory cash balances with the Central Bank of the Russian Federation	275 018	235 500	437 861	769 044	-	1 717 423
Trading securities	65 463	439 573	2 973 852	3 166 178	88 158	6 733 224
Repurchase receivable	-	50 003	-	102 570	-	152 573
Due from other banks	1 980 533	1 023 013	-	160 995	-	3 164 541
Loans and advances to customers	5 757 293	34 795 223	30 612 906	84 699 821	-	155 865 243
Deferred income tax asset	-	184 758	-	-	-	184 758
Intangible assets	-	-	-	-	170 097	170 097
Premises and equipment	-	-	-	-	2 419 370	2 419 370
Current income tax prepayment		303 052	-	-	-	303 052
Other assets	175 734	195 575	60 917	122 341	-	554 567
Total assets	**21 569 820**	**37 226 697**	**34 085 536**	**89 020 949**	**2 677 625**	**184 580 627**
Liabilities						
Due to other banks	873 645	4 835 726	170 277	32 093 168	-	37 972 816
Customer accounts	15 146 008	9 138 618	8 880 328	1 297 837	-	34 462 791
Promissory notes issued	3 415 885	2 823 427	21 741 518	10 254 927	-	38 235 757
Other borrowed funds	-	289 715	-	37 410 874	-	37 700 589
Current income tax liabilities	3 190	-	-	-	-	3 190
Other liabilities	94 985	2 734	198 058	642 863	-	938 640
Subordinated debt	-	252 351	-	13 084 737	-	13 337 088
Total liabilities	**19 533 713**	**17 342 571**	**30 990 181**	**94 784 406**	**-**	**162 650 871**
Net sensitivity gap	**2 036 107**	**19 884 126**	**3 095 355**	**(5 763 457)**	**2 677 625**	**21 929 756**
Cumulative sensitivity gap at 31 December 2006	**2 036 107**	**21 920 233**	**25 015 588**	**19 252 131**	**21 929 756**	

26 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
Assets						
Cash and cash equivalents	4 792 688	-	-	-	-	4 792 688
Mandatory cash balances with the Central Bank of the Russian Federation	116 566	111 788	225 421	30 939	-	484 714
Trading securities	51 765	1 559 782	1 257 788	1 644 002	9 715	4 523 052
Due from other banks	85 175	486 595	846 343	17 450	-	1 435 563
Loans and advances to customers	2 166 330	13 378 485	17 459 876	11 155 016	-	44 159 707
Deferred income tax asset	-	107 078	-	-	-	107 078
Intangible assets	-	-	-	-	67 643	67 643
Premises and equipment	-	-	-	-	1 313 533	1 313 533
Current income tax prepayment	10 143	65 379	-	-	-	75 522
Other assets	24 587	7 541	30 122	13 168	-	75 418
Total assets	**7 247 254**	**15 716 648**	**19 819 550**	**12 860 575**	**1 390 891**	**57 034 918**
Liabilities						
Due to other banks	2 937 343	1 540 848	2 203 071	10 379	-	6 691 641
Customer accounts	6 921 316	3 863 760	3 846 266	45 627	-	14 676 969
Promissory notes issued	979 263	4 935 366	8 139 029	55 819	-	14 109 477
Other borrowed funds	-	57 191	2 680 317	7 103 971	-	9 841 479
Current income tax liabilities	2 224	-	-	-	-	2 224
Other liabilities	10 492	495 314	8 498	1 967	-	516 271
Subordinated debt	-	165 155	-	-	-	165 155
Total liabilities	**10 850 638**	**11 057 634**	**16 877 181**	**7 217 763**	**-**	**46 003 216**
Net sensitivity gap	**(3 603 384)**	**4 659 014**	**2 942 369**	**5 642 812**	**1 390 891**	**11 031 702**
Cumulative sensitivity gap at 31 December 2005	**(3 603 384)**	**1 055 630**	**3 997 999**	**9 640 811**	**11 031 702**	**-**

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

The Bank's Management Board monitors the level of interest risk by analysing mismatch of interest rate repricing for assets and liabilities on a regular basis. In the absence of any available hedging instruments, the Group normally seeks to match its interest rate positions.

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

26 Financial Risk Management (Continued)

	2006				2005			
In % p.a.	RR	USD	Euro	Other	RR	USD	Euro	Other
Assets								
Cash and cash equivalents								
- cash balances with CBRF and settlement accounts with MICEX and RTS	0	-	-	-	0	-	-	-
- correspondent accounts and overnight placements with banks	3	5	0	0	1	4	0	0
Mandatory cash balances with the Central Bank of the Russian Federation	0	-	-	-	0	-	-	-
Trading securities	9	8	-	-	9	7	-	-
Due from other banks	7	10	4	-	7	-	0	-
Loans and advances to customers	14	10	10	-	16	13	9	-
Liabilities								
Due to other banks	8	7	5	-	7	6	3	-
Customer accounts	9	4	6	-	8	7	4	-
Promissory notes issued	8	8	4	-	8	8	-	-
Other borrowed funds	8	7	-	-	8	7	-	-
Subordinated debt	-	7	-	-	3	-	-	-

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

27 Contingencies and Commitments

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

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

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

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

27 Contingencies and Commitments (Continued)

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

However, a possible tax risk has been identified in relation to the transactions to assign rights on issued loans to other banks and the maximum possible tax exposure is RR 485 711 thousand calculated as 18% VAT of the amount of loans issued by the Bank and subsequently assigned to other banks during 2006. The Tax Code does not provide clear guidance on VAT on assigning of loans (where the underlying assets, loans to customers, are not subject to VAT), therefore management believes that, based on relevant legislation and existing market practice, no VAT liability will crystallise as a result of these transactions.

Capital expenditure commitments. At 31 December 2006 the Group has contractual capital expenditure commitments totalling RR 363 453 thousand (2005: nil).

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

In thousands of Russian Roubles	2006	2005
Not later than 1 year	354 309	171 827
Later than 1 year and not later than 5 years	576 604	213 431
Later than 5 years	358 519	108 483
Total operating lease commitments	**1 289 432**	**493 741**

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings in respect of maintenance of capital adequacy ratio calculated in accordance with recommendations of Basle Committee on Banking Regulations. Non-compliance with these covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's Management believes that the Group is in compliance with the covenants.

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

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

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	Note	2006	2005
Undrawn credit lines		72 718	246 389
Import letters of credit		1 348 682	87 360
Guarantees issued		19 769	106 393
Less: Provision for credit related commitments	18	-	(801)
Total credit related commitments		**1 441 169**	**439 341**

27 Contingencies and Commitments (Continued)

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Movements in provision for losses on credit related commitments are as follows:

In thousands of Russian Roubles	**2006**	**2005**
Provision for losses on credit related commitments as at 1 January	**801**	**13 942**
Provision for losses on credit related commitments during the year	-	-
Use of provision for losses on credit related commitments during the period	(801)	(13 141)
Provision for losses on credit related commitments at 31 December	**-**	**801**

Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**2006**	**2005**
Russian roubles	285 153	368 462
US Dollars	212 379	-
Euro	943 637	70 879
Total	**1 441 169**	**439 341**

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

The fiduciary assets fall into the following categories:

In thousands of Russian Roubles	**2006 Nominal value**	**2005 Nominal value**
Promissory notes issued by the Bank	626 751	220 443
Promissory notes and securities of Russian companies held in custody of the Bank	331 007	12 113 610
VEB bonds held in custody of the Bank's depository	42 130	-
Corporate shares held on an account with the National Depository Centre	550	-
Client OFZ securities held on an account with MICEX	-	849 087
Municipal bonds held on an account with the National Depository Centre	-	113 000
Corporate bonds held on an account with the National Depository Centre	-	86 943

Assets pledged and restricted. At 31 December 2006 the Group had corporate bonds pledged under sale and repurchase agreements whose fair value was RR 152 573 thousand (2005: none). Refer to Note 8.

In addition, mandatory cash balances with the CBRF in the amount of RR 1 717 423 thousand (2005: RR 484 714 thousand) represent mandatory reserve deposit which is not available to finance the Group's day to day operations.

28 Derivative Financial Instruments

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

Foreign currency swap deals are structured as loans made by the Group in US dollars and Euros with three OECD banks with maturity from June 2007 to July 2013 and placements received from the same three banks in Russian Roubles with the same maturities ("back to back loans"). These transactions were aimed at hedging the currency exposure of the Group.

The derivative financial instruments were valued as follows:

- Foreign exchange forward contracts have been valued by reference to the forward exchange rates as at 31 December as compared to the balance sheet carrying value of these contracts at 31 December;

- Foreign exchange cross currency swap contracts with maturity more than 30 days traded in an over-the-counter market have been valued based on a model assuming nil fair value at inception of the respective contracts. At present, Russian market for long-term swap contracts is not active, and market participants often have substandard credit ratings. Based on the above considerations, management concluded that standard market yield curves for respective currencies of the swaps should be adjusted to account for the credit risk and other implied factors in initial pricing of the Group as a Russian counterparty.

The Group expects to settle these forward and swap contracts net in cash and therefore recognised them in the balance sheet as an asset at net fair value of RR 170 404 thousand (2005: RR 2 673 thousand) and a liability at net fair value of RR 641 254 thousand (2005: RR 7 400 thousand). Refer to Notes 12 and 18.

The table below reflects gross positions before the netting of any counterparty positions and covers the contracts with settlement dates after the respective balance sheet date:

In thousands of Russian Roubles	Note	Contracts with positive fair value	Contracts with negative fair value	Total
Foreign exchange forward deals under 2 days: fair values, at the balance sheet date, of	**3, 26**			
USD receivable on settlement (+)			763 602	763 602
RR payable on settlement (-)			(764 444)	(764 444)
RR receivable on settlement (+)		131 883		131 883
USD payable on settlement (-)		(131 656)		(131 656)
Foreign exchange forward deals with execution dates of up to 30 days: fair values, at the balance sheet date, of	**3, 26**			
USD receivable on settlement (+)		-	1 579 866	1 579 866
RR payable on settlement (-)		-	(1 581 890)	(1 581 890)
Foreign exchange swap deals: fair values, at the balance sheet date, of		-	-	-
USD receivable on settlement (+)		39 685 147	12 177 331	51 862 478
RR payable on settlement (-)		(39 558 592)	(12 815 719)	(52 374 311)
Euros receivable on settlement (+)		2 670 741	-	2 670 741
RR payable on settlement (-)		(2 627 119)	-	(2 627 119)
Total net fair value	**12, 18**	**170 404**	**(641 254)**	**(470 850)**

28 Derivative Financial Instruments (Continued)

The table below reflects derivative financial instruments as at 31 December 2005:

In thousands of Russian Roubles	Note	Net asset contracts	Net liability contracts	Total
Foreign exchange forward deals under 2 days: fair values, at the balance sheet date, of	**3, 26**			
USD receivable on settlement (+)		287 825	-	287 825
RR payable on settlement (-)		(287 390)	-	(287 390)
Foreign exchange swap deals: fair values, at the balance sheet date, of	**3, 26**			
USD receivable on settlement (+)		5 211 521	1 445 172	6 656 693
RR payable on settlement (-)		(5 209 283)	(1 452 572)	(6 661 855)
Total net fair value	**12, 18**	**2 673**	**(7 400)**	**(4 727)**

29 Fair Value of Financial Instruments

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

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

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

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows using prevailing current money market interest rates for instruments with similar credit risk and similar maturity. See Notes 9 and 10 for estimated fair value of due from other banks and loans and advances to customers, respectively.

Liabilities carried at amortised cost. The fair value of securities in issue is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Refer to Notes 13, 14, 15, 16 and 17 for the estimated fair values of due to other banks, customer accounts, promissory notes issued, subordinated deposits and other borrowed funds, respectively.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Refer to Notes 3 and 28.

30 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

In thousands of Russian Roubles	Note	2006	2005
Profit attributable to ordinary shareholders		853 045	90 084
Profit for the year (all allocated to ordinary shareholders)		853 045	90 084
Weighted average number of ordinary shares in issue	19	13 453	6 494
Basic and diluted earnings per ordinary share		**63**	**14**

31 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property (See Note 1).

Starting from 2006, the Group included in key management personnel only members of the Management Board, management of subsidiary bank and their family members. The comparative information for 2005 has been adjusted accordingly.

31 Related Party Transactions (Continued)

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

In thousands of Russian Roubles	2006	2005
Cash and cash equivalents		
Cash balances with the CBRF (other than mandatory reserve deposits)	11 663 404	2 689 306
Mandatory cash balances with the Central Bank of the Russian Federation	1 717 423	484 714
Nostro accounts with state-controlled banks	206 952	9 485
Provision for loan impairment at the period end		
State-owned companies	(92 563)	(63 044)
Loans and advances at the period end		
State-owned companies (contractual interest rates 7-22% p.a. for both years)	8 701 696	4 709 181
Key managers and their family members (contractual interest rates 5% - 11%) p.a.)	5 993	6 720
Trading securities (contractual interest rates 6-17% p.a. for both years)		
Federal loan bonds (OFZ bonds)	1 069 928	828 851
Municipal bonds	765 238	493 251
Corporate Eurobonds	408 812	234 373
Corporate shares	85 173	9 715
Promissory notes of the state-controlled banks	18 765	2 196
Due to other banks		
Current term placements (contractual interest rates 1-11% p.a. for both years)	714 194	935 475
Subordinated debt		
Subordinated debt (contractual interest rates 3.25% p.a. for both years)	-	165 155
Term deposits and current/settlement accounts as at the period end		
State-owned companies (contractual interest rates 5-9% p.a. for both years)	4 525 505	2 353 231
Key managers and their family members (contractual interest rates 3-11% p.a. for both years)	106 173	33 265
Credit related commitments		
Guarantees issued	11 270	-
Import letters of credit	99 571	-
Undrawn credit lines	72 718	210 097

31 Related Party Transactions (Continued)

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

In thousands of Russian Roubles	**2006**	**2005**
Loans and advances to customers		
Interest income for the period		
State-owned companies	706 786	258 212
Key managers and their family members	357	284
Interest income on trading securities		
Government securities	145 403	110 444
State-owned companies	44 893	42 985
Results from operations with trading securities		
Government securities	(19 999)	25 469
State-owned companies	14 215	9 356
Provision for loan impairment		
State-controlled companies	(29 519)	(32 473)
Due from other banks		
Interest income		
The Central Bank of the Russian Federation	7 631	323
Transactions with state-owned banks	26 600	6 763
Due to other banks		
Interest expense		
Transactions with state-owned banks	(45 572)	(73 398)
The Central Bank of the Russian Federation	(2 619)	(118)
Agency fees from the Ministry of Finance of the Russian Federation for debt collection services	25 424	12 712
Income from the Ministry of Agriculture of the Russian Federation for participation in the national project “Development of Agro-Industrial Sector”	127 118	-
Expenses relating to participation in the national project “Development of Agro-Industrial Sector”, excluding taxes and staff cost	(94 937)	-
Interest expense on subordinated deposits	(1 757)	(5 356)
Other income (on guarantees and letters of credit issued)	384	23
Customer accounts		
Interest expense for the period		
State-owned companies	(108 374)	(35 894)
Key managers and their family members	(6 997)	(2 481)

31 Related Party Transactions (Continued)

Aggregate amounts lent to and, repaid by, related parties during 2006 were:

In thousands of Russian Roubles	**Amounts lent to related parties during the period**	**Amounts repaid by related parties during the period**
Cash and cash equivalents for the period		
Cash balances with the CBRF (other than mandatory reserve deposits)	1 042 303 259	1 033 329 161
Nostro accounts with state-controlled banks	39 632 039	39 434 572
Mandatory cash balances with the Central Bank of the Russian Federation	1 309 024	76 315
Loans and advances to customers		
State-owned companies	8 760 938	4 768 423
Key managers and their family members	808	1 535
Securities at fair value through profit or loss		
Securities of the Russian Federation	11 840 249	11 327 185
Securities issued by state-owned companies	4 435 242	4 168 776
Due from other banks		
Current term placements with state-controlled banks	101 741 194	101 741 194
Current term placements with CBRF	30 010 000	30 010 000
Due to other banks		
Current term placements from state-controlled banks	62 106 751	62 328 032
Current term placements from CBRF	67 051	67 051
Customer accounts		
Term deposits and current/settlement accounts as at the period end		
State-owned companies	58 413 952	56 241 678
Key managers and their family members	182 521	109 613

Aggregate amounts lent to and, repaid by, related parties during 2005 were:

In thousands of Russian Roubles	**Amounts lent to related parties during the period**	**Amounts repaid by related parties during the period**
Cash and cash equivalents for the period		
Cash balances with the CBRF (other than mandatory reserve deposits)	457 026 173	456 918 043
Nostro accounts with state-controlled banks	8 398 295	9 192 317
Mandatory cash balances with the Central Bank of the Russian Federation	298 685	49 962
Loans and advances to customers		
State-owned companies	6 201 002	2 329 134
Key managers and their family members	6 779	1 028
Securities at fair value through profit or loss		
Securities of the Russian Federation	9 682 489	9 358 655
Securities issued by state-owned companies	1 440 451	2 017 590
Due from other banks		
Current term placements with state-controlled banks	31 105 102	32 105 102
Current term placements with CBRF	2 105 000	2 105 000
Due to other banks		
Current term placements from state-controlled banks	36 936 465	36 084 745
Current term placements from CBRF	56 894	56 894
Customer accounts		
Term deposits and current/settlement accounts as at the period end		
State-owned companies	30 599 733	33 736 717
Key managers and their family members	70 278	55 221

31 Related Party Transactions (Continued)

In 2006, the total remuneration of the Management Board amounted to RR 96 220 thousand (2005: RR 49 756 thousand).

In thousands of Russian Roubles	2006 Expense	2006 Accrued liability	2005 Expense	2005 Accrued liability
Short-term benefits				
Salaries and short-term bonuses included in salaries	85 513	6 671	46 672	-
Post-employment benefits:				
- Defined contribution retirement scheme	3 520	-	2 013	-
- State pension and social security costs	516	-	511	-
Termination benefits	-	-	560	-
Total	**89 549**	**6 671**	**49 756**	**-**

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

32 Principal Consolidated Subsidiary and Special Purpose Entity

At 31 December 2006, the Bank's principal consolidated subsidiary was as follows:

Name	Nature of business	Percentage of voting rights, %	Percentage of ownership	Country of registration
Subsidiary				
Closed Joint – Stock Company "Chelyabinsky Commercial Land Bank"	Bank	99.47%	99.47%	Russia
Special Purpose Entity				
RSHB Capital S.A.	Eurobonds issue	-	-	Luxembourg

RSHB Capital S.A. is a company incorporated in Luxembourg in 2005, is owned by the foundations established under the laws of the Netherlands and has been established as a special purpose vehicle for the sole purpose of issuing Eurobonds and lending the issue proceeds to the Bank (refer to Notes 16 and 17).

33 Subsequent Events

In February 2007, the Group issued domestic bonds denominated in Russian Roubles in the amount of RR 10 000 000 thousand maturing in February 2017 with semi-annual payments of coupon income at 7.34% p.a. and yield to the next repricing date in February 2010 of 7.48% p.a. at the date of issue.

In March 2007, the Group issued Eurobonds denominated in Swiss Francs in the total amount of CHF 375 million. These borrowings mature on 29 March 2010 and have a coupon rate of 3.583% p.a. payable annually and yield to maturity of 3.583% p.a. at the date of issue.

In April 2007 the Group attracted 2 tranches of syndicated loan in US Dollars with the total amount of USD 520 mln, with maturities in October 2008 and April 2010, semi-annual coupon at the rate of LIBOR + 0.3% p.a. (for tranche A) and LIBOR + 0.4% p.a. (for tranche B).