

**Commercial Bank  
“Moskommertsbank”  
(000)**

**Independent Auditors' Report**

**Financial Statements**

For the Year Ended 31 December 2005

# COMMERCIAL BANK “MOSKOMMERTSBANK” (OOO)

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## INDEPENDENT AUDITORS' REPORT

To the Participants and Board of Directors of Commercial Bank  
"Moskommertsbank" (OOO):

We have audited the accompanying balance sheet of Commercial Bank "Moskommertsbank" (OOO) (hereinafter the "Bank") as at 31 December 2005, the related profit and loss account and statements of cash flows and changes in net assets attributable to participants ("the financial statements") for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2005, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.



28 February 2006  
Moscow







# COMMERCIAL BANK “MOSKOMMERTSBANK” (OOO)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 31 December 2005 RUR'000	Year ended 31 December 2004 RUR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		319,110	289,602
Adjustments for:			
Provision for impairment losses on interest bearing assets		86,061	137,415
Provision/(recovery of provision) for guarantees and other off-balance sheet contingencies		6,089	(7,500)
Depreciation and amortisation		8,943	7,910
Change in interest accruals, net		24,728	86,283
		444,931	513,710
Cash flows from operating activities before changes in operating assets and liabilities			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of the Russian Federation		30,215	(142,966)
Loans and advances to banks		242,638	43,727
Assets held-for-trading		(103,622)	(904,427)
Securities purchased under repurchase agreements		(937,697)	(624,277)
Loans to customers		(1,890,518)	(2,922,831)
Other assets		(84,515)	(4,215)
Increase/(decrease) in operating liabilities			
Loans and advances from banks		393,984	874,674
Securities sold under repurchase agreements		(438,260)	334,805
Customer accounts		740,035	511,645
Other liabilities		4,499	2,258
		(1,598,310)	(2,317,897)
Cash outflow from operating activities before taxation			
Income tax paid		(89,489)	(20,711)
		(1,687,799)	(2,338,608)
Net cash outflow from operating activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of fixed and intangible assets		(17,231)	(10,504)
Proceeds on sale of fixed and intangible assets		806	164
		(16,425)	(10,340)
Net cash outflow from investing activities			



# COMMERCIAL BANK “MOSKOMMERTSBANK” (OOO)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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### 1. ORGANISATION

Commercial Bank OOO “Moskommertsbank” (hereinafter the “Bank”) is a limited liability company, which was incorporated in the Russian Federation on 11 April 2001. The Bank is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 3365. The Bank’s primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at: 1, Bolshoy Gnezdnikovsky Per., Bldg. 2, Moscow, 125009.

The Bank has one branch in the Russian Federation.

As of 31 December 2005 the following participants owned more than 5% of the stockholdings:

<b>Participant</b>	<b>%</b>
OOO “DG-Sistem”	19.98
OOO “Interro-resurce”	19.98
OOO “Eastern Star”	19.03
OOO “Kazinter”	13.15
OOO “Finteco”	11.76
OOO “Sovter”	11.76
Other	4.34
<b>Total</b>	<b><u>100.00</u></b>

The Bank’s primary beneficiary is OAO “Kazkommertsbank” (Republic of Kazakhstan). The Bank has a significant concentration of operations and assets with OAO “Kazkommertsbank” (see Notes 19, 28).

These financial statements were authorized for issue by the Bank’s Management Board and the Board of Directors on 28 February 2006.

### 2. BASIS OF PRESENTATION

#### **Accounting basis**

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements are presented in thousands of Russian Roubles (“RUR”), unless otherwise indicated. These financial statements have been prepared on accrual basis and under the historical cost convention, except for the revaluation of financial instruments and according to International Accounting Standard 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”).

The Bank maintains its accounting records in accordance with Russian law. These financial statements have been prepared from the Russian statutory accounting records and have been adjusted to conform with IFRS.

Net assets attributable to participants as at 31 December 2005 and 2004 and profit for the years then ended are reconciled between Russian Accounting Standards and IFRS as follows:

	<b>31 December 2005</b>	<b>Year ended 31 December 2005</b>	<b>31 December 2004</b>	<b>Year ended 31 December 2004</b>
	<b>Net assets attributable to participants RUR'000</b>	<b>Profit RUR'000</b>	<b>Net assets attributable to participants RUR'000</b>	<b>Profit RUR'000</b>
<b>Russian Accounting Standards</b>	1,254,321	229,588	1,035,166	188,431
Effect of accrued interest, net	(113,564)	(24,728)	(46,089)	(42,417)
Provisions for impairment losses	214,843	61,877	145,632	111,770
Fair value adjustment, net	7,781	(18,660)	12,742	12,742
Deferred taxation	(55,281)	(11,448)	(43,833)	(43,833)
Fixed and intangible assets	7,705	5,712	(2,489)	(215)
Write off of other assets	(6,609)	(6,609)	-	-
Current taxation	(3,234)	6,562	(9,796)	(1,782)
Prior period error	-	-	(26,885)	-
Other, net	1,786	(306)	1,312	(1,414)
	<u>1,307,748</u>	<u>241,988</u>	<u>1,065,760</u>	<u>223,282</u>
<b>International Financial Reporting Standards</b>				

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

### **Functional currency**

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **Recognition and measurement of financial instruments**

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

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

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the Central Bank of the Russian Federation with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), except for margin deposits for operations with plastic cards, which may be converted to cash within a short period of time. For purposes of determining cash flows, the minimum reserve deposit required by the Central Bank of the Russian Federation is not included as a cash equivalent due to restrictions on its availability (Note 12).

## **Loans and advances to banks**

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

## **Assets held-for-trading**

Assets held-for-trading represent assets acquired principally for the purpose of selling them in the near term, or it is a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit-taking, or it is a derivative (except if it is designated and effective hedging instrument). Assets held-for-trading are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for the Bank's assets held-for-trading. When reliable market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on assets held-for-trading is recognized in profit and loss for the period.

## **Repurchase and reverse repurchase agreements**

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

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

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

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

## **Derivative financial instruments**

The Bank enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. Derivatives entered into by the Bank include forwards, swaps and foreign currency options.

Derivative financial instruments are initially recorded and subsequently measured at fair value. Fair values are obtained from the interest rates model. Most of the derivatives the Bank enters into are of a short-term and speculative nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the profit and loss for the year in which they arise under net gain on foreign exchange operations for foreign currency derivatives.

## **Originated loans**

Loans originated by the Bank are financial assets that are created by the Bank by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Bank with fixed maturities are initially recognized in accordance with the policy stated above. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the profit and loss account as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the profit and loss account using the effective interest method. Loans to customers that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for impairment losses.

## **Purchased loans**

Loans acquired from another lender subsequently to the original date are either classified as loans or as available-for-sale investments. Purchased loans that are classified as loans are accounted for on the same basis as originated loans. For purchased loans classified as available-for-sale investments, fair value is based on an active market or on a discounted cash flow (“DCF”) model. If market price is not available and DCF model is not practicable, the price for similar assets is used.

## **Write off of loans and advances**

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

## **Non-accrual loans**

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

## **Allowance for impairment losses**

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

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

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

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

### **Fixed and intangible assets**

Fixed and intangible assets, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognised impairment loss. Fixed and intangible assets, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognised impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of fixed and intangible assets is charged on the carrying value of fixed assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Furniture and equipment	20-50%
Intangible assets	10-30%
Other	20-33%

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

### **Taxation**

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

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to net assets attributable to participants, in which case the deferred tax is also dealt with in net assets attributable to participants.

Other taxes which are assessed on the Bank's activities are included as a component of operating expenses in the profit and loss account.

### **Deposits from banks and customers**

Customer and bank deposits are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

### **Debt securities issued**

Debt securities issued represent promissory notes, certificates of deposit and debentures issued by the Bank. They are accounted for according to the same principles used for customer and bank deposits.

### **Provisions**

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

### **Retirement and other benefit obligations**

In accordance with the requirements of the Russian legislation, the Bank withholds amounts of pension contributions from employee salaries and pays them to the state pension fund. In addition such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Bank does not have any pension arrangements separate from the State pension system of the Russian Federation. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

### **Recognition of income and expense**

Interest income and expense are recognized on an accrual basis using effective interest rate method. Interest income also includes income earned on investments in securities. Other income is credited to profit and loss account when the related transactions are completed. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan's effective yield. Commission incomes/expenses are recognized on an accrual basis.

### **Fee and commission income**

Fee and commission income includes loan origination fees, loan commitment fees, loan servicing fees and loan syndication fees. Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit and loss over the remaining period

of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit and loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognised in profit and loss when the syndication has been completed. All other commissions are recognized when services are provided.

### **Foreign currency translation**

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

### **Rates of exchange**

The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows:

	<b>31 December 2005</b>	<b>31 December 2004</b>
RUR/1 US Dollar	28.7900	27.7487
RUR/1 Euro	34.1737	37.8104

### **Offset of financial assets and liabilities**

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

### **Fiduciary activities**

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

### **Adoption of new and revised International Financial Reporting Standards**

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's accounting policies.

### **Reclassifications**

Certain reclassifications have been made to the financial statements as at 31 December 2004 and for the year then ended to conform to the presentation as at 31 December 2005 and for the year then ended, including separate disclosure in the statement of cash flows of the effect of changes in foreign exchange rates on cash and cash equivalents.

#### 4. NET INTEREST INCOME

	<b>Year ended 31 December 2005 RUR'000</b>	<b>Year ended 31 December 2004 RUR'000</b>
<b>Interest income</b>		
Interest on loans to customers	639,681	491,873
Interest on debt securities	112,164	142,130
Interest on reverse repurchase transactions	95,636	76,374
Interest on loans and advances to banks	<u>23,000</u>	<u>3,906</u>
Total interest income	<u>870,481</u>	<u>714,283</u>
<b>Interest expense</b>		
Interest on debt securities issued	294,003	227,687
Interest on loans and advances from banks	102,221	61,918
Interest on customer accounts	21,079	1,503
Interest on repurchase transactions	<u>9,892</u>	<u>9,719</u>
Total interest expense	<u>427,195</u>	<u>300,827</u>
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<b><u>443,286</u></b>	<b><u>413,456</u></b>

#### 5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest earning assets were as follows:

	<b>Loans and advances to banks RUR'000</b>	<b>Loans to customers RUR'000</b>	<b>Total RUR'000</b>
31 December 2003	160	59,350	59,510
Provision	<u>9,958</u>	<u>127,457</u>	<u>137,415</u>
31 December 2004	10,118	186,807	196,925
(Recover of provision)/provision	<u>(10,094)</u>	<u>96,155</u>	<u>86,061</u>
31 December 2005	<u>24</u>	<u>282,962</u>	<u>282,986</u>

The movements in provision for off balance sheet transactions were as follows:

	<b>Guarantees and other commitments RUR'000</b>
31 December 2003	9,435
Recovery of provision	<u>(7,500)</u>
31 December 2004	1,935
Provision	<u>6,089</u>
31 December 2005	<u>8,024</u>

## 6. NET LOSS ON ASSETS HELD-FOR-TRADING

Net loss on assets held-for-trading comprise:

	Year ended 31 December 2005 RUR'000	Year ended 31 December 2004 RUR'000
Debt securities	22,118	(40,988)
Equity securities	<u>(32,148)</u>	<u>(216)</u>
<b>Total net loss on assets held-for-trading</b>	<b><u><u>(10,030)</u></u></b>	<b><u><u>(41,204)</u></u></b>

## 7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2005 RUR'000	Year ended 31 December 2004 RUR'000
Dealing, net	24,900	45,578
Translation differences, net	<u>(3,549)</u>	<u>(22,647)</u>
<b>Total net gain on foreign exchange operations</b>	<b><u><u>21,351</u></u></b>	<b><u><u>22,931</u></u></b>

## 8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2005 RUR'000	Year ended 31 December 2004 RUR'000
<b>Fee and commission income:</b>		
Loan syndication, servicing and commitment	74,468	98,638
Cash operations	12,087	3,969
Documentary operations	4,840	5,359
Foreign exchange operations	4,012	3,106
Settlements	3,600	3,239
Guarantees provided	2,615	936
Broker service	1,758	412
Other	<u>1,768</u>	<u>6,648</u>
<b>Total fee and commission income</b>	<b><u><u>105,148</u></u></b>	<b><u><u>122,307</u></u></b>
<b>Fee and commission expense:</b>		
Operations with securities	2,461	3,214
Agency agreements	1,906	432
Settlement operations	1,484	519
Documentary operations	1,020	6,472
Guarantees received	141	8,337
Other	<u>631</u>	<u>412</u>
<b>Total fee and commission expense</b>	<b><u><u>7,643</u></u></b>	<b><u><u>19,386</u></u></b>

## 9. OTHER INCOME

	<b>Year ended 31 December 2005 RUR'000</b>	<b>Year ended 31 December 2004 RUR'000</b>
Income on factoring operations	29,314	667
Penalties received on lending and other operations	20,399	8,447
Other	1,089	2,761
	<u><b>50,802</b></u>	<u><b>11,875</b></u>

## 10. OPERATING EXPENSES

	<b>Year ended 31 December 2005 RUR'000</b>	<b>Year ended 31 December 2004 RUR'000</b>
Staff costs	84,026	20,307
Operating lease expenses	28,232	17,359
Social security costs	13,883	6,155
Advertising and marketing	13,219	10,933
Professional service fees	12,690	13,594
Taxes, other than income tax	12,369	8,737
Depreciation and amortization	8,943	7,910
Administrative expenses	8,898	421
Other employees' benefits	1,540	478
Presentation expense	1,312	890
Fixed assets maintenance	375	3,614
Other expenses	6,167	4,178
	<u><b>191,654</b></u>	<u><b>94,576</b></u>

## 11. INCOME TAXES

The Bank provides for taxes based on the tax accounts maintained and prepared in accordance with Russian statutory tax regulations which may differ from International Financial Reporting Standards.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2005 and 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2005 and 2004 comprise:

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
<b>Deferred assets:</b>		
Other assets	-	13,370
Total deferred assets	-	13,370

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
<b>Deferred liabilities:</b>		
Loans to banks and customers	(213,043)	(192,181)
Assets held-for-trading	(8,763)	-
Fixed and intangible assets	(8,533)	(3,827)
	<u>(230,339)</u>	<u>(196,008)</u>
Total deferred liabilities		
Net deferred liabilities	<u>(230,339)</u>	<u>(182,638)</u>
Net deferred tax liability at the statutory tax rate (24%)	<u>(55,281)</u>	<u>(43,833)</u>

Relationships between tax expenses and accounting profit for the years ended 31 December 2005 and 2004 are explained as follows:

	<b>Year ended 31 December 2005 RUR'000</b>	<b>Year ended 31 December 2004 RUR'000</b>
Profit before income tax	<u>319,110</u>	<u>289,602</u>
Statutory tax rate	24%	24%
Tax at the statutory tax rate	76,586	69,504
Tax effect of permanent differences	<u>536</u>	<u>(3,184)</u>
<b>Income tax expense</b>	<b><u>77,122</u></b>	<b><u>66,320</u></b>
Current income tax expense	65,674	30,745
Provision for deferred tax liabilities	<u>11,448</u>	<u>35,575</u>
<b>Income tax expense</b>	<b><u>77,122</u></b>	<b><u>66,320</u></b>
<b>Deferred income tax liabilities</b>	<b>2005 RUR'000</b>	<b>2004 RUR'000</b>
1 January	43,833	8,258
Increase in income tax liability for the period	<u>11,448</u>	<u>35,575</u>
31 December	<u>55,281</u>	<u>43,833</u>

Income tax assets and liabilities consist of the following:

	<b>2005 RUR'000</b>	<b>2004 RUR'000</b>
Current tax assets	<u>14,019</u>	<u>-</u>
	<b><u>14,019</u></b>	<b><u>-</u></b>

	2005 RUR'000	2004 RUR'000
Current tax liabilities	-	9,796
Deferred tax liabilities	55,281	43,833
	<u>55,281</u>	<u>53,629</u>

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

	31 December 2005 RUR'000	31 December 2004 RUR'000
Balances with the Central Bank of the Russian Federation	366,634	421,747
Cash	40,342	15,210
	<u>406,976</u>	<u>436,957</u>
<b>Total cash and balances with the Central Bank of the Russian Federation</b>	<b><u>406,976</u></b>	<b><u>436,957</u></b>

The balances with Central Bank of the Russian Federation as at 31 December 2005 and 2004 include RUR 137,470 thousand and RUR 167,685 thousand, respectively, which represents the minimum reserve deposits required by the CBR. The Bank is required to maintain the reserve balance at the CBR at all times.

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

	31 December 2005 RUR'000	31 December 2004 RUR'000
Cash and balances with the Central Bank of the Russian Federation	406,976	436,957
Loans and advances to banks in OECD countries	82,775	556,834
	<u>489,751</u>	<u>993,791</u>
Less minimum reserve deposits with the CBR	(137,470)	(167,685)
	<u>352,281</u>	<u>826,106</u>
<b>Total cash and cash equivalents</b>	<b><u>352,281</u></b>	<b><u>826,106</u></b>

## 13. ASSETS HELD-FOR-TRADING

	Interest to nominal %	31 December 2005 RUR'000	Interest to nominal %	31 December 2004 RUR'000
<b>Debt securities:</b>				
Bonds of OAO Group of companies PIK, 5	13%	131,642	-	-
Bonds of OAO AvtoVAZ, 2	9%	107,873	11.28%	166,363
Bonds of OAO CenterTelecom, 3	12%	106,547	12.35%	53,473
Bonds of OAO YuTK, 3	12%	101,282	12.30%	96,941
Bonds of OAO AvtoVAZ, 3	10%	101,156	-	-
Bonds of OOO Nizhne-Lenskoe-Invest, 2	13%	100,321	-	-
Bonds of OAO Lenenergo, 1	10%	78,449	-	-
Municipal bonds, Udmurtsk Republic, 25001	8%	69,718	-	-
Bonds of OAO Rosselkhozbank, 1	8%	60,380	-	-
Bonds of ZAO East Line Handling, 2	12%	59,314	-	-
Municipal bonds, Novosibirsk region, 34013	9%	50,826	-	-
Bonds of OOO Sevkabel-Finance, 2	12%	50,268	-	-
Bonds of OAO YuTK, 4	11%	50,245	-	-

	Interest to nominal %	31 December 2005 RUR'000	Interest to nominal %	31 December 2004 RUR'000
Bonds of Magnezit Group, 1	10%	50,121	-	-
Municipal bonds, Novosibirsk region, 25012	13%	44,641	13.30%	55,970
Bonds of OOO Uglemet-Trading, 1	12%	40,053	-	-
MinFin OFZ bonds, 46002	10%	34,923	11%	34,118
Municipal bonds, Tomsk region, 34026	9%	33,997	-	-
Municipal bonds, Yaroslavl region, 34003	12%	32,496	12.50%	62,026
Bonds of ZAO Housing Finance Bank, 1	13%	30,114	-	-
Bonds of OOO Megafon-Finance, 1	12%	20,531	-	-
Bonds of OAO Bashkirenergo	10%	17,988	10.69%	20,786
Bonds of OAO TMK, 1	10%	16,583	14%	1,043
Bonds of OOO Adamant-Finance, 1	14%	15,527	-	-
MinFin OFZ bonds, 46001	10%	10,074	12%	10,325
Bonds of OAO MIA, 1	8%	9,440	10%	10,571
Bonds of OAO APK OGO, 1	16%	4,730	13.95%	44,190
Bonds of OAO Russky Aluminy Finance, 2	-	-	9.60%	101,814
Bonds of OAO IzhAvto, 1	-	-	12.50%	92,172
Bonds of OAO MiG-Finance, 1	-	-	16%	84,422
Bonds of OAO SUEK, 2	-	-	11.50%	84,014
Bonds of OOO NIDAN-FOODS, 1	-	-	17%	54,857
Bonds of OAO Krasny Vostok-Invest	-	-	11.50%	46,878
Bonds of OAO CenterTelecom, 4	-	-	13.80%	45,395
Bonds of OAO INTEKO	-	-	10.95%	33,241
Bonds of Moscow region authority, 3	-	-	11%	32,628
Bonds of OAO Mikron, 2	-	-	15%	32,197
Bonds of OAO Megafon, 02	-	-	9.28%	30,380
Bonds of OAO Salavatnefteorg-sintez, 2	-	-	9.70%	30,359
Bonds of OAO AlfaFinance	-	-	7.40%	30,264
Bonds of OAO Volga, 1	-	-	12%	20,329
Bonds of RAO Gazprom, 3	-	-	8.11%	15,740
Bonds of OAO SMARTS, 2	-	-	13.75%	13,661
Bonds of OAO Metchel	-	-	12.30%	7,403
Bonds of OAO Nortgas-Finance, 1	-	-	16%	6,603
Bonds of OAO SU-155 Kapital, 1	-	-	12.29%	4,928
Municipal bonds, Novosibirsk region, 1	-	-	13.50%	4,711
Bonds of OAO Bank Russky Standart	-	-	14%	1,031
<b>Total debt securities</b>		<b>1,429,239</b>		<b>1,328,833</b>
<b>Shares:</b>				
OAO Moskovsky Sudostroitelny i Sudoremontny Zavod		-		12,020
<b>Total trading securities</b>		<b>1,429,239</b>		<b>1,340,853</b>

As at 31 December 2005 and 2004 included in assets held-for-trading is accrued interest income on debt securities amounting to RUR 19,726 thousand and RUR 34,962 thousand, respectively.

Included in assets held-for-trading are the following bonds pledged as collateral for short-term loans received from other banks:

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
OAo Avtovaz	204,034	-
OAo CenterTelecom	102,830	76,500
OAo Lenenergo	96,768	-
OAo Rosselkhozbank	60,090	-
OAo YuTK	50,300	45,000
OOO Uglemet-Trading	39,759	-
OOO Megafon-Finance	20,340	-
OAo Bashkirenergo	17,416	-
OAo Russky Aluminy Finance	-	90,500
Moscow region authority	-	28,500
OAo Megafon	-	26,500
OAo Gazprom	-	14,500
	<u>591,537</u>	<u>281,500</u>

Included in assets held-for-trading are the following bonds sold under repurchase agreements. The agreements have maturity within 1 month.

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Tomsk region	33,066	-
ZAO East Line Handling	20,218	-
OAo Centertelecom	-	42,231
OAo AvtoVAZ	-	156,738
OAo SUEK	-	70,273
Novosibirsk region	-	38,410
Yaroslavl region	-	13,243
	<u>53,284</u>	<u>320,895</u>

#### 14. LOANS AND ADVANCES TO BANKS

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Correspondent accounts with other banks	326,520	980,035
Loans and advances to banks	28,000	82,497
Accrued interest income on loans and advances to banks	4	1,242
	<u>354,524</u>	<u>1,063,774</u>
Less allowance for impairment losses	<u>(24)</u>	<u>(10,118)</u>
<b>Total loans and advances to banks, net</b>	<u><b>354,500</b></u>	<u><b>1,053,656</b></u>

Movements in allowances for impairment losses and advances to banks for the years ended 31 December 2005 and 2004 are disclosed in Note 5.

As at 31 December 2005 and 2004 the Bank had loans and advances to 1 and 3 banks, respectively, which individually exceeded 10% of the Bank's net assets attributable to participants.

As at 31 December 2005 and 2004 the maximum credit risk exposure of loans and advances to banks amounted to RUR 354,524 thousand and RUR 1,063,774 thousand, respectively.

## 15. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Securities purchased under agreements to resell comprise:

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
<b>Shares:</b>		
OAo Salavatnefteorgsintez, ordinary shares	304,166	-
OAo NK Yukos, ordinary shares	284,858	7,364
RAO UES of Russia, ordinary shares	236,702	65,127
OAo CenterTelecom, ordinary shares	200,621	-
OAo NK Rosneft-Purneftegaz, preferred shares	136,936	65,740
OAo TNK-BP Holding, preferred shares	123,473	-
OAo ANK Bashneft, preferred shares	81,989	-
OAo UFMPO, ordinary shares	64,675	-
OAo Nizhnekamskshina, ordinary shares	62,834	-
OAo LUKoil, ordinary shares	55,900	42,247
OAo NLMK, ordinary shares	42,106	-
OAo Rostelekom, ordinary shares	32,423	5,583
OAo Novorossiysky MTP, ordinary shares	21,262	-
OAo Bashinformsvyaz, ordinary shares	20,011	-
OAo Novo-Ufimsky NPZ, preferred shares	19,162	-
OAo Nevinomissky Azot, ordinary shares	17,326	-
OAo Novorossiskoe Morskoe Parokhodstvo, ordinary shares	17,132	-
OAo Mobile TeleSystems, ordinary shares	15,664	-
OAo Ufimsky NPZ, preferred shares	12,967	-
OAo Ufimsky NPZ, ordinary shares	12,623	-
OAo Ufaorgsintez, preferred shares	12,409	-
OAo Kaluzhsky Turbinny Zavod, preferred shares	9,686	-
OAo AK Tulamashzavod, ordinary shares	5,030	-
OAo AK Transneft, preferred shares	69	5,605
OAo GMK Norilsk Nickel, ordinary shares	-	50,329
OAo Sibneft, ordinary shares	-	9,944
RAO Gazprom, ordinary shares	-	9,155
OAo Surgutneftegaz, ordinary shares	-	8,780
OAo Tatneft, preferred shares	-	5,263
OAo Uralsvyazinform, preferred shares	-	2,849
OAo Saratovenergo, ordinary shares	-	2,300
OAo Sibirtelecom, preferred shares	-	1,568
OAo Sberbank of Russia, ordinary shares	-	1,373
OAo Aeroflot, ordinary shares	-	1,224
	<hr/>	<hr/>
<b>Total shares purchased under agreements to resell</b>	<b>1,790,024</b>	<b>284,451</b>

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
<b>Bonds:</b>		
Bonds of OAO MIA	63,833	-
OAO YuTK	46,311	97,868
Bonds of ZAO East Line Handling	42,469	-
Municipal bonds, Novosibirsk region	22,160	30,745
OAO Lenenergo	20,881	-
Municipal bonds, Yaroslavl region	14,734	3,197
RAO Gazprom	-	204,229
OAO APK OGO	-	92,275
OAO IzhAvto	-	57,366
OAO CenterTelecom	-	46,321
OAO SUEK	-	38,656
OAO Nortgaz-Finance	-	37,017
OAO Alfa Finance	-	34,208
OAO AvtoVAZ, 5	-	32,154
OAO Volga	-	15,920
OAO TMK	-	15,604
Municipal bonds, Krasnoyarsk region	-	15,313
OAO SMARTS	-	15,024
OAO Pit Investments	-	10,532
OAO SU-155	-	9,807
OAO Altaienergo	-	8,346
OAO VBD PP	-	5,011
OAO Megafon	-	4,036
OAO Russky Aluminy Finance	-	3,139
OAO MiG-Finance	-	67
	<u>210,388</u>	<u>776,835</u>
<b>Total bonds purchased under agreements to resell</b>	<b>210,388</b>	<b>776,835</b>
<b>Total securities purchased under agreements to resell</b>	<b>2,000,412</b>	<b>1,061,286</b>

As of 31 December 2005 and 2004 securities purchased under agreements to resell includes the accrued interest income amounting to RUR 1,642 thousand and RUR 812 thousand, respectively.

As of 31 December 2005 included in securities purchased under agreements to resell are shares of OAO CenterTelecom amounting to RUR 6,706 thousand sold under repurchase agreement with another bank. The agreement has maturity within 1 month.

As of 31 December 2004 included in securities purchased under agreements to resell are RAO Gazprom bonds amounting to RUR 196,304 thousand sold under repurchase agreement with other banks. The agreement has maturity within 1 month.

## 16. LOANS TO CUSTOMERS

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Originated loans	6,195,750	3,936,217
Purchased loans	306,968	635,847
Net investment in finance lease	202,384	71,690
Accrued interest income on loans to customers	31,198	28,316
	<u>6,736,300</u>	<u>4,672,070</u>
Less allowance for impairment losses	<u>(282,962)</u>	<u>(186,807)</u>
<b>Total loans to customers, net</b>	<b><u>6,453,338</u></b>	<b><u>4,485,263</u></b>

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Loans collateralized by commercial real estate	4,375,630	2,193,841
Loans collateralized by equipment	1,187,389	1,010,417
Loans collateralized by securities	364,168	490,847
Loans collateralized by inventories	224,167	102,000
Loans collateralized by guarantees of enterprises	150,000	15,262
Loans collateralized by residential real estate	55,330	373,205
Loans collateralized by other collateral	58,751	129,137
Unsecured loans	289,667	329,045
Accrued interest income on loans to customers	31,198	28,316
	<u>6,736,300</u>	<u>4,672,070</u>
Less allowance for impairment losses	<u>(282,962)</u>	<u>(186,807)</u>
<b>Total loans to customers, net</b>	<b><u>6,453,338</u></b>	<b><u>4,485,263</u></b>

Movements in allowances for impairment losses for the years ended 31 December 2005 and 2004 are disclosed in Note 5.

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
<b>Analysis by sector:</b>		
Consumer goods manufacturing	1,505,947	1,267,201
Construction	1,139,156	1,697,006
Trade	1,027,920	594,685
Real estate	781,751	258,862
Transportation	684,226	-
Finance	392,197	49,362
Mass media, entertainment, publishing	346,359	185,916
Catering	221,683	-
Communications	184,640	-
Leasing	150,000	-
Individuals	115,831	394,954
Other	155,392	195,768
Accrued interest income on loans and advances to customers	31,198	28,316
	<u>6,736,300</u>	<u>4,672,070</u>
Less allowance for impairment losses	<u>(282,962)</u>	<u>(186,807)</u>
<b>Total loans to customers, net</b>	<b><u>6,453,338</u></b>	<b><u>4,485,263</u></b>

As at 31 December 2005 and 2004 the Bank provided loans to 22 and 17 clients, respectively, which individually exceeded 10% of the Bank's net assets attributable to participants.

As at 31 December 2005 and 2004 loans amounting to RUR 6,716,970 thousand and RUR 4,668,355 thousand, respectively, were granted to companies operating in the Russian Federation, which represents significant geographical concentration of 99.7% and 99.9%, respectively.

As at 31 December 2005 and 2004 the maximum credit risk exposure of loans to customers amounted to RUR 6,736,300 thousand and RUR 4,672,492 thousand, respectively.

Net investment in finance lease comprise:

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Net minimum lease payments	287,000	99,496
Less unearned finance income	<u>(84,616)</u>	<u>(27,806)</u>
<b>Net investments in finance lease</b>	<b><u>202,384</u></b>	<b><u>71,690</u></b>

The future minimum lease payments comprise:

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Not later than one year	87,594	29,116
Later than one year but not later than five years	<u>199,406</u>	<u>70,380</u>
<b>Total future minimum lease payments under capital leases</b>	<b><u>287,000</u></b>	<b><u>99,496</u></b>

The present value of future minimum lease payments due from customers under the finance lease is as follows:

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Not later than one year	76,352	17,116
Later than one year but not later than five years	<u>126,032</u>	<u>54,574</u>
	<b><u>202,384</u></b>	<b><u>71,690</u></b>

## 17. FIXED AND INTANGIBLE ASSETS

	<b>Furniture and equipment RUR'000</b>	<b>Other RUR'000</b>	<b>Intangible assets RUR'000</b>	<b>Total RUR'000</b>
<b>At cost/indexed cost</b>				
31 December 2003	15,822	9,634	2,832	28,288
Additions	2,850	4,901	2,753	10,504
Disposals	<u>-</u>	<u>(329)</u>	<u>-</u>	<u>(329)</u>
31 December 2004	<u>18,672</u>	<u>14,206</u>	<u>5,585</u>	<u>38,463</u>
Additions	11,043	3,842	2,346	17,231
Disposals	<u>-</u>	<u>(1,905)</u>	<u>-</u>	<u>(1,905)</u>
31 December 2005	<u>29,715</u>	<u>16,143</u>	<u>7,931</u>	<u>53,789</u>

	<b>Furniture and equipment RUR'000</b>	<b>Other RUR'000</b>	<b>Intangible assets RUR'000</b>	<b>Total RUR'000</b>
<b>Accumulated depreciation</b>				
31 December 2003	4,827	1,380	768	6,975
Charge for the year	4,733	2,065	1,112	7,910
Eliminated on disposals	-	(219)	-	(219)
31 December 2004	<u>9,560</u>	<u>3,226</u>	<u>1,880</u>	<u>14,666</u>
Charge for the year	4,542	2,775	1,626	8,943
Eliminated on disposals	-	(1,099)	-	(1,099)
31 December 2005	<u>14,102</u>	<u>4,902</u>	<u>3,506</u>	<u>22,510</u>
<b>Net book value</b>				
31 December 2005	<u>15,613</u>	<u>11,241</u>	<u>4,425</u>	<u>31,279</u>
31 December 2004	<u>9,112</u>	<u>10,980</u>	<u>3,705</u>	<u>23,797</u>

Intangible assets represent mostly computer software which are considered to have a finite useful life of between 3 to 10 years.

## 18. OTHER ASSETS

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Prepayments and other debtors	80,385	2,872
Tax settlements, other than income tax	10,591	3,069
Net positive replacement value on currency forwards	-	512
<b>Total other assets</b>	<u><b>90,976</b></u>	<u><b>6,453</b></u>

## 19. LOANS AND ADVANCES FROM BANKS

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Loans from other banks and financial institutions	2,939,469	2,212,167
Correspondent accounts of other banks	218,127	479,282
Accrued interest expenses	<u>42,185</u>	<u>19,628</u>
<b>Total loans and advances from banks</b>	<u><b>3,199,781</b></u>	<u><b>2,711,077</b></u>

As of 31 December 2005 and 2004 included in loans and advances from banks are loans and balances on correspondent accounts amounting to RUR 1,308,427 thousand and RUR 566,851 thousand, respectively, from OAO "Kazkommertsbank" (Republic of Kazakhstan).

## 20. CUSTOMER ACCOUNTS

Customer accounts comprise:

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Repayable on demand	833,263	674,537
Time deposits	672,598	80,388
Accrued interest expense on customer accounts	7,635	19
<b>Total customer accounts</b>	<b><u>1,513,496</u></b>	<b><u>754,944</u></b>

As of 31 December 2005 and 2004 the Bank's indebtedness to 10 customers amounting to RUR 1,152,632 thousand (76% of the total amount of customer accounts) and RUR 445,217 thousand (59% of the total amount of customer accounts), respectively, represents significant concentration.

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
<b>Analysis by sector:</b>		
Trade	706,490	313,619
Mass media, marketing, advertising	255,196	16,363
Finance and insurance	115,829	43,433
Transport and communications	109,959	64,216
Individuals	99,698	-
Real estate	83,638	165,990
Oil and gas	76,053	475
Food industry and agriculture	8,542	9,803
Embassies	8,016	12,028
Manufacturing	5,057	70,424
Other	37,383	58,574
Accrued interest expense on customer accounts	7,635	19
<b>Total customer accounts</b>	<b><u>1,513,496</u></b>	<b><u>754,944</u></b>

## 21. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase comprise:

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Municipal bonds, Tomsk Region	31,491	-
ZAO East Line Handling	18,280	-
OAO CenterTelecom	7,014	39,838
RAO Gazprom	-	198,893
OAO AvtoVAZ	-	146,802
OAO SUEK	-	63,611
Municipal bonds, Novosibirsk region	-	34,238
Municipal bonds, Yaroslavl region	-	12,060
<b>Total bonds sold under agreements to repurchase</b>	<b><u>56,785</u></b>	<b><u>495,442</u></b>

As of 31 December 2005 and 2004 included in securities sold under agreements to repurchase was accrued interest expense amounting to RUR 81 thousand and RUR 478 thousand, respectively.

As of 31 December 2005 securities sold under agreements to repurchase are the Bank's securities held-for-trading stated at fair value amounting to RUR 53,284 thousand, and securities purchased under agreements to resell at fair value of RUR 10,626 thousand.

As of 31 December 2004 securities sold under agreements to repurchase are the Bank's trading securities stated at fair value amounting to RUR 320,895 thousand, and securities purchased under agreements to resell at fair value of RUR 196,304 thousand.

## 22. DEBT SECURITIES ISSUED

	<b>Maturity date month / year</b>	<b>Annual coupon rate %</b>	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Interest bearing promissory notes	02/06-11/08	4.92-13.00%	3,085,324	1,032,231
Bonds	12/08	9.76%	997,837	-
Discount bearing promissory notes	11/06	-	431,849	2,155,337
Accrued interest expense on debt securities issued	-	-	116,233	134,043
<b>Total debt securities issued</b>			<b><u>4,631,243</u></b>	<b><u>3,321,611</u></b>

## 23. PROVISIONS

As of 31 December 2005 and 2004 provisions comprised provisions for guarantees and letters of credit amounting to RUR 8,024 thousand and RUR 1,935 thousand, respectively.

Movements in provisions for the years ended 31 December 2005 and 2004 are disclosed in Note 5.

## 24. OTHER LIABILITIES

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Payable to suppliers	5,238	-
Taxes payable, other than income tax	2,859	1,343
Other creditors	284	2,524
<b>Total other liabilities</b>	<b><u>8,381</u></b>	<b><u>3,867</u></b>

## 25. NET ASSETS ATTRIBUTABLE TO PARTICIPANTS

The Bank's distributable among participants reserves are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statutes, that provide for the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory books.

Participants of the Bank have a right to sell their shares to the Bank upon notification.

The Bank must reimburse participants the share in net assets of the Bank within six months of the end of the year of the participant's application for withdrawal.

## 26. DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT CONTRACTS

	Nominal amount RUR'000	31 December 2005 Net fair value		Nominal amount RUR'000	31 December 2004 Net fair value	
		Asset RUR'000	Liability RUR'000		Asset RUR'000	Liability RUR'000
<b>Foreign currency contracts</b>						
Forward	-	-	-	12,532	12,532	(12,020)
Spot	14,375	14,375	(14,395)	-	-	-
		<u>14,375</u>	<u>(14,395)</u>		<u>12,532</u>	<u>(12,020)</u>

The net carrying value of derivatives is included in other assets or other liabilities.

## 27. FINANCIAL COMMITMENTS AND CONTINGENCIES

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

Accrued allowance for impairment losses on letters of credit and guarantees amounted to RUR 8,024 thousand and RUR 1,935 thousand as at 31 December 2005 and 2004, respectively.

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

As at 31 December 2005 and 2004, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2005		31 December 2004	
	Nominal amount RUR'000	Risk weighted amount RUR'000	Nominal amount RUR'000	Risk weighted amount RUR'000
<b>Contingent liabilities and credit commitments</b>				
Guarantees issued and similar commitments	336,053	40,692	5,054	5,029
Letters of credit and other transaction related contingent obligations	43,185	21,593	41,623	20,812
Commitments on loans and unused credit lines	<u>650,079</u>	<u>226,539</u>	<u>691,346</u>	<u>291,392</u>
<b>Total contingent liabilities and credit commitments</b>	<u>1,029,317</u>	<u>288,824</u>	<u>738,023</u>	<u>317,233</u>

As at 31 December 2005, guarantees issued amounting to RUR 295,361 thousand were secured by Bank's own promissory notes. As at 31 December 2004, guarantees issued amounting to RUR 25 thousand were secured by customer's deposit.

**Capital commitments** – The Bank had capital commitments in respect of repairs of its existing offices and opening of new offices totalling RUR 35,124 thousand as at 31 December 2005. The Bank's Management has already allocated the necessary resources in respect of this commitment. The Bank's Management believes that future net revenues and funding will be sufficient to cover this and any similar such commitments.

**Operating lease commitments** – Where the Bank is the lessee, the future minimum lease payments under non cancellable operating leases are as follows:

	<b>31 December 2005 RUR'000</b>	<b>31 December 2004 RUR'000</b>
Not later than 1 year	46,371	22,291
Later than 1 year and not later than 5 years	165,048	-
Later than 5 years	2,569	-
	<hr/>	<hr/>
<b>Total operating lease commitments</b>	<b>213,988</b>	<b>22,291</b>
	<hr/> <hr/>	<hr/> <hr/>

**Fiduciary activities** – The Bank provides depository services to its customers. As at 31 December 2005 and 2004, the Bank had customer securities totalling 59,761,228 items and 59,761,230 items, respectively, in its nominal holder accounts.

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

**Taxes** – Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Bank's business activities was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Bank believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

**Pensions and retirement plans** – Employees receive pension benefits in accordance with the laws and regulations of the Russian Federation. As at 31 December 2005 and 2004, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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

## 28. TRANSACTIONS WITH RELATED PARTIES

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

- (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank. (This includes holding companies, subsidiaries and fellow subsidiaries);
- (b) Associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;

- (d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank (also non-executive directors and close members of the families of such individuals);
- (e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank;
- (f) Parties with joint control over the Bank;
- (g) Joint ventures in which the Bank is a venture; and
- (h) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party to the Bank.

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

	31 December 2005		31 December 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	RUR'000	RUR'000	RUR'000	RUR'000
Loans and advances to banks, gross		354,524		1,063,774
- the ultimate controlling party	12,415		2,251	
- enterprises that have a member of key management in common with the Bank	5,485		-	
Loans to customers, gross		6,736,300		4,672,070
- enterprises that have a member of key management in common with the Bank	173,660		-	
Securities purchased under agreements to resell		2,000,412		1,061,286
- enterprises that have a member of key management in common with the Bank	100,007		-	
Loans and advances from banks		3,199,781		2,711,077
- the ultimate controlling party	1,341,007		1,058,949	
- enterprise under common control with the Bank	126		-	
Customer accounts		1,513,496		754,944
- enterprises that have a member of key management in common with the Bank	24,712		34,538	
- key management personnel of the entity or its parent	2,810		-	
- participants	760		981	
Other liabilities		8,381		3,867
ultimate controlling party	82		-	

	31 December 2005		31 December 2004	
	RUR'000		RUR'000	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	RUR'000	RUR'000	RUR'000	RUR'000
<b>Staff costs:</b>		84,026		20,307
Short-term compensation of key management personnel	14,367		2,462	
	<b>14,367</b>	<b>84,026</b>	<b>2,462</b>	<b>20,307</b>

During the year ended 31 December 2004 the Bank received guarantee from related party amounting to RUR 38,245 thousand. The guarantee was received for the purpose of purchasing of equipment for further transfer to client under finance lease agreement.

Included in the profit and loss account for the years ended 31 December 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2005		Year ended 31 December 2004	
	RUR'000		RUR'000	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	RUR'000	RUR'000	RUR'000	RUR'000
Interest income		870,481		714,283
- ultimate controlling party	13,502		1,283	
- enterprises that have a member of key management in common with the Bank	1,849		8,054	
- enterprise under common control with the Bank	-		42	
Interest expense		427,195		300,827
- ultimate controlling party	57,837		26,462	
- key management personnel of the entity or its parent	27		-	
Commission income		105,148		122,307
- ultimate controlling party	3,448		1,778	
- enterprises that have a member of key management in common with the Bank	561		276	
- enterprise under common control with the Bank	-		8	
Commission expense		7,643		19,386
- ultimate controlling party	1,078		6,653	
- enterprises that have a member of key management in common with the Bank	30		79	
Operating expense		191,654		94,576
- key management personnel of the entity or its parent	14,367		2,462	
- enterprises that have a member of key management in common with the Bank	2,189		-	

## 29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. As no readily available published price quotations in an active market exists for a large part of the Bank’s financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

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

	31 December 2005		31 December 2004	
	Current value, RUR’000	Fair value, RUR’000	Current value, RUR’000	Fair value, RUR’000
Cash and balances with the Central Bank of the Russian Federation	406,976	406,976	436,957	436,957
Assets held-for-trading	1,429,239	1,429,239	1,340,853	1,340,853
Securities purchased under agreements to resell	2,000,412	2,000,412	1,061,286	1,061,286
Loans and advances to banks, less allowance for impairment losses	354,500	354,500	1,053,656	1,053,656
Loans and advances from banks	3,199,781	3,199,781	2,711,077	2,711,077
Customer accounts	1,513,496	1,513,496	754,944	754,944
Securities sold under agreements to repurchase	56,785	56,785	495,442	495,442
Debt securities issued	4,631,243	4,631,243	3,321,611	3,321,611

The fair value of loans to customers can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

## 30. RISK MANAGEMENT POLICIES

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

The Bank manages the following main types of risks:

### **Credit risk**

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

The Bank’s Credit Committee conducts monitoring and management of credit risk. All lending offers (approval of limits per borrower, any changes and amendments to loan agreements, etc.) are considered and reported on by the Bank’s risk manager prior to bringing them to consideration of the Credit Committee. Credit risk is monitored by the Department of credit risk analysis and control and the Department of transactions administration and recording.

## Liquidity and cash flow risks

Assets and Liabilities Committee (“ALCO”) exercises control over such risks through conducting maturity gap analysis and determines the Bank’s strategy for the next financial period. Current liquidity is managed by the Treasury Department, which conducts money market transactions designed to maintain current liquidity level and optimize cash flow.

## Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

Monitoring of price risk is carried out by Department of Control over market risk, operating risk and counterparty risk of financial institutions.

ALCO manages these risks by analyzing and forecasting market trends for trading instruments included in the Bank’s portfolio, evaluating possible losses from adverse market price fluctuations and setting limits on issuers, instruments and operations based on these data.

## Interest rate risk

ALCO performs management of such risk by aligning the Bank’s interest rate position, which allows the Bank to retain positive interest margin. The Financial monitoring department performs monitoring of the Bank’s current financial position and estimates the Bank’s susceptibility to fluctuation of interest rates and the impact of such fluctuations on profits.

Monitoring of interest rate risk is carried out by Department of Control over market risk, operating risk and counterparty risk of financial institutions.

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

	RUR	2005 USD	Other currencies	RUR	2004 USD	Other currencies
<b>ASSETS</b>						
Assets held-for-trading	11%	-	-	12%	-	-
Securities purchased under agreements to resell	7%	-	-	10%	6%	-
Loans to banks	4%	-	-	5%	-	-
Loans and advances to customers	15%	13%	11%	16%	14%	15%
<b>LIABILITIES</b>						
Deposits from banks	8%	7%	5%	5%	-	6%
Customer accounts	6%	8%	6%	-	6%	-
Securities sold under agreements to repurchase	8%	-	-	10%	-	-
Debt securities issued	10%	10%	-	12%	11%	-

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined	31 December 2005 Total RUR'000
<b>ASSETS</b>								
Assets held-for-trading	1,429,239	-	-	-	-	-	-	1,429,239
Loans and advances to banks, less allowance for impairment losses	28,004	-	-	-	-	-	-	28,004
Securities purchased under agreements to resell	1,799,791	-	200,621	-	-	-	-	2,000,412
Loans to customers, less allowance for impairment losses	11,650	302,769	593,899	5,313,594	64,767	166,659	-	6,453,338
Total interest bearing assets	3,268,684	302,769	794,520	5,313,594	64,767	166,659	-	9,910,993
Cash and balances with the Central Bank of the Russian Federation	269,506	-	-	-	-	-	137,470	406,976
Loans and advances to banks, less allowance for impairment losses	326,496	-	-	-	-	-	-	326,496
Fixed and intangible assets, less accumulated depreciation	-	-	-	-	-	-	31,279	31,279
Income tax assets	-	14,019	-	-	-	-	-	14,019
Other assets	1,130	20,913	68,933	-	-	-	-	90,976
<b>TOTAL ASSETS</b>	<b>3,865,816</b>	<b>337,701</b>	<b>863,453</b>	<b>5,313,594</b>	<b>64,767</b>	<b>166,659</b>	<b>168,749</b>	<b>10,780,739</b>
<b>LIABILITIES</b>								
Loans and advances from banks	1,534,830	302,309	1,144,515	-	-	-	-	2,981,654
Customer accounts	542,803	21,421	116,009	-	-	-	-	680,233
Securities sold under agreements to repurchase	56,785	-	-	-	-	-	-	56,785
Debt securities issued	15,758	346,326	466,228	3,802,931	-	-	-	4,631,243
Total interest bearing liabilities	2,150,176	670,056	1,726,752	3,802,931	-	-	-	8,349,915
Loans and advances from banks	218,127	-	-	-	-	-	-	218,127
Customer accounts	833,263	-	-	-	-	-	-	833,263
Income tax liabilities	-	55,281	-	-	-	-	-	55,281
Provisions	30	1,894	6,100	-	-	-	-	8,024
Other liabilities	5,522	2,859	-	-	-	-	-	8,381
<b>TOTAL LIABILITIES</b>	<b>3,207,118</b>	<b>730,090</b>	<b>1,732,852</b>	<b>3,802,931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,472,991</b>
Liquidity gap	658,698	(392,389)	(869,399)	1,510,663	64,767	-	-	-
Interest sensitivity gap	1,118,508	(367,287)	(932,232)	1,510,663	64,767	-	-	-
Cumulative interest sensitivity gap	1,118,508	751,221	(181,011)	1,329,652	1,394,419	-	-	-
Cumulative interest sensitivity gap as a percentage of total assets	10%	7%	(2%)	12%	13%	-	-	-

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined	31 December 2004 Total RUR'000
<b>ASSETS</b>								
Assets held-for-trading	1,328,833	-	-	-	-	-	-	1,328,833
Loans and advances to banks, less allowance for impairment losses	40,057	41,996	-	-	-	-	-	82,053
Securities purchased under agreements to resell	1,061,286	-	-	-	-	-	-	1,061,286
Loans to customers, less allowance for impairment losses	83,174	319,145	1,371,954	2,525,136	185,854	-	-	4,485,263
Total interest bearing assets	2,513,350	361,141	1,371,954	2,525,136	185,854	-	-	6,957,435
Cash and balances with the Central Bank of the Russian Federation	269,272	-	-	-	-	-	167,685	436,957
Loans and advances to banks, less allowance for impairment losses	971,603	-	-	-	-	-	-	971,603
Assets held-for-trading	12,020	-	-	-	-	-	-	12,020
Fixed and intangible assets, less accumulated depreciation	-	-	-	-	-	-	23,797	23,797
Other assets	4,265	1,253	935	-	-	-	-	6,453
<b>TOTAL ASSETS</b>	<b>3,770,510</b>	<b>362,394</b>	<b>1,372,889</b>	<b>2,525,136</b>	<b>185,854</b>	<b>-</b>	<b>191,482</b>	<b>8,408,265</b>
<b>LIABILITIES</b>								
Loans and advances from banks	997,963	637,235	596,597	-	-	-	-	2,231,795
Customer accounts	80,074	-	5,883	-	-	-	-	85,957
Securities sold under agreements to repurchase	495,442	-	-	-	-	-	-	495,442
Debt securities issued	526,805	187,733	904,877	1,702,196	-	-	-	3,321,611
Total interest bearing liabilities	2,100,284	824,968	1,507,357	1,702,196	-	-	-	6,134,805
Loans and advances from banks	479,282	-	-	-	-	-	-	479,282
Customer accounts	668,987	-	-	-	-	-	-	668,987
Income tax liabilities	-	53,629	-	-	-	-	-	53,629
Provisions	-	36	1,899	-	-	-	-	1,935
Other liabilities	3,380	487	-	-	-	-	-	3,867
<b>TOTAL LIABILITIES</b>	<b>3,251,933</b>	<b>879,120</b>	<b>1,509,256</b>	<b>1,702,196</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,342,505</b>
Liquidity gap	518,577	(516,726)	(136,367)	822,940	185,854			
Interest sensitivity gap	413,066	(463,827)	(135,403)	822,940	185,854			
Cumulative interest sensitivity gap	413,066	(50,761)	(186,164)	636,776	822,630			
Cumulative interest sensitivity gap as a percentage of total assets	5%	(1%)	(2%)	8%	10%			

## Currency risk

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

ALCO monitors foreign exchange risk by managing open currency position based on estimates of Russian Rouble devaluation and other macroeconomic indicators which allows the Bank to minimize losses from significant fluctuations in exchange rate of the national and foreign currencies. The Treasury Department monitors open currency position on a daily basis to conform to the ratios established by ALCO and the CBR.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	<b>RUR</b>	<b>USD</b> USD 1 = RUR 28.7900	<b>EUR</b> EUR 1 = RUR 34.1737	<b>Other currency</b>	<b>31 December 2005 Total RUR'000</b>
<b>ASSETS</b>					
Cash and balances with the Central Bank of the Russian Federation	383,566	16,770	4,053	2,587	406,976
Assets held-for-trading	1,429,239	-	-	-	1,429,239
Loans and advances to banks, less allowance for impairment losses	254,632	92,425	1,102	6,341	354,500
Securities purchased under agreements to resell	2,000,412	-	-	-	2,000,412
Loans to customers, less allowance for impairment losses	1,131,857	5,296,624	24,857	-	6,453,338
Fixed and intangible assets, less accumulated depreciation	31,279	-	-	-	31,279
Income tax assets	14,019	-	-	-	14,019
Other assets	88,531	1,565	674	206	90,976
<b>TOTAL ASSETS</b>	<b>5,333,535</b>	<b>5,407,384</b>	<b>30,686</b>	<b>9,134</b>	<b>10,780,739</b>
<b>LIABILITIES</b>					
Loans and advances from banks	1,136,777	2,022,298	40,642	64	3,199,781
Customer accounts	1,267,246	236,967	3,134	6,149	1,513,496
Securities sold under agreements to repurchase	56,785	-	-	-	56,785
Debt securities issued	1,107,423	3,523,820	-	-	4,631,243
Income tax liabilities	55,281	-	-	-	55,281
Provisions	431	3,492	4,101	-	8,024
Other liabilities	8,061	320	-	-	8,381
<b>TOTAL LIABILITIES</b>	<b>3,632,004</b>	<b>5,786,897</b>	<b>47,877</b>	<b>6,213</b>	<b>9,472,991</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>1,701,531</b>	<b>(379,513)</b>	<b>(17,191)</b>	<b>2,921</b>	

### Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2005:

	<b>RUR</b>	<b>USD</b> USD 1 = RUR 28.7900	<b>EUR</b> EUR 1 = RUR 34.1737	<b>Other currency</b>	<b>31 December 2005 Total RUR'000</b>
Accounts payable on spot and derivative contracts	-	(14,395)	-	-	(14,395)
Accounts receivable on spot and derivative contracts	14,375	-	-	-	14,375
<b>NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION</b>	<b>14,375</b>	<b>(14,395)</b>	<b>-</b>	<b>-</b>	<b>(20)</b>
<b>TOTAL OPEN POSITION</b>	<b>1,715,906</b>	<b>(393,908)</b>	<b>(17,191)</b>	<b>2,921</b>	

	<b>RUR</b>	<b>USD</b> USD 1 = RUR 27.7487	<b>EUR</b> EUR 1 = RUR 37.8104	<b>Other currency</b>	<b>31 December 2004 Total RUR'000</b>
<b>ASSETS</b>					
Cash and balances with the Central Bank of the Russian Federation	431,027	4,424	-	1,506	436,957
Assets held-for-trading	1,340,853	-	-	-	1,340,853
Loans and advances to banks, less allowance for impairment losses	28,379	1,022,521	2,439	317	1,053,656
Securities purchased under agreements to resell	1,029,132	32,154	-	-	1,061,286
Loans to customers, less allowance for impairment losses	275,344	4,133,835	76,084	-	4,485,263
Fixed and intangible assets, less accumulated depreciation	23,797	-	-	-	23,797
Other assets	5,860	593	-	-	6,453
<b>TOTAL ASSETS</b>	<b>3,134,392</b>	<b>5,193,527</b>	<b>78,523</b>	<b>1,823</b>	<b>8,408,265</b>
<b>LIABILITIES</b>					
Loans and advances from banks	480,140	2,154,059	76,876	2	2,711,077
Customer accounts	398,529	356,382	33	-	754,944
Securities sold under agreements to repurchase	495,442	-	-	-	495,442
Debt securities issued	355,964	2,965,647	-	-	3,321,611
Income tax liabilities	53,629	-	-	-	53,629
Provisions	8	1,927	-	-	1,935
Other liabilities	3,355	512	-	-	3,867
<b>TOTAL LIABILITIES</b>	<b>1,787,067</b>	<b>5,478,527</b>	<b>76,909</b>	<b>2</b>	<b>7,342,505</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>1,347,325</b>	<b>(285,000)</b>	<b>1,614</b>	<b>1,821</b>	

### Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2004:

	<b>RUR</b>	<b>USD</b> USD 1 = RUR 27.7487	<b>EUR</b> EUR 1 = RUR 37.8104	<b>Other currency</b>	<b>31 December 2004 Total RUR'000</b>
Accounts payable on spot and derivative contracts	(12,020)	-	-	-	(12,020)
Accounts receivable on spot and derivative contracts	-	12,532	-	-	12,532
<b>NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION</b>	<b>(12,020)</b>	<b>12,532</b>	<b>-</b>	<b>-</b>	<b>512</b>
<b>TOTAL OPEN POSITION</b>	<b>1,335,305</b>	<b>(272,468)</b>	<b>1,614</b>	<b>1,821</b>	

## Geographical concentration

Credit Committee and Assets and Liabilities Committee monitor country risk, including risks related to changes in legislation and regulatory documents and their impact on the Bank's activities. This approach allows the Bank to minimize possible losses from the impairment of the investment climate in the Russian Federation. Currently the Bank's Credit Committee is approving country limits for Kazakhstan and Kyrgyzstan.

The geographical concentration of assets and liabilities is set out below:

	<b>Russia</b>	<b>Other CIS countries</b>	<b>OECD countries</b>	<b>Non-OECD countries</b>	<b>31 December 2005 Total RUR'000</b>
<b>ASSETS</b>					
Cash and balances with the Central Bank of the Russian Federation	406,976	-	-	-	406,976
Assets held-for-trading	1,429,239	-	-	-	1,429,239
Loans and advances to banks, less allowance for impairment losses	258,209	12,415	82,775	1,101	354,500
Securities purchased under agreements to resell	2,000,412	-	-	-	2,000,412
Loans to customers, less allowance for impairment losses	6,434,008	19,330	-	-	6,453,338
Fixed and intangible assets, less accumulated depreciation	31,279	-	-	-	31,279
Current income tax assets	14,019	-	-	-	14,019
Other assets	88,530	-	2,446	-	90,976
<b>TOTAL ASSETS</b>	<b>10,662,672</b>	<b>31,745</b>	<b>85,221</b>	<b>1,101</b>	<b>10,780,739</b>
<b>LIABILITIES</b>					
Loans and advances from banks	1,567,149	1,632,632	-	-	3,199,781
Customer accounts	1,383,386	8,474	-	121,636	1,513,496
Securities sold under agreements to repurchase	56,785	-	-	-	56,785
Debt securities issued	4,319,559	-	-	311,684	4,631,243
Income tax liabilities	55,281	-	-	-	55,281
Provisions	4,532	-	-	3,492	8,024
Other liabilities	8,299	82	-	-	8,381
<b>TOTAL LIABILITIES</b>	<b>7,394,991</b>	<b>1,641,188</b>	<b>-</b>	<b>436,812</b>	<b>9,472,991</b>
<b>NET POSITION</b>	<b>3,267,681</b>	<b>(1,609,443)</b>	<b>85,221</b>	<b>(435,711)</b>	

	<b>Russia</b>	<b>Other CIS countries</b>	<b>OECD countries</b>	<b>Non-OECD countries</b>	<b>31 December 2004 Total RUR'000</b>
<b>ASSETS</b>					
Cash and balances with the Central Bank of the Russian Federation	436,957	-	-	-	436,957
Assets held-for-trading	1,340,853	-	-	-	1,340,853
Loans and advances to banks, less allowance for impairment losses	494,678	2,144	556,834	-	1,053,656
Securities purchased under agreements to resell	1,029,132	-	-	32,154	1,061,286
Loans to customers, less allowance for impairment losses	4,481,622	2,281	955	405	4,485,263
Fixed and intangible assets, less accumulated depreciation	23,797	-	-	-	23,797
Other assets	6,453	-	-	-	6,453
<b>TOTAL ASSETS</b>	<b>7,813,492</b>	<b>4,425</b>	<b>557,789</b>	<b>32,559</b>	<b>8,408,265</b>
<b>LIABILITIES</b>					
Loans and advances from banks	1,232,616	1,478,461	-	-	2,711,077
Customer accounts	637,307	12,166	3,241	102,230	754,944
Securities sold under agreements to repurchase	495,442	-	-	-	495,442
Debt securities issued	3,262,057	-	-	59,554	3,321,611
Income tax liabilities	53,629	-	-	-	53,629
Provisions	131	-	-	1,804	1,935
Other liabilities	3,793	74	-	-	3,867
<b>TOTAL LIABILITIES</b>	<b>5,684,975</b>	<b>1,490,701</b>	<b>3,241</b>	<b>163,588</b>	<b>7,342,505</b>
<b>NET POSITION</b>	<b>2,128,517</b>	<b>(1,486,276)</b>	<b>554,548</b>	<b>(131,029)</b>	