URSA Bank

Interim Consolidated
Financial Statements
as at March 31, 2008
and for the 1 Quarter of 2008

Contents

	Notes	March 31, 2008 RUB'000	March 31, 2007 RUB'000
Interest income	4	6 676 754	3 981 715
Interest expense	4	(2 994 297)	(1 947 444)
Net interest income		**3 682 457**	**2 034 271**
Fee and commission income	5	562 319	475 936
Fee and commission expense	6	(102 456)	(50 647)
Net fee and commission income		**459 863**	**425 289**
Net gain/(loss) on financial instruments at fair value through profit and loss		59 211	25 801
Net foreign exchange (loss)/income		625 343	56 240
Other operating income	7	183 961	87 154
		5 010 835	**2 628 75**
Impairment losses	8	669 338	(431 762)
Operating expenses	9	(856 945)	(515 177)
Portfolio sale losses		(1 565 320)	-
Staff costs		(991 506)	(910 892)
Income before taxation		**2 266 402**	**770 924**
Income tax expense	10	(658 404)	(177 457)
Net income		**1 607 998**	**593 467**

K.V. Brel
General Director

V.N. Khokhlov
First Deputy General Director

The notes set out on pages 8 to 75 form an integral part of these consolidated financial statements.

	Notes	March 31, 2008 RUB'000	2007 RUB'000
Assets			
Cash and cash equivalents	11	13 098 183	5 770 143
Mandatory cash balances with the Central Bank of the Russian Federation		2 224 801	1 561 664
Deposits and balances with banks and other financial institutions	12	7 449 088	14 638 266
Financial instruments at fair value through profit or loss	13	6 975 599	5 807 675
Loans to customers	14	136 120 914	127 000 340
Financial instruments available-for-sale	15	535	110 521
Property and equipment	16	3 904 040	3 672 629
Other assets	17	1 038 396	775 666
Goodwill	18	6 494 241	6 494 241
Total assets		**177 305 797**	**165 831 145**
Liabilities			
Financial instruments at fair value through profit or loss	13	1 220 301	707 146
Deposits and balances from banks and other financial institutions	19	23 952 999	19 304 877
Current accounts and deposits from customers	20	57 069 059	53 932 761
Debt securities in issue	21	58 705 546	57 373 111
Subordinated debt	22	5 065 551	5 189 328
Other liabilities	23	860 071	527 606
Deferred tax liability	24	111 639	83 683
Total liabilities		**146 985 166**	**137 118 512**
Shareholders' equity			
Share capital	25	1 629 083	1 629 083
Share premium		21 439 785	21 439 785
Retained earnings		7 251 763	5 643 765
Total shareholders' equity		**30 320 631**	**28 712 633**
Total liabilities and shareholders' equity		**177 305 797**	**165 831 145**
Commitments	29-30		
Contingencies	31		

The notes set out on pages 8 to 75 form an integral part of these consolidated financial statements.

	Notes	March 31, 2008 RUB'000	2007 RUB'000 (restated)
Cash flows from operating activities			
Interest received		6 677 607	20 353 798
Interest paid		(2 327 743)	(8 397 656)
Net realized loss from financial instruments at fair value through profit or loss		(37 729)	(212 719)
Net realized loss from foreign exchange		505 183	(1 135 337)
Fees and commissions received		562 319	2 537 873
Fees and commissions paid		(102 456)	(348 701)
Other operating income received		183 961	476 480
Staff costs paid		(991 506)	(3 590 389)
Operating expenses paid		(755 820)	(2 888 024)
Portfolio sale losses		(1 565 320)	-
Income tax paid		(414 105)	(954 492)
Cash flows from operating activities before changes in operating assets and liabilities		**1 734 391**	**5 840 833**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(663 137)	(466 549)
Net (decrease)/increase in placements with banks and other financial institutions		7 535 219	(1 304 439)
Net (decrease) in financials instruments at fair value through profit or loss		160 895	7 214 872
Net increase in loans to customers		(7 569 715)	(61 672 921)
Net (decrease)/increase in financial instruments available-for-sale		109 986	(110 521)
Net increase in other assets		(355 243)	(175 503)
Net increase in deposits and balances from banks and other financial institutions		2 749 475	2 207 905
Net increase in current accounts and deposits from customers		2 976 737	17 370 701
Net (decrease)/increase in Promissory Notes and Deposit Certificates		241 452	(176 155)
Net increase in other liabilities		114 166	268 282
Net cash used in operating activities		**7 034 226**	**(31 003 495)**
Cash flows from investing activities			
Purchases of property and equipment	16	(340 625)	(1 765 376)
Proceeds from disposal of property and equipment		8 089	10 054
Proceeds / (purchases) from sale / acquisition of subsidiary		70 084	(162)
Net cash (used in)/from investing activities		**(262 452)**	**(1 755 484)**
Cash flows from financing activities			
Proceeds from issuance of share capital	25	-	10 137 448
Dividends paid	25	(75)	(178 337)
Proceeds from issue of debt securities		-	20 745 411
Net cash from financing activities		**(75)**	**30 704 522**
Effect of exchange rate changes on cash and cash equivalents		556 341	(56 045)
Net (decrease)/increase in cash and cash equivalents		7 328 040	(2 110 502)
Cash and cash equivalents at the beginning of the year	11	5 770 143	7 880 645
Cash and cash equivalents at the end of the year	11	**13 098 183**	**5 770 143**

Changes in the comparative information are disclosed in Note 3 of the *Comparative Information* section

	Share capital	Share premium	Retained earnings	Total Shareholders' equity
	RUB'000	RUB'000	RUB'000	RUB'000
Balance at 1 January 2007	**1 434 920**	**11 496 500**	**2 051 789**	**14 983 209**
Net income for the year	-	-	3 770 535	3 770 535
Shares issued	194 163	9 943 285	-	10 137 448
Dividends declared on preference shares	-	-	(178 559)	(178 559)
Balance at 31 December 2007	**1 629 083**	**21 439 785**	**5 643 765**	**28 712 633**
Net income for the reporting period	-	-	1 607 998	1 607 998
Balance at 31 March 2008	**1 629 083**	**21 439 785**	**7 251 763**	**30 320 631**

The notes set out on pages 8 to 75 form an integral part of these consolidated financial statements.

1 Principal Activities

These interim consolidated financial statements include the financial statements of Open Joint-Stock Company URSA Bank (the "Bank") (formerly Open Joint-Stock Company Sibacadembank) and its subsidiaries (together referred to as the "Group").

URSA Bank was created as a result of the combination of Joint Stock Company Sibacadembank ("Sibacadembank") and Joint Stock Company Uralvneshtorgbank ("UVTB"). On December 22, 2006, the Bank was granted its general banking license No. 323.

The activities of the Bank are regulated by the Central Bank of the Russian Federation (the "CBR").

The Group's principal business activity is commercial and retail banking operations within the Russian Federation. The Group is headquartered in Novosibirsk and has a network of branches in the Ural and Siberian Federal Districts. The Group has 18 regional headquarters and 229 branches, 3 representative offices and 7 888 employees as of 31 March 2008 (2007: 8 229 employees).

The Bank's registered office is: 18 Lenina Street, Novosibirsk, 630004, Russian Federation.

The main subsidiaries of the Group are as follows:

Name	Country of Incorporation	Main Activity	% Owned as at 31 March 2008	% Owned as at 31 December 2007
ZS ZHASO	Russian Federation	Insurance	-	57,8%
Stroyfinance DV	Russian Federation	Construction	100%	100%
URSA Finance Plc	Ireland	Investment	-	-
URSA Mortgage Finance S.A.	Luxemburg	Investment	-	-

The financial statements of Stroyfinance DV have not been consolidated into those of the Group, as the effect on the Group's consolidated financial statements would not be material.

URSA Finance Plc and URSA Mortgage Finance S.A. are special purpose entities established to facilitate the issue of loan participation notes by the Group and to facilitate the securitization of assets. The entities are not owned by the Group, control arises through the predetermination of the entities' activities.

Russian Business Environment

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

2 Basis of Preparation

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"). Management has determined the Group's functional currency to be the RUB as it reflects the economic substance of the underlying events and circumstances of the Group. The RUB is also the presentation currency for the purposes of these interim consolidated financial statements.

All financial information presented in RUB has been rounded to the nearest thousand.

Use of estimates and judgments

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these interim consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following Notes:

Loan impairment estimates and judgments - Note 14

Goodwill – Note 18

3 Significant Accounting Policies

The following significant accounting policies have been applied in the preparation of these interim consolidated financial statements. The accounting policies have been consistently applied by the Group. Historical changes in accounting policies are described below.

Basis of consolidation

Subsidiaries

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

Special purpose entities

The Group has established a number of special purpose entities (SPE's) for securities trading and issuing purposes. The Group does not have any direct or indirect shareholdings in these entities. However, the SPE's are established under terms that impose strict limits on the decision-making powers of the SPE's management over the operations of the SPE. In addition, the benefits related to their operations and net assets are presently attributable to the Group via a number of agreements.

Acquisitions and disposals of minority interests

A difference between the consideration paid to acquire a minority interest, and the carrying amount of that minority interest, is recognised as goodwill.

Any difference between the consideration received upon disposal of a minority interest, and the carrying amount of that portion of the Group's interest in the subsidiary including attributable goodwill, is recognised in the consolidated income statement.

Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the Group's investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognised immediately in the consolidated income statement.

Minority interest

Minority interest is that part of the profit or loss and net assets of a subsidiary attributable to interests, which are not owned, directly or indirectly, through subsidiaries, by the parent company.

Minority interest is presented in the consolidated balance sheet within equity, separately from the equity attributable to equity holders of the parent company. Minority interest in the profit or loss of the Group is separately disclosed in the consolidated income statement.

Foreign currency transactions

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

Inflation accounting

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

Cash and cash equivalents

Cash and cash equivalents are items, which can be converted into cash within a day. All short-term interbank placements, excluding 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.

Financial instruments

Classification

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

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

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,

- upon initial recognition, designated by the Group as at fair value through profit or loss.

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

- the assets or liabilities are managed and evaluated on a fair value basis;

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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

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

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

- the Group intends to sell immediately or in the near term;

- the Group upon initial recognition designates as at fair value through profit or loss;

- the Group upon initial recognition designates as available-for-sale; or

- the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

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

- the Group upon initial recognition designates as at fair value through profit or loss;

- the Group designates as available-for-sale; or

- meet the definition of loans and receivables.

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

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

Recognition

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

Measurement

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

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

- loans and receivables which are measured at amortized cost using the effective interest rate method;

- held-to-maturity investments which are measured at amortized cost using the effective interest rate method; and

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

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

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

Fair value measurement principles

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

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

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

Gains and losses on subsequent measurement

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

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the consolidated income statement;

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

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

Derecognition

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

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

Repurchase and reverse repurchase agreements

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

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

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

Securitisation

For securitised financial assets, the Group considers both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Group over the other entity.

When the Group, in substance, controls the entity to which financial assets have been transferred, the entity is included in the consolidated financial statements and the transferred assets are recognised in the Group's consolidated balance sheet.

When the Group has transferred financial assets to another entity, but has retained substantially all the risks and rewards relating to the transferred assets, the transferred assets are recognised in the Group's consolidated balance sheet.

When the Group transfers substantially all the risks and rewards relating to the transferred assets to an entity that it does not control, the assets are derecognised from the Group's consolidated balance sheet.

If the Group neither transfers nor retains substantially all the risks and rewards relating to the transferred assets, the assets are derecognized if the Group has not retained control over the assets.

Derivative financial instruments

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the consolidated income statement

Derivatives may be embedded in another contractual arrangement (a "host contract"). An embedded derivative is separated from the host contract and it is accounted in the consolidated financial statements as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in the consolidated income statement. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Offsetting

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

Property and equipment

Owned assets

Items of property and equipment are stated in the consolidated financial statements at cost less accumulated depreciation and impairment losses.

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

Leased assets

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

Depreciation

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows.

Buildings	50 years
Equipment	3 to 5 years

Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses in the consolidated financial statements.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows.

Software	3 to 5 years

Impairment

Financial assets carried at amortized cost

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

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

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

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

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

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

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

Financial assets carried at cost

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

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

Non financial assets

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

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

Provisions

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

Credit related commitments

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

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

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

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

Share capital

Preference share capital

Preference share capital that is non-redeemable is classified as equity.

Repurchase of share capital

When share capital recognised as equity is repurchased by the Group, the amount of the consideration paid, including directly attributable costs is recognised as a decrease in equity in the consolidated financial statements.

Dividends

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

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

Taxation

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

Income and expense recognition in the consolidated financial statements

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

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

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

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

Dividend income is recognised in the consolidated income statement on the date that the dividend is declared.

Provision of comparative information

Certain comparative information has been reclassified to conform to changes in presentation in the interim consolidated financial statements for the current reporting period.

Income and expenses on sale and repurchase agreements were presented in *Net income/(loss) on securities trading* of the interim consolidated financial statements for the 1st quarter of 2007. These balances (net amount of RUR (28,926) thousand) have been included within interest income and expense in these interim consolidated financial statements.

Income and expenses on revaluation of securities and income reclassification net of expenses on securities were presented in *Interest income on operations with financial instruments at fair value through profit or loss* of the interim consolidated financial statements for the 1st quarter of 2007. These balances (net amount of RUR (9,151) and 63,858 thousand, respectively) have been included in *Net income/(loss) on operations with financial instruments at fair value through profit or loss* of these interim consolidated financial statements.

Other insignificant amounts of changes in the comparative information are related to reclassification of expenses written-off and incurred upon acquisition of securities (RUB 20 thousand) and transition to property and equipment accounting method by historical cost (RUB 57 thousand).

New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at March 31, 2008, and have not been applied in preparing these interim consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial statements.

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

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

4 Interest Income and Interest Expense

	March 31, 2008 RUB'000	March 31, 2007 RUB'000
Interest income		
Loans to customers	6 322 963	3 560 221
Financial instruments at fair value through profit or loss	260 527	314 876
Placements with banks and other financial institutions	93 264	106 618
	6 676 754	**3 981 715**
Interest expense		
Debt securities in issue	(1 353 727)	(636 627)
Current deposits and balances from customers	(1 172 589)	(931 906)
Placements from banks and other financial institutions	(316 795)	(209 820)
Subordinated debt	(151 186)	(169 092)
	(2 994 297)	**(1 947 444)**
Net interest income	**3 682 457**	**2 034 271**

5 Fee and Commission Income

	March 31, 2008 RUB'000	March 31, 2007 RUB'000
Commission on cash transactions	315 575	206 324
Commission on settlement transactions	144 561	186 211
Credit card maintenance fees	20 345	24 576
Guarantee and letter of credit issuance fees	40 667	25 784
Other	41 171	33 041
	562 319	**475 936**

6 Fee and Commission Expense

	March 31, 2008 RUB'000	March 31, 2007 RUB'000
Commission on settlement transactions	(69 006)	(42 711)
Fees for international rating	(15 261)	(1 116)
Servicing fees on purchased loans	(13)	(1 819)
Commission on cash transactions	(5 408)	(512)
Commission for plastic cards services	(2 822)	(3 610)
Other	(9 946)	(879)
	(102 456)	**(50 647)**

7 Other Operating Income

	March 31, 2008 RUB'000	March 31, 2007 RUB'000
Penalties	157 366	67 810
Property rent	7 640	10 962
Income received for processing of documents	-	4 827
Other income	18 955	3 555
	183 961	**87 154**

8 Provision for Impairment

	March 31, 2008 RUB'000	March 31, 2007 RUB'000
Provisioning for impairment		
Loans to customers	-	431 762
Other assets	19 967	-
Recovery of provision for impairment		
Loans to customers	(689 305)	-
Net provision for impairment	**(669 338)**	**431 762**

9 Operating Expenses

	March 31, 2008 RUB'000	March 31, 2007 RUB'000
Rent	181 185	121 271
Advertising and marketing	49 697	24 574
Depreciation	101 125	61 085
Professional services	79 888	49 702
Repairs and maintenance	42 286	15 116
Expenses on bank deposit insurance	93 577	36 621
Office supplies	17 484	21 263
Travel expences	22 812	20 574
Security	42 116	24 961
Information and telecommunication	5 393	12 829
Taxes other than on income	24 543	2 787
Charity	484	-
Other	196 355	124 394
	856 945	**515 177**

10 Income Tax Expense

	March 31, 2008 RUB'000	March 31, 2007 RUB'000
Current income tax		
Current period	630 448	559 945
Deferred income tax expense		
Origination and reversal of temporary differences	27 956	(109 856)
Total income tax expense in the income statement	**658 404**	**450 089**

Current and deferred income tax rate is 24% (2007: 24%).

Reconciliation of effective income tax rate :

	March 31, 2008	%	March 31, 2007	%
Income before tax	2 266 402		1 914 583	
Income tax expense using the effective income tax rate	543 937	24%	459 500	24%
Effect of non-deductible expenses	20 933	1%	13 734	1%
Effect of lower tax rates	(4 142)	0%	(21 132)	(1%)
Income tax in respect of previous periods	87 245	4%	-	-
Other	10 431	0%	(2 013)	0%
	658 404	**29%**	**450 089**	**24%**

11 Cash and Cash Equivalents

Cash and cash equivalents at the end of the accounting period as shown in the consolidated statement of cash flows amounted to:

	March 31, 2008 RUB'000	2007 RUB'000
Cash on hand	2 527 820	3 681 150
Correspondent accounts and overnight deposits with other banks	10 043 856	1 248 321
Cash balances with the CBRF (other than mandatory reserve deposits)	526 507	840 672
	13 098 183	**5 770 143**

As of March 31, 2008, the Group had no counterparties (December 31, 2006: two), whose individual balances on correspondent accounts and overnight deposits exceeded more than 10% of cash and cash equivalents aggregate amount. The total amount of these balances as at December 31, 2006 was RUB 2 517 175 thousand.

Currency analysis of cash and cash equivalents is detailed in Note 27. Information on related party balances is disclosed in Note 33.

12 Placements with Banks and Other Financial Institutions

	March 31, 2008 RUB'000	2007 RUB'000
Current interbank loans and deposits		
OECD banks	336 885	5 253 913
Russian subsidiaries of OECD banks	-	4 501 751
Largest 30 Russian banks	1 040 889	3 401 151
Other Russian banks	3 688 691	1 433 945
Other foreign banks	7 760	-
Total current interbank loans and deposits not impaired	**5 074 225**	**14 590 760**
Reverse sale and repurchase agreements		
OECD banks	-	47 506
Largest 30 Russian banks	1 084 470	-
Other Russian banks	1 290 393	-
Total reverse sale and repurchase agreements not impaired	**2 374 863**	**47 506**
Total placements with banks and other financial institutions	**7 449 088**	**14 638 266**

Collateral

As of March 31, 2008 amounts receivable under reverse repurchase agreements were collateralised by the following:

	March 31, 2008 RUB'000	2007 RUB'000
Corporate bonds		
Lukoil 2017 (LPN)	-	47 064
Equity instruments		
Uralsvyazinform	831 665	-
Surgutneftegaz (ordinary shares)	575 757	-
Gasprom	359 141	-
Surgutneftegaz (preference shares)	218 810	-
Tatneft	188 418	-
Center Telecom	170 589	-
AC Sberbank RF	150 306	-
Rostelecom	139 898	-
AIZK	133 332	-
Other	188 720	-
Total collateral	**2 956 637**	**47 064**

Concentration of placements with banks and other financial institutions

As at March 31, 2008, the Group had three (December 31, 2007: four) counterparty banks, whose individual balances exceeded more than 10% of due from banks and other financial institutions aggregate amount. The total amount of these balances as at March 31, 2008 was RUB 4 301 721 (December 31, 2007: RUR 12 398 837 thousand).

13 Financial Instruments at Fair Value through Profit or Loss

	March 31, 2008 RUB'000	2007 RUB'000
Assets		
Held by the Group		
Debt and other fixed-income instruments		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	1 027 364	1 044 540
Moscow Government bonds	529 002	218 978
Moscow Region Government bonds	-	324 812
Ministry of Finance of Samara bonds	-	387 630
Other regional authorities and municipal bonds	157 728	170 978
Total government and municipal bonds	**1 714 094**	**2 146 938**
Corporate bonds		
FSK ES bonds	645 317	437 595
Mosobltrastinvest bonds	300 750	356 639
Stroytransgaz bonds	-	213 857
ALPI Invest bonds	81 447	204 171
Lukoil bonds	305 276	-
TOAP Finances bonds	111 345	-
Russian Railways bonds	263 703	-
Other	632 970	1 205 064
Total corporate bonds	**2 340 808**	**2 417 326**
Equity investments		
OOO “Hyper City”	203 393	203 393
ZAO “Region Mart”	104 642	104 642
ZAO “Zavod PSK”	113 261	113 261
OOO AMIC CASH AND CARRY	87 450	-
Total equity investments	**508 746**	**421 296**
Derivative financial instruments		
Foreign currency contracts	1 030 741	325 495
SWAPs	1 278 850	496 620
Total derivative financial instruments	**2 309 591**	**822 115**
Total Held by the Group	**6 873 239**	**5 807 675**
Pledged under sale and repurchase agreements		
Corporate bonds		
FSK ES bonds	51 102	-
Russian Railways bonds	51 258	-
Total pledged under sale and repurchase agreements	**102 360**	**-**
Total financial instruments at fair value through profit or loss	**6 975 599**	**5 807 675**

Liabilities

	March 31, 2008 RUB'000	2007 RUB'000
Derivative financial instruments		
Foreign currency contracts	662 822	348 807
SWAPs	551 883	358 339
Forward transactions	5 596	-
	1 220 301	**707 146**

Included in financial instruments at fair value through profit or loss are unquoted debt and equity securities.

	March 31, 2008 RUB'000	2007 RUB'000
Debt and other fixed-income instruments		
Promissory notes	-	-
Equity investments		
Corporate shares	508 746	421 296
	508 746	**421 296**

Included in financial assets at fair value through profit or loss at March 31, 2007 are RUB 4 157 262 thousand in financial assets which are classified as held for trading and RUB 2 818 337 thousand in financial assets which were, upon initial recognition, designated by the entity as financial assets at fair value through profit or loss (December 31, 2007: RUB 4 564 264 thousand and RUB 1 243 411 thousand, respectively).

Foreign Exchange Contracts

The table below summarises, by major currency, the contractual amounts of the Group's foreign exchange contracts outstanding as at March 31, 2008 with details of the average contracted exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the balance sheet date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, have been recognised in the consolidated income statement and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contracted exchange rates	
	March 31, 2008	**December 31, 2007**	**March 31, 2008**	**December 31, 2007**
Forward contracts				
Buy USD sell RUB				
Less than one month	1 606 115	6 014 310	24,83	24,63
Between one and three months	2 523 929	1 971 796	24,67	25,43
Between three and six months	720 283	4 114 680	25,93	24,80
Between six months and one year	21 870	767 314	25,82	25,92
Between one year and three years	4 529 105	2 476 712	25,71	26,05
More than three years	940 624	981 848	28,25	28,25
Total buy USD sell RUB	**10 341 926**	**16 326 660**	**25,56**	**25,26**
Buy RUB sell USD				
Less than one month	687 954	3 715 808	23,66	24,71
Between one and three months	190 629	1 804 303	26,01	25,66
Between three and six months	15 874	197 839	26,07	26,00
Between six months and one year	23 110	31 760	26,00	26,08
Between one year and three years	15 052	22 276	25,95	25,90
Total Buy RUB sell USD	**932 619**	**5 771 986**	**24,28**	**25,06**
Buy EUR sell USD				

	Notional amount		Weighted average contracted exchange rates	
	March 31, 2008	**December 31, 2007**	**March 31, 2008**	**December 31, 2007**
Less than one month	144 564	357 535	1,58	1,46
Total Buy EUR sell USD	**144 564**	**357 535**	**1,58**	**1,46**
Buy CHF sell USD				
Less than one month	18 888	8 715	1,00	1,13
Total buy CHF sell USD	**18 888**	**8 715**	**1,00**	**1,13**
Buy HUF sell USD				
Between three and six months	39 029	-	166,65	-
Total buy HUF sell USD	**39 029**	**-**	**166,65**	**-**
Buy EUR sell RUB				
Less than one month	2 613 266	1 979 919	35,12	35,95
Between one and three months	3 632 625	538 998	35,35	35,02
Between three and six months	14 271 026	5 318 114	35,56	35,02
Between six months and one year	-	13 295 284	-	35,54
Total buy EUR sell RUB	**20 516 917**	**21 132 315**	**35,47**	**35,43**
Buy RUB sell EUR				
Less than one month	1 042 800	722 387	34,76	35,94
Between one and three months	3 169 300	-	35,23	-
Between three and six months	-	3 477 900	-	34,78
Total buy RUB sell EUR	**4 212 100**	**4 200 287**	**35,12**	**34,98**
Cross currency SWAP contracts				
Buy USD sell RUB				
Between one and three months	1 638 000	-	26,00	-
Between three and six months	2 697 450	1 638 000	25,69	26,00
Between six months and one year	-	899 150	-	25,69
Between one year and three years	3 591 350	5 389 650	25,66	25,70
More than three years	2 258 100	2 258 100	-	25,10
Total buy USD sell RUB	**10 184 900**	**10 184 900**	**25,60**	**25,61**
Buy HUF sell RUR				
Less than one month	602 823	602 823	0,14	0,14
Total buy HUF sell RUR	**602 823**	**602 823**	**0,14**	**0,14**
Buy EUR sell RUR				
Between one and three years	10 466 000	10 466 000	34,89	34,90
Total buy EUR sell RUR	**10 466 000**	**10 466 000**	**34,89**	**34,90**

	Notional amount		Interest rate	
Interest rate SWAP contracts	**March 31, 2008**	**December 31, 2007**	**Fixed rate**	**Variable rate**
RUB				
Less than one month	5 000 000	-	7,48%	RUB, 3 months Mosprime
Between one and three years	2 600 000	2 600 000	6,30%	Overnight Mosprime
Total RUB	**7 600 000**	**2 600 000**	**7,08%**	**-**
USD				
Between one and three years	1 081 717	-	2,85%	3 months LIBOR
Total USD	**1 081 717**	**-**	**2,85%**	**-**
EUR				
Between one and three years	3 706 760	3 593 320	4,23%	6 months EURIBOR
More than three years	9 266 900	7 186 640	4,20%	6 months EURIBOR
Total EUR	**12 973 660**	**10 779 960**	**4,21%**	**-**
USD and RUB				
More than three years	2 258 100	2 258 100	USD 4,75%	RUB, 6 months Mosprime
Total buy USD sell RUB	**2 258 100**	**2 258 100**	**4,75%**	**-**
EUR and RUB				
Between one and three years	10 466 000	10 466 000	EUR 7,00%	RUB Variable rate
Total buy EUR sell RUB	**10 466 000**	**10 466 000**	**7,00%**	**-**

Note. Interest rate SWAP contracts include those cross currency SWAP contracts which are also interest rate SWAP contracts.

14 Loans to Customers

	March 31, 2008 RUB'000	2007 RUB'000
Loans to legal entities		
Commercial loans	25 583 185	28 631 461
Loans to small and medium size companies	5 494 050	6 029 785
Project financing	14 166 656	13 362 889
Leasing	6 316 529	6 730 870
Reverse sale and repurchase agreements	13 619 463	-
Total loans to legal entities	**65 179 883**	**54 755 005**
Loans to individuals originated by the Group		
Consumer finance loans	34 946 974	35 007 844
Mortgage finance loans	19 498 043	19 986 556
Auto finance loans	10 648 008	11 706 019
Other	4 438 561	4 061 836
Total loans to individuals originated by the Group	**69 531 586**	**70 762 255**
Loans to individuals purchased by the Group		
Consumer finance loans	5 606 469	6 325 359
Mortgage finance loans	1 100 433	1 143 672
Auto finance loans	122	1 449
Total loans to individuals purchased by the Group	**6 707 024**	**7 470 480**
Gross loans to customers	**141 418 493**	**132 987 740**
Less: provision for loan impairment	**(5 297 579)**	**(5 987 400)**
Net loans to customers	**136 120 914**	**127 000 340**

Decrease in consumer finance loans amount in the 1Q 2008 is a result of selling overdue loans of RUB 1 782 825 thousand notional amount to the collecting agency.

Movements in the loan impairment allowance as at March 31, 2008 are as follows:

	March 31, 2008 RUB'000	2007 RUB'000
Provision for loan impairment as at 1 January	5 987 400	2 927 343
(Recovery)/provisioning for loan impairment within the accounting period	(689 306)	3 064 864
Loans written off during the accounting period as uncollectible	(515)	(4 807)
Provision for loan impairment as at December 31	**5 297 579**	**5 987 400**

As at March 31, 2008, interest accrued on impaired loans amount to RUB 116 664 thousand (31 December 2007: RUB 101 138 thousand).

Credit quality of loans to legal entities Group portfolio

The following table provides information on the credit quality of the loans to legal entities Group portfolio as at March 31, 2008.

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUB'000	**RUB'000**	**RUB'000**	**(%)**
Commercial loans				
Loans for which no specific impairment has been identified:				
- Standard loans	24 165 637	(68 197)	24 097 440	0,28%
- Watch list loans	617 663	(8 027)	609 636	1,30%
Total loans for which no specific impairment has been identified:	**24 783 300**	**(76 224)**	**24 707 076**	**0,31%**
Impaired loans:				
Overdue loans less 30 days	84 457	(536)	83 921	0,63%
Overdue loans for the period 30-60 days	167 740	(8 682)	159 058	5,18%
Overdue loans for the period 61-90 days	78 218	(11 952)	66 266	15,28%
Overdue loans for the period 91-180 days	236 587	(165 759)	70 828	70,06%
Overdue loans for the period 181-360 days	55 589	(29 668)	25 921	53,37%
Overdue loans for the period more than 360 days	177 294	(177 294)	-	100,00%
Total impaired loans	**799 885**	**(393 891)**	**405 994**	**49,24%**
Total commercial loans	**25 583 185**	**(470 115)**	**25 113 070**	**1,84%**
Loans to small and medium size companies				
Loans for which no specific impairment has been identified:	5 205 755	(27 917)	5 177 838	0,54%
- Standard loans	7 500	(133)	7 367	1,77%
Total loans for which no specific impairment has been identified:	**5 213 255**	**(28 050)**	**5 185 205**	**0,54%**
Impaired loans:				
Overdue loans less 30 days	84 246	(303)	83 943	0,36%
Overdue loans for the period 30-60 days	24 286	(87)	24 199	0,36%
Overdue loans for the period 61-90 days	19 028	(10 311)	8 717	54,19%
Overdue loans for the period 91-180 days	74 432	(32 242)	42 190	43,32%
Overdue loans for the period 181-360 days	31 132	(31 132)	-	100,00%
Overdue loans for the period more than 360 days	47 671	(47 671)	-	100,00%
Total impaired loans	**280 795**	**(121 746)**	**159 049**	**43,36%**
Total loans to small and medium size companies	**5 494 050**	**(149 796)**	**5 344 254**	**2,73%**
Project financing				

	Gross loans	**Impairment**	**Net loans**	**Impairment to gross loans**
	RUB'000	**RUB'000**	**RUB'000**	**(%)**
Loans for which no specific impairment has been identified:				
- Standard loans	14 133 808	(54 684)	14 079 124	0,39%
- Watch list loans	32 848	(118)	32 730	0,36%
Total loans for which no specific impairment has been identified	**14 166 656**	**(54 802)**	**14 111 854**	**0,39%**
Total project financing	**14 166 656**	**(54 802)**	**14 111 854**	**0,39%**
Leasing				
Loans for which no specific impairment has been identified:				
- Standard loans	6 316 529	(22 745)	6 293 784	0,36%
Total loans for which no specific impairment has been identified	**6 316 529**	**(22 745)**	**6 293 784**	**0,36%**
Total leasing	**6 316 529**	**(22 745)**	**6 293 784**	**0,36%**
Sale and repurchase contracts	**13 619 463**	**-**	**13 619 463**	**0,00%**
Total loans to legal entities	**65 179 883**	**(697 458)**	**64 482 425**	**1,07%**

The following table provides information on the credit quality of the loans to legal entities Group portfolio as at December 31, 2007.

	Gross loans	**Impairment**	**Net loans**	**Impairment to gross loans**
	RUB'000	**RUB'000**	**RUB'000**	**(%)**
Commercial loans				
Loans for which no specific impairment has been identified:				
- Standard loans	27 837 920	(99 800)	27 738 120	0,36%
- Watch list loans	352 330	(1 268)	351 062	0,36%
Total loans for which no specific impairment has been identified	28 190 250	(101 068)	28 089 182	0,36%
Impaired loans:				
Overdue loans less 30 days	22 531	(82)	22 449	0,36%
Overdue loans for the period 30-60 days	16 290	(59)	16 231	0,36%
Overdue loans for the period 61-90 days	19 802	(71)	19 731	0,36%
Overdue loans for the period 91-180 days	17 642	(17 642)	-	100,00%
Overdue loans for the period 181-360 days	281 146	(281 146)	-	100,00%
Overdue loans for the period more than 360 days	83 800	(83 800)	-	100,00%
Total impaired loans	441 211	(382 800)	58 411	86,76%
Total commercial loans	**28 631 461**	**(483 868)**	**28 147 593**	**1,69%**
Loans to small and medium size companies				
Loans for which no specific impairment has been identified:				
- Standard loans	5 832 147	(20 996)	5 811 151	0,36%
Total loans for which no specific impairment has been identified	5 832 147	(20 996)	5 811 151	0,36%

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	(%)
Impaired loans:				
Overdue loans less 30 days	59 621	(215)	59 406	0,36%
Overdue loans for the period 30-60 days	32 709	(118)	32 591	0,36%
Overdue loans for the period 61-90 days	665	(2)	663	0,36%
Overdue loans for the period 91-180 days	40 121	(13 965)	26 156	34,81%
Overdue loans for the period 181-360 days	39 589	(39 589)	-	100,00%
Overdue loans for the period more than 360 days	24 933	(24 933)	-	100,00%
Total impaired loans	197 638	(78 822)	118 816	39,88%
Total loans to small and medium size companies	**6 029 785**	**(99 818)**	**5 929 967**	**1,66%**
Project financing				
Loans for which no specific impairment has been identified:				
· -Standard loans	13 301 043	(47 884)	13 253 159	0,36%
· -Watch list loans	29 687	(107)	29 580	0,36%
Total loans for which no specific impairment has been identified	13 330 730	(47 991)	13 282 739	0,36%
Impaired loans:				
- Overdue loans less 30 days	27 007	(97)	26 910	0,36%
Overdue loans for the period 91-180 days	5 152	(5 152)	-	100,00%
Total impaired loans	32 159	(5 249)	26 910	16,32%
Total project financing	**13 362 889**	**(53 240)**	**13 309 649**	**0,40%**
Leasing				
Loans for which no specific impairment has been identified:				
- Standard loans	6 730 870	(24 231)	6 706 639	0,36%
Total loans for which no specific impairment has been identified	6 730 870	(24 231)	6 706 639	0,36%
Total leasing	**6 730 870**	**(24 231)**	**6 706 639**	**0,36%**
Total loans to legal entities	**54 755 005**	**(661 157)**	**54 093 848**	**1,21%**

The Group estimates loan impairment for loans to legal entities based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the portfolio impairment allowance for loans to legal entities as at March 31, 2008, the key assumption was a historic loss rate of 0.36% based on the average losses for five years.

In IQ2008, the Group renegotiated loans to legal entities that would otherwise be overdue or impaired for the total amount of RUB 91,846 thousand (RUB 258,832 thousands for 2007). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

Analysis of collateral

The following table provides an analysis of the loans to legal entities portfolio (net of impairment) by types of collateral as at March 31, 2008.

	March 31, 2008	**% of loan portfolio**	**December 31, 2007**	**% of loan portfolio**
Securities under reverse REPO transactions	13 619 463	20,9	-	-
Real estate	30 943 076	47,5	35 650 651	65,1
Motor vehicles	2 681 198	4,1	3 671 831	6,7
Guarantees	3 105 016	4,8	3 595 697	6,6
Other collateral	13 614 237	20,8	10 519 798	19,0
No collateral	1 216 893	1,9	1 317 028	2,6
Total	**65 179 883**	**100,0**	**54 755 005**	**100,0**

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

Impaired or overdue loans with a gross value of RUB 989,686 thousand are secured by collateral with a fair value of RUB 565,043 thousand. For the remaining impaired loans of RUB 90,994 thousand there is no collateral.

In IQ2008, the Group did not obtain any assets by taking control of collateral accepted as security for commercial loans (December 31, 2007: nil).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to legal entities as at March 31, 2008 are as follows.

	Commercial loans	**Loans to small and medium companies**	**Project financing**	**Leasing**	**Total**
Loan impairment allowance as at 1 January	**483 868**	**99 818**	**53 240**	**24 231**	**661 157**
Loan impairment allowance expenses during reporting period	(13 754)	49 979	1 562	(1 486)	**36 301**
Loan impairment allowance as at 31 March	**470 114**	**149 797**	**54 802**	**22 745**	**697 458**

Movements in the loan impairment allowance by classes of loans to legal entities for the year 2007.

	Commercial loans	Loans to small and medium companies	Project financing	Leasing	Total
Loan impairment allowance as at 1 January	344 300	59 590	78 946	53 646	**536 482**
Loans written off during the year	(4 807)	-	-	-	**(4 807)**
Loan impairment losses during the reporting period	144 375	40 228	(25 706)	(29 415)	**129 482**
Loan impairment allowance as at December 31	**483 868**	**99 818**	**53 240**	**24 231**	**661 157**

Quality of loans to individuals

The following table provides information on the credit quality of retail loan portfolios as at March 31, 2008.

	Gross loans RUB'000	Impairment RUB'000	Net loans RUB'000	Impairment to gross loans %
Loans issued to individuals				
Consumer loans				
- Not past due	29 632 601	(658 296)	28 974 305	**2,2%**
- Overdue less than 30 days	1 386 964	(265 695)	1 121 269	**19,2%**
- Overdue 30-60 days	576 244	(260 703)	315 541	**45,2%**
- Overdue 61-90 days	481 489	(261 756)	219 733	**54,4%**
- Overdue 91 - 180 days	899 319	(610 771)	288 548	**67,9%**
- Overdue 181-360 days	896 201	(685 744)	210 457	**76,5%**
- Overdue more than 360 days	1 074 156	(945 892)	128 264	**88,1%**
Total consumer loans	**34 946 974**	**(3 688 857)**	**31 258 117**	**10,5%**
Mortgage loans				
- Not past due	17 911 330	(10 286)	17 901 044	**0,1%**
- Overdue less than 30 days	653 011	(7 750)	645 261	**1,2%**
- Overdue 30-60 days	193 097	(7 217)	185 880	**3,7%**
- Overdue 61-90 days	135 393	(7 685)	127 708	**5,7%**
- Overdue 91 - 180 days	266 707	(26 969)	239 738	**10,1%**
- Overdue 181-360 days	275 837	(42 137)	233 700	**15,3%**
- Overdue more than 360 days	62 668	(9 413)	53 255	**15,0%**
Total mortgage loans	**19 498 043**	**(111 457)**	**19 386 586**	**0,6%**
Auto loans				
- Not past due	8 962 070	(70 536)	8 891 534	**0,8%**
- Overdue less than 30 days	484 893	(52 707)	432 186	**10,9%**
- Overdue 30-60 days	166 518	(45 404)	121 114	**27,3%**
- Overdue 61-90 days	172 999	(57 865)	115 134	**33,4%**
- Overdue 91 - 180 days	356 854	(149 242)	207 612	**41,8%**
- Overdue 181-360 days	379 758	(166 814)	212 944	**43,9%**
- Overdue more than 360 days	124 916	(55 834)	69 082	**44,7%**
Total auto loans	**10 648 008**	**(598 402)**	**10 049 606**	**5,6%**
Other loans to individuals				
- Not past due	4 120 801	(16 521)	4 104 280	**0,4%**
- Overdue less than 30 days	96 242	(5 040)	91 202	**5,2%**
- Overdue 30-60 days	46 230	(10 111)	36 119	**21,9%**

	Gross loans RUB'000	Impairment RUB'000	Net loans RUB'000	Impairment to gross loans %
- Overdue 61-90 days	36 412	(8 676)	27 736	**23,8%**
- Overdue 91 - 180 days	44 388	(39 381)	5 007	**88,7%**
- Overdue 181-360 days	47 208	(43 298)	3 910	**91,7%**
- Overdue more than 360 days	47 280	(45 754)	1 526	**96,8%**
Total other loans to individuals	**4 438 561**	**(168 781)**	**4 269 780**	**3,8%**
Total retail loans	**69 531 586**	**(4 567 497)**	**64 964 089**	**6,5%**
Loans purchased by the Group				
Consumer loans				
- Not past due	5 597 598	(1)	5 597 597	**0,0%**
- Overdue less than 30 days	2	(1)	1	**18,8%**
- Overdue 61-90 days	5 841	(5 795)	46	**99,2%**
- Overdue 181-360 days	1 070	(1 057)	13	**98,8%**
- Overdue more than 360 days	1 958	(1 719)	239	**87,8%**
Total consumer loans	**5 606 469**	**(8 573)**	**5 597 896**	**0,2%**
Mortgage loans				
- Not past due	672 246	(375)	671 871	**0,1%**
- Overdue less than 30 days	231 649	(2 746)	228 903	**1,2%**
- Overdue 30-60 days	28 846	(1 081)	27 765	**3,7%**
- Overdue 61-90 days	46 096	(2 620)	43 476	**5,7%**
- Overdue 91 - 180 days	44 400	(5 331)	39 069	**12,0%**
- Overdue 181-360 days	74 487	(11 379)	63 108	**15,3%**
- Overdue more than 360 days	2 709	(414)	2 295	**15,3%**
Total mortgage loans	**1 100 433**	**(23 946)**	**1 076 487**	**2,2%**
Auto loans				
- Not past due	2	(0)	2	1,0%
- Overdue more than 360 days	120	(105)	15	87,6%
Total auto loans	**122**	**(105)**	**17**	**86,0%**
Loans purchased by the Group	**6 707 024**	**(32 624)**	**6 674 400**	**0,5%**

The following table provides information on the credit quality of retail loan portfolios as at December 31, 2007.

	Gross loans RUB'000	Impairment RUB'000	Net loans RUB'000	Impairment to gross loans %
Loans issued to individuals				
Consumer loans				
- Not past due	29 355 940	(643 383)	28 712 557	2,19%
- Overdue less than 30 days	958 257	(190 069)	768 188	19,83%
- Overdue 30-60 days	464 422	(223 308)	241 114	48,08%
- Overdue 61-90 days	348 750	(204 093)	144 657	58,52%
- Overdue 91 - 180 days	656 453	(471 319)	185 134	71,80%
- Overdue 181-360 days	840 797	(692 441)	148 356	82,36%
- Overdue more than 360 days	2 383 225	(2 227 704)	155 521	93,47%
Total consumer loans	**35 007 844**	**(4 652 317)**	**30 355 527**	**13,29%**
Mortgage loans				
- Not past due	18 883 987	(16 611)	18 867 376	0,09%
- Overdue less than 30 days	432 925	(8 409)	424 516	1,94%
- Overdue 30-60 days	155 509	(9 473)	146 036	6,09%
- Overdue 61-90 days	114 899	(11 115)	103 784	9,67%
- Overdue 91 - 180 days	185 220	(25 690)	159 530	13,87%
- Overdue 181-360 days	181 561	(27 806)	153 755	15,31%
- Overdue more than 360 days	32 455	(4 970)	27 485	15,31%
Total mortgage loans	**19 986 556**	**(104 074)**	**19 882 482**	**0,52%**
Auto loans				
- Not past due	10 442 193	(68 607)	10 373 586	0,66%
- Overdue less than 30 days	384 685	(40 465)	344 220	10,52%
- Overdue 30-60 days	187 168	(49 084)	138 084	26,22%
- Overdue 61-90 days	155 551	(49 276)	106 275	31,68%
- Overdue 91 - 180 days	285 361	(110 096)	175 265	38,58%
- Overdue 181-360 days	192 479	(78 720)	113 759	40,90%
- Overdue more than 360 days	58 582	(25 039)	33 543	42,74%
Total auto loans	**11 706 019**	**(421 287)**	**11 284 732**	**3,60%**
Other loans to individuals				
- Not past due	3 874 219	(14 715)	3 859 504	0,38%
- Overdue less than 30 days	55 296	(4 010)	51 286	7,25%
- Overdue 30-60 days	28 128	(5 012)	23 116	17,82%
- Overdue 61-90 days	8 620	(4 422)	4 198	51,30%
- Overdue 91 - 180 days	27 186	(23 872)	3 314	87,81%
- Overdue 181-360 days	54 280	(52 092)	2 188	95,97%
- Overdue more than 360 days	14 107	(12 878)	1 229	91,29%
Total other loans to individuals	**4 061 836**	**(117 001)**	**3 944 835**	**2,88%**
Total retail loans	**70 762 255**	**(5 294 679)**	**65 467 576**	**7,48%**
Loans purchased by the Group				
Consumer loans				
- Not past due	6 323 640	(6 747)	6 316 893	0,11%
- Overdue less than 30 days	46	(39)	7	84,78%
- Overdue 61-90 days	800	(686)	114	85,75%

	Gross loans RUB'000	Impairment RUB'000	Net loans RUB'000	Impairment to gross loans %
- Overdue 91 - 180 days	221	(192)	29	86,88%
- Overdue 181-360 days	652	(588)	64	90,18%
Total consumer loans	**6 325 359**	**(8 252)**	**6 317 107**	**0,13%**
Mortgage loans				
- Not past due	949 591	(775)	948 816	0,08%
- Overdue less than 30 days	19 417	(377)	19 040	1,94%
- Overdue 30-60 days	41 496	(2 557)	38 939	6,16%
- Overdue 61-90 days	17 566	(1 700)	15 866	9,68%
- Overdue 91 - 180 days	63 060	(8 650)	54 410	13,72%
- Overdue 181-360 days	52 542	(8 029)	44 513	15,28%
Total mortgage loans	**1 143 672**	**(22 088)**	**1 121 584**	**1,93%**
Auto loans				
- Not past due	70	(1)	69	1,43%
- Overdue 181-360 days	303	(259)	44	85,48%
- Overdue more than 360 days	1 076	(964)	112	89,59%
Total auto loans	**1 449**	**(1 224)**	**225**	84,47%
Loans purchased by the Group	**7 470 480**	**(31 564)**	**7 438 916**	0,42%

The Group estimates loan impairment based on its past historical loss experience on these types of loans. The key assumptions as at March 31, 2008 are:

- loss migration rates are constant and can be estimated based on historic loss migration pattern for the last 24 months or since inception of the product, for new products.
- collateral can be sold for the value of unpaid mortgage and auto loans of 85% and 60% respectively.

Analysis of collateral

Mortgage loans are secured by underlying real estate. Auto loans are secured by underlying vehicles. Credit card overdrafts and consumer loans are not secured.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of retail loans as at March 31, 2008 are as follows.

	Consumer loans	Mortgage loans	Auto loans	Other loans	Total
Loan impairment allowance as at 1 January	**4 660 569**	**126 162**	**422 511**	**117 001**	**5 326 243**
Loans written off during the year as uncollectible	(276)	-	(239)	-	**(515)**
Loan impairment losses during the period	(962 863)	9 241	176 235	51 780	**(725 607)**
Loan impairment allowance as at 31 March	**3 697 430**	**135 403**	**598 507**	**168 781**	**4 600 121**

Consumer loan impairment allowance is due to the sale of overdue loans to collection agency.

Movements in the loan impairment allowance by classes of retail loans for 2007 are as follows.

	Consumer loans	Mortgage loans	Auto loans	Other loans	Total
Loan impairment allowance as at 1 January	2 295 640	22 656	65 407	7 158	**2 390 861**
Loan impairment losses during the period	2 364 929	103 506	357 104	109 843	**2 935 382**
Loan impairment allowance as at December 31	**4 660 569**	**126 162**	**422 511**	**117 001**	**5 326 243**

Securitization of assets

In IQ2008 the Group didn't make any loan securitization transaction. As at December 31, 2007 the transaction for the amount of RUB 7,856,636 thousand has been concluded. To fund the purchase of Mortgage Certificates URSA Mortgage Finance S.A. issued Notes, which are direct, secured and unconditional obligations of URSA Mortgage Finance S.A. and are backed by Mortgage Certificates.

URSA Bank currently holds all of the Notes and thus retains substantially all the risk and rewards, and therefore URSA Mortgage Finance S.A. is consolidated into the accounts of the Group, and the loans are included in the Group's balance sheet.

Sale of loans to collection agency

In IQ2008, the Group has sold loans overdue more than 180 days and having nominal value of RUB 1,782,825 thousand at the discount of 87,8% (in 2007: nil).

Industry and geographical analysis of the loan portfolio

Loans have been issued primarily to customers located within the Russian Federation, who operate in the following economic sectors.

	March 31, 2008 RUB'000	%	2007 RUB'000	%
Individuals	76 238 611	54	78 232 735	59
Trade	20 101 912	14	18 882 224	14
Production	8 190 542	6	8 664 749	7
Financial services	21 504 709	15	7 930 947	6
Services	1 896 822	1	6 974 768	5
Construction	3 353 156	2	4 184 313	3
Mining	2 687 055	2	3 290 044	2
Farming	1 953 076	1	2 209 122	2
Trade finance	670 582	-	1 057 645	1
Transport	422 437	-	914 109	1
Energy	1 808	-	301 780	-
Other	4 397 784	3	345 304	-
Total loans to customers (gross of provisions)	**141 418 493**	**100**	**132 987 740**	**100**

Loan maturities

The maturity of the Group's loan portfolio as at the reporting date is presented in Note 27, which shows the period from the reporting date to the contractual maturity of the loans.

15 Financial instruments available-for-sale

	March 31, 2008 RUB'000	2007 RUB'000
Held by the Group		
Investments in equity instruments		
Shares of banks	17	17
Corporate shares		
- OAO "Inmarko Holding"	-	110 000
- Other shares	518	504
Total investments in equity instruments	**535**	**110 521**

As of March 31, 2008 the Group had non-quoted equity securities of RUB 94 thousand (December 31, 2007 for the amount of RUB 110,084 thousand).

Investments without a determinable fair value

Available-for-sale investments are recognized at the actual costs. There is no market for this investment and there have not been any recent transactions made by the Group that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows. Management believes it unlikely that the fair value at the year end would differ significantly from carrying amount.

16 Property and equipment

	Land and buildings	Equipment	Intangible assets	Construction in progress	Total
Cost					
As at January 1, 2008	2 263 418	1 868 020	133 726	295 677	**4 560 841**
Additions	28 619	126 063	1 196	184 747	**340 625**
Transfers	26 259		-	(26 259)	**-**
Disposals	(637)	(40 997)	-	(2 626)	**(44 260)**
As at March 31, 2008	**2 317 659**	**1 953 086**	**134 922**	**451 539**	**4 857 206**
Depreciation and impairment allowance					
As at January 1, 2008	(75 218)	(788 577)	(24 417)	-	**(888 212)**
Depreciation charge (Note 9)	(11 457)	(79 638)	(10 030)	-	**(101 125)**
Disposals	44	36 127	-	-	**36 171**
As at March 31, 2008	**(86 631)**	**(832 088)**	**(34 447)**	**-**	**(953 166)**
Carrying amount as at March 31, 2008	**2 231 028**	**1 120 998**	**100 475**	**451 539**	**3 904 040**

	Land and buildings	Equipment	Intangible assets	Construction in progress	Total
Cost					
As at January 1, 2007	1 465 142	1 363 380	717	23 223	**2 852 462**
Additions	80 369	561 129	133 009	990 869	**1 765 376**
Transfers	717 936	479	-	(718 415)	**-**
Disposals	(29)	(56 968)	-	-	**(56 997)**
As at December 31, 2007	**2 263 418**	**1 868 020**	**133 726**	**295 677**	**4 560 841**
Depreciation and impairment					

allowance					
As at January 1, 2007	(41 810)	(584 425)	(392)	-	**(626 627)**
Depreciation charge (Note 9)	(33 411)	(251 092)	(24 025)	-	**(308 528)**
Disposals	3	46 940	-	-	**46 943**
As at December 31, 2007	**(75 218)**	**(788 577)**	**(24 417)**	**-**	**(888 212)**
Carrying amount as at December 31, 2007	**2 188 200**	**1 079 443**	**109 309**	295 677	**3 672 629**

17 Other assets

	March 31, 2008	**2007**
	RUB '000	**RUB '000**
Prepayments for equipment and services provided	1 015 420	700 833
Investments in unconsolidated subsidiaries	162	70 246
Prepaid taxes other than income tax	14 297	17 686
Other	66 542	24 959
Provision for impairment	(58 025)	(38 058)
Total other assets	**1 038 396**	**775 666**

Investments in unconsolidated subsidiaries can be represented as following:

Name	**Country of Incorporation**	**Main Activity**	**Share, %** March 31 2008	**Share, %** 2007	**March 31, 2008 Carrying amount RUB '000**	**2007 Carrying amount RUB '000**
ZAO ZSSA Zhaso	Russian Federation	Insurance	-	57,8%	-	70 084
Stroyfinance DV	Russian Federation	Construction	100%	100 %	162	162
					162	**70 246**

The financial statements of the unconsolidated subsidiary has not been consolidated into those of the Group, as the effect on the Group's financial statements would not be material. All the items described above are not impaired.

Analysis of movements in the impairment allowance

	March 31, 2008	2007
	RUB '000	RUB '000
Balance as at the beginning of the reporting period	38 058	-
Net charge/(recovery) for the year	19 967	38 058
Balance as at the end of reporting period	**58 025**	**38 058**

As at March 31, 2008 other assets included overdue debtors in the amount of RUB 34,315 thousand (December 31, 2007: RUB 41, 621 thousand), which included debtors amounting to RUB 7, 634 thousand (December 31, 2007: RUB 7, 306 thousand) overdue more than 90 days, but less than 1 year. Debtors in the amount of RUB 15,818 thousand (December 31, 2007: RUB 12, 046 thousand) were overdue for more than 1 year.

18 Goodwill

On December 22, 2006, Sibacadembank acquired 100% of the shares of UVTB through an exchange of shares. As a result UVTB acceded to Sibacadembank and all of the outstanding shares of UVTB were converted into newly issued ordinary and preference shares of Sibacadembank, the name of which was changed to URSA Bank. As a result of accession, UVTB ceased to exist as a legal entity with assets and liabilities being transferred to URSA Bank.

URSA Bank issued 404 460 100 ordinary shares with par value of RUB 1 per share, 1 415 280 Type IV preference shares, 1 210 Type V preference shares, 21 450 Type VI preference shares and 2 530 800 Type VII preference shares. All issued preference shares have a par value of RUB 1 per share.

The cost of the acquisition was determined by reference to the valuation of UVTB shares which were exchanged for newly issued ordinary and preference shares of URSA Bank as described above. The valuation of 100% of UVTB shares at the date of acquisition amounted to RUB 8,658,988 thousand giving rise to a share premium of RUB 8,250,559 thousand.

Net identifiable assets and liabilities as at the date of acquisition were RUB 2,164,747 thousand. As a result goodwill on acquisition amounting to RUB 6,494,241 thousand arose.

The Group has assessed goodwill for impairment. For the purposes of impairment testing, goodwill is allocated to the former UVTB business. This represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount represents value in use as determined by discounting the future cash flows generated from the business. The following key assumptions were used in determining the recoverable amount:

- Cash flows were projected based on the three-year business plan.
- Growth of the total assets is projected at 73% for 2008, 75% for 2009 and 22% for 2010.
- A discount rate of 17% was applied in determining the net present value of future cash flows. The discount rate was estimated based on a risk-free rate of 4.22% and overall risk-premium rate of 12.78%.

The values assigned to the key assumptions represent management's assessment of business perspectives.

The cash flows of the UVTB business were forecast to the end of 2010, after which terminal cash flows have been estimated based on the assumption of no further growth of net income in real terms. No impairment has been identified.

19 Deposits and balances from banks and other financial institutions

	March, 31 2008	2007 год
	RUB '000	**RUB '000**
Term deposits	15 697 060	10 600 388
Syndicated loans	8 194 985	8 622 726
Vostro accounts	60 954	81 763
Total deposits and balances from banks and other financial institutions	**23 952 999**	**19 304 877**

Concentration of deposits and balances from banks and other financial institutions

As at March 31, 2008 and December 31, 2007 the Group had one bank whose balances exceeded 10% of total deposits and balances from banks and other financial institutions. The gross value of these balances as of March 31, 2008 and December 31, 2007 were RUB 1,904,568 thousand and RUB 2,745,668 thousand, respectively.

20 Current accounts and deposits from customers

	March 31, 2008	2007
	RUB '000	**RUB '000**
Current accounts and demand deposits		
- Retail	4 109 628	4 545 373
- Corporate	7 663 154	7 546 659
Term deposits		
- Retail	34 097 495	31 407 928
- Corporate	11 198 782	10 432 801
	57 069 059	**53 932 761**

Concentrations of current accounts and customer deposits

As at March 31, 2008 and December 31, 2007, the Group did not have any customers, whose balances exceeded 10% of total customer accounts and deposits.

21 Debt securities in issue

	March 31, 2008 RUB '000	2007 RUB '000
Long-term loan participation notes	42 797 154	41 766 235
Domestic bonds	14 261 743	14 180 625
Promissory notes	1 646 649	1 415 228
Deposit certificates	-	11 023
Total debt securities in issue	**58 705 546**	**57 373 111**

As at March 31, 2008, and December 31, 2007, the Group had the following long-term loan participation notes outstanding:

Principal amount as at March 31, 2008 (RUB '000)	Principal amount as at December 31, 2007 (RUB '000)	Interest rate	Issue date	Maturity date	March 31, 2008	December 31, 2007
USD 62 948	USD 62 948	9,75%	December 13, 2005	May 19, 2008	1 527 247	1 558 403
USD 350 933	USD 350 933	9,00%	May 12, 2006	May 12, 2009	8 460 640	8 635 945
HUF 4 384 575	HUF 4 384 575	11,66%	September 21, 2006	September 21, 2009	672 580	636 085
RUB 5 000 000	RUB 5 000 000	9,13%	February 26, 2007	February 26, 2010	5 026 932	5 138 843
EUR 400 000	EUR 400 000	7,00%	May 21, 2007	May 21, 2010	15 681 373	14 941 937
EUR 300 000	EUR 300 000	8,30%	November 16, 2006	November 16, 2011	11 428 382	10 855 022
Total long-term loan participation notes					**42 797 154**	**41 766 235**

As at March 31, 2008, and December 31, 2007, the Group had the following domestic bonds outstanding:

Principal amount as at March 31, 2007 (RUB '000)	Principal amount as at December 31, 2007 (RUB '000)	Interest rate	Issue date	Maturity date	March 31, 2008	December 31, 2007
1 500 000	1 500 000	7,65%	April 27, 2006	April 27, 2008	1 521 060	1 521 060
1 500 000	1 500 000	7,6%	December 12, 2005	December 12, 2008	1 483 893	1 446 010
3 000 000	3 000 000	9,60%	June 8, 2006	June 4, 2009	3 076 836	3 003 964
3 000 000	3 000 000	10,05%	October 24, 2006	October 18, 2011	3 118 752	3 042 468
5 000 000	5 000 000	8,40%	July 26, 2007	July 19, 2012	5 061 202	5 167 123
Total domestic bonds					**14 261 743**	**14 180 625**

22 Subordinated debt

Principal (in thousands)	Interest rate	Issue date	Maturity date	March 31, 2008	December 31, 2007
RUB 7 000	12,00%	April 20, 2004	April 20, 2009	7 000	7 000
RUB 15 000	11,00%	June 16, 2005	June 16, 2010	15 000	15 000
USD 30 000	12,25%	June 29 2005	July 6, 2010	715 937	769 116
USD 6 000	LIBOR+8,00%	September 30 2005	September 30, 2010	144 215	145 757
USD 130 000	12,00%	June 30, 2006	December 30, 2011	3 159 889	3 198 798
USD 10 000	LIBOR + 6,50%	November 28, 2006	September 15, 2013	233 341	251 266
USD 7 500	LIBOR +6,75%	August 15, 2006	October 15, 2013	185 148	187 793
USD 5 000	LIBOR +6,75%	August 15, 2006	October 15, 2013	123 299	125 058
USD 20 000	LIBOR +6,00%	October 25, 2006	October 25, 2013	481 722	489 540
Total subordinated loans				**5 065 551**	**5 189 328**

As at March 31, 2008, subordinated borrowings comprise of RUB 503,722 thousand loans received from a related party maturing in 2009, 2010 and 2013, which carry an annual interest rates of 12%, 11% and Libor + 6% respectively. In case of bankruptcy, the repayment of the subordinated borrowings shall be made after repayment in full of all other liabilities of the Group.

23 Other liabilities

	March 31, 2008 RUB '000	2007 RUB '000
Accounts payable	328 810	281 940
Taxes payable	426 128	210 299
Other	105 133	35 367
Total other liabilities	**860 071**	**527 606**

24 Deferred Tax Assets and Liabilities

Temporary differences between the carrying amount of assets and liabilities, reflected in consolidated financial statements, and the amounts used for tax base calculation, give rise to net deferred tax liabilities as of March 31, 2008, and 31 December, 2007. Deferred tax liabilities are recognized in these consolidated financial statements. The temporary differences that will increase taxable income have no limitation in respect of expiry dates, subject to the tax effect can be shown as follows.

RUB '000	Assets		Liabilities		Net position	
	March 31, 2008	**2007**	**March 31, 2008**	**2007**	**March 31, 2008**	**2007**
Placements with banks and other financial institutions	-	-	(577)	-	(577)	-
Financial instruments at fair value through profit or loss (assets)	617	-	(366 717)	(166 111)	(366 100)	(166 111)
Loans to customers	715 072	559 265	(489 937)	(378 693)	225 135	180 572
Premises and equipment	46 553	52 955	(189 934)	(196 017)	(143 381)	(143 062)
Other assets	115 722	4 676	-	(2 022)	115 722	2 654
Financial instruments at fair value through profit or loss (liabilities)	80 063	54 026	-	-	80 063	54 026
Deposits and balances from banks and other financial institutions	-	-	(12 246)	(16 127)	(12 246)	(16 127)
Current accounts and deposits from customers	-	-	(14 105)	(1 859)	(14 105)	(1 859)
Debt securities in issue	-	-	(50 455)	(26 121)	(50 455)	(26 121)
Subordinated debt	-	-	(2 329)	(3 493)	(2 329)	(3 493)
Other liabilities	56 634	35 838	-	-	56 634	35 838
Total deferred tax asset /(liabilities)	**1 014 661**	**706 760**	**(1 126 300)**	**(790 443)**	**(111 639)**	**(83 683)**

Deferred tax was calculated at the rate of 24% (2007: 24%).

The time for the use of temporary differences decreasing the amount of tax base for income tax, is not limited by the Russian tax law in effect.

Movement in temporary differences during the 1st quarter of 2008

RUB '000	Balance as of December 31, 2007	Recognised in income	Balance as of March 31, 2008
Placements with banks and other financial institutions	-	(577)	(577)
Financial instruments at fair value through profit or loss (assets)	(166 111)	(199 989)	(366 100)
Loans to customers	180 572	44 563	225 135
Premises and equipment	(143 062)	(319)	(143 381)
Other assets	2 654	113 068	115 722
Financial instruments at fair value through profit or loss (liabilities)	54 026	26 037	80 063
Deposits and balances from banks and other financial institutions	(16 127)	3 881	(12 246)
Current accounts and deposits from customers	(1 859)	(12 246)	(14 105)
Debt securities in issue	(26 121)	(24 334)	(50 455)
Subordinated debt	(3 493)	1 164	(2 329)
Other liabilities	35 838	20 796	56 634
	(83 683)	**(27 956)**	**(111 639)**

25 Share capital and treasury shares

The authorized, issued and fully paid share capital consists of:

	March 31, 2008			**December 31, 2007**		
	Number of shares	**Par value**	**Carrying amount**	**Number of shares**	**Par value**	**Carrying amount**
Ordinary shares	1 059 010 100	1 059 010	1 332 884	1 059 010 100	1 059 010	1 332 884
Preference shares	288 282 200	288 282	296 199	288 282 200	288 282	296 199
Total share capital	**1 347 292 300**	**1 347 292**	**1 629 083**	**1 347 292 300**	**1 347 292**	**1 629 083**

URSA Bank has a share capital of RUB 1,347,292,300 consisting of 1,059,010,100 ordinary shares, 150,000 preference shares of the first type, 284,163,460 preference shares of the third type, 1,415,280 preference shares of the fourth type, 1,210 preference shares of the fifth type, 21,450 preference shares of the sixth type and 2,530,800 preference shares of the seventh type.

All ordinary shares have a par value of RUB 1 per share. Holders of ordinary shares have the right to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Bank.

Holders of 150,000 preference shares of the first type are entitled to receive dividends of 10% per annum on the par value of their shareholding, respectively.

Holders of 284,163,460 preference shares of the third type are entitled to receive minimum dividends of 9% per annum of the first issue price or USD 9 per share. Holders of 1,415,280 preference shares of the fourth type are entitled to receive minimum dividends of 10% per annum on the par value. Holders of 1,210 preference shares of the fifth type are entitled to receive minimum dividends of 100% per annum on the par value. Holders of 21,450 preference shares of the sixth type are entitled to receive minimum dividends of 110% per annum on the par value. Holders of 2,530,800 preference shares of the seventh type have no set dividends entitlement.

All URSA Bank's preference shares have a par value of RUB 1 per share. Holders of preference shares do not have voting rights but they are ranked ahead of holders of ordinary shares in the event of the Bank liquidation. Preference shares are not redeemable.

If the dividends are not paid, preference shareholders have the right to vote at annual and general meetings until dividends are paid. Dividends on preference shares are not cumulative. In the event of the Bank liquidation, preference shareholders are entitled to receive declared unpaid dividends and par value of the preference shares.

Dividends

Dividends payable by the Group, are restricted to the maximum retained earnings, which are determined according to the legislation of the Russian Federation. In the 1st quarter of 2008 and in 2007, the following dividends were declared and paid:

	March 31, 2008	**2007**
	RUB'000	**RUB'000**
Dividends payable at the beginning of the year	308	86
Dividends declared during the period	-	178 559
Dividends paid during the period	(75)	(178 337)
Dividends payable at the end of the year	**233**	**308**

All dividends are declared and paid in Russian Roubles. During the 1st quarter of 2008 and 2007, dividends on ordinary shares have not been declared and paid by the Group.

26 Analysis by segment

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

The Group's activity is divided into three main business segments:

- Commercial banking – includes corporate banking operations, including deposit taking and commercial lending, cash and settlement service of corporate customers.

- Retail banking – includes retail banking operations, including deposit taking and lending, foreign currency transactions and cash and settlement operations with individuals.

- Treasury and investments – includes corporate finance, transactions on capital markets and money markets, trading and brokerage in securities, foreign exchange, REPO transactions and trading in derivatives.

Business segment breakdown of assets and liabilities of the Group is set out below.

	March 31, 2008 RUB'000	2007 RUB'000
Assets		
Commercial banking	56 416 497	59 481 759
Retail banking	75 640 324	77 693 971
Treasury and investments	38 081 739	21 882 109
Unallocated assets	7 167 237	6 773 306
Total assets	**177 305 797**	**165 831 145**
Liabilities		
Commercial banking	16 536 509	18 518 596
Retail banking	38 207 470	35 953 663
Treasury and investments	91 269 477	82 034 964
Unallocated liabilities	971 710	611 289
Total liabilities	**146 985 166**	**137 118 512**

Income statement segment information for the main reportable business segments of the Group as of March 31, 2008, is set out below.

	Commercial banking	Retail banking	Treasury and investments	Unallocated funds	Total
External revenue	2 268 240	4 812 109	1 027 239	-	8 107 588
Net revenue from other segments	(1 141 861)	(714 681)	1 856 542	-	-
Revenue	**1 126 379**	**4 097 428**	**2 883 781**	**-**	**8 107 588**
Impairment allowance	(36 302)	705 640		-	669 338
Interest expense	(281 452)	(891 138)	(1 821 707)	-	(2 994 297)
Fee and commission expense	(24 818)	(12 296)	(65 342)	-	(102 456)
Portfolio sale losses	-	(1 565 320)	-	-	(1 565 320)
Staff costs and operating expenses	(392 582)	(1 439 604)	(16 264)	-	(1 848 451)
Segment financial result	**391 225**	**894 711**	**980 467**	**-**	**2 266 402**
Income tax expense					**(658 404)**
Net income	**-**	**-**	**-**	**-**	**1 607 998**
Other segment items					
Capital expenditure	72 343	265 284	2 998	-	340 625
Depreciation charge	21 477	78 758	890	-	101 125

Income statement segment information for the main reportable business segments of the Group as of March 31, 2007, is set out below.

	Commercial banking	**Retail banking**	**Treasury and investments**	**Unallocated funds**	**Total**
External revenue	1 575 091	2 566 458	485 297	-	4 626 846
Net revenue from other segments	(841 091)	(193 051)	1 034 142	-	-
Revenue	**734 000**	**2 373 407**	**1 519 439**	**-**	**4 626 846**
Impairment allowance	(50 625)	(381 137)	-	-	(431 762)
Interest expense	(157 466)	(617 589)	(1 172 389)	-	(1 947 444)
Fee and commission expense	(26 434)	(1 454)	(22 759)	-	(50 647)
Staff costs and operating expenses	(283 671)	(1 132 651)	(9 747)	-	(1 426 069)
Segment financial result	**215 804**	**240 576**	**314 544**	**-**	**770 924**
Income tax expense					**(194 557)**
Net income					**576 367**
Other segment items					
Capital expenditure	57 460	229 426	1 974	-	288 860
Depreciation charge	12 123	48 403	417	-	60 943

27 Risk management

The Group's financial activity exposes it to many types of risks. For the purposes of effective risk management, the Group has identified that it has exposure to the following major types of risks: credit, market, liquidity and operational risks.

Risk management system

The Group's risk management system includes:

- risk management organizational structure – the system of subdivisions and departments of the Bank, involved in the risk management process;
- risk identification, assessment and control framework;
- system of internal risk controls.

(i) Risk management organizational structure

The Board of Directors, Management Board, Asset and Liability Management Committee (ALCO), Operational Risk Management Committee, Credit Committees and Risk Management Subdivisions are involved in the risk management process.

The Board of Directors performs general supervision over the risk management system, and approves the development strategy for the risk management system, risk management policies and major transactions. The Management Board is responsible for approval and control over the implementation of risk management policies. ALCO performs day-to-day management of market and liquidity risks. Day-to-day credit risk management is performed through a system of Credit Committees. Direct risk management is performed through a system of special Risk Management Subdivisions. The Chief Risk Officer (CRO) is responsible for the overall risk management function in the Bank. He reports directly to the Chief Executive Officer (CEO) of the Bank.

The Bank considers a collegial approach to decision-making to be a priority. The scope of responsibilities is clearly defined when allocating duties to management and staff in the Bank. Monitoring of such responsibilities is performed by review of the relevant reports on their exercising on a regular basis.

(ii) Risk identification, assessment and control framework

The risk management tools used by the Bank, are described in the relevant methodological documents (methodologies, instructions and policies). The risk management methodology is regularly reviewed by the Bank and updated to reflect changes in the market conditions, products and services offered by the Bank, and the constantly evolving risk management best practices.

(iii) System of internal risk controls

The Group's system of internal risk controls includes the following functions:

- control over the Bank's risk exposure (monitoring of exposure to risks, control over risk limits);
- compliance control;
- internal audit of the risk management system.

Credit risk

Credit risk is the risk of financial losses to the Group in connection with the non-performance, late or partial performance by a debtor of its obligations to the Group.

(i) Credit risk management organizational structure

To optimize the decision-making process on loans, the Group has created a comprehensive system of Credit Committees with different levels of responsibilities:

- 1st level Credit Committees of the Siberian and the Urals Banks;
- 2nd level Credit Committees of the Siberian and the Urals Banks;
- 1st level Credit Committees of regional headquarters and city branches;
- 2nd level Credit Committees of regional headquarters and city branches.

The responsibilities of the 1st level Credit Committees of the Siberian and the Urals Banks are approved by the CEO of the Bank. The responsibilities of other Credit Committees are allocated by the 1st level Credit Committees of the Siberian and the Urals Banks based on the scope of business of the relevant regional headquarter/city branch and the qualifications and experience of the members of the Credit Committee. In this regard, 2nd level Credit Committees are mostly delegated responsibilities related to decision making on SME loan applications.

The 1st level Credit Committees of the Siberian and the Urals banks report to the CEO of the Bank, while other Credit Committees report to the 1st level Credit Committees of the Siberian and the Urals Banks. The heads of credit risk departments and subdivisions are appointed the chairpersons of Credit Committees. Meetings of the Credit Committees are usually held several times a week. If the obligations of a borrower or group of borrowers exceed RUB 1 bln, the decision of the Credit Committee is to be approved by the Management Board of the Bank.

The main principles of lending and risk assessment are determined by the Bank's Credit policy. The Credit policy establishes:

- procedures for loan applications review and approval;
- principles for assessing the creditworthiness of borrowers;
- principles for evaluating collateral;
- requirements to loan documentation;
- procedures for credit monitoring;
- procedures for working with problem indebtedness.

The credit policy is reviewed annually and approved by the Management Board of the Bank. The Management Board monitors implementation of the credit policy. The credit policy is approved separately for the corporate division, the retail division and financial market operations division.

(ii) Assessment and control of credit risk

The Bank's credit risk exposure is estimated through the assessment (monitoring) of the financial position of borrowers (including issuers and counterparties).

Credit risk is controlled through the setting of credit risk limits:

- limits on the obligations of a borrower or group of borrowers;
- concentration limits (limits on the obligations of the largest borrower and the industry structure of the loan portfolio, including the securities portfolio).

(iii) Loan administration

Corporate loan applications are originated by managers of business units. A loan application includes general information on a borrower's business, its credit history and financial position. Completed loan applications are independently reviewed by the specialists of the Credit Risk Departments or Divisions in terms of the borrower's creditworthiness, evaluation of collateral, and allocation of an internal credit rating. The Legal Department concurrently performs the legal due diligence of the credit project. As a result, a second conclusion is made. Based on the conclusions of the managers of business units and specialists of the Credit Risk Departments or Divisions, the relevant Credit Committee takes a decision on the loan application.

After loan origination, the Bank regularly reviews the borrower's financial position and the quality of its debt servicing. The review is based on the borrower's most recent financial statements and other information submitted by the borrower at the Bank's request and/or obtained independently by the Bank. The review may lead to the reconsideration of the borrower's internal credit rating. The Bank also monitors the current market value of collateral using reports of either independent appraisers or the conclusions of authorized Bank specialists, responsible for work with collateral. If the market value of the collateral decreases, the Bank usually requests that debtor to provide additional security on the loan.

Depending on the amount of the loan, retail loan applications are reviewed using a three-level system: pursuant to a simplified procedure using scoring models, through a system of independent risk experts (underwriters) or through the adoption of decisions by the Retail Lending Committee in the form similar to corporate loan applications.

In addition to analysis of individual borrowers, the Bank also analyses the entire credit portfolio in terms of credit concentration risks by borrowers, industries and geographical regions.

Market risk

Market risk is the risk that changes in market prices of securities, foreign currency and precious metals exchange rates, and interest rates will lead to changes in income or the value of the Group's portfolio. Market risk includes currency, interest rate and other price risk. The Group's exposure to market risk arises from open positions in equities, foreign currencies, precious metals and interest rates.

The objective of market risk management is to ensure the Group's ability to control the effects of market risk factors.

Overall responsibility for market risk management has been delegated to ALCO, chaired by the First Deputy Chief Executive Officer of the Bank. ALCO is responsible for management of the structure of the Bank's assets and liabilities, setting marginal interest rates, setting market risk limits, and approving the methodology for market risk management.

Market risk is managed by the Treasury Department and Financial Risk Department of the Bank. The Financial Risk Department estimates the Group's exposure to market risk, and calculates and monitors market risk limits: Value-at risk open position limits, interest-sensitivity limits and stop-loss limits. The Treasury Department manages open positions within the established limits whilst seeking to obtain the maximum profit for the Group.

Value-at-risk method

The Group applies the Value-at-Risk (VaR) method to estimate exposure to price and currency risks. VaR is the amount of losses on positions which will not be exceeded over a specified time horizon in the future with a given level of confidence. The Group uses the following parameters to estimate VaR:

- level of confidence - 99%;
- calculation method - historical;
- number of observations used for calculation– 12 months.

Although VaR method is a valuable tool in measuring market risk exposure, it has a number of limitations, especially in low-liquidity markets:

- The use of historical data as a basis for forecasting future events may not encompass all possible scenarios, particularly those which are of an extreme nature.
- The use of a confidence level of 99% does not take into account losses that may occur beyond this level. There is one percent chance that the loss could exceed the VaR level.
- Since VaR is calculated at the end of a trading day, it does not necessarily reflect exposure to risk that may arise during the trading day.

Due to the aforementioned limitations of VaR method, the Bank also applies other instruments to assess market risk: stress-testing, gap analysis of interest rate risk change, analysis of sensitivity of security portfolio value and net interest income of the Group to changes in interest rates. When performing stress-testing, the Group uses a wide range of sensitivity tests and scenario stress-tests to model the impact of extreme market scenarios on the Group's financial result.

A summary of VAR estimates as at March 31, 2008 in respect of currency and fixed income securities positions is as follows.

RUB'000	**March 31, 2008**	**2007**
Currency risk	131 916	30 387
Interest rate risk on securities with fixed income	145 621	139 680

Currency risk

Currency risk is the risk of financial losses of the Group as a result of a change in the exchange rates of foreign currencies and the prices of precious metals.

The Group may be exposed to currency risk due to the currency gap between assets and liabilities.

As at March 31, 2008 the Group had the following foreign currency positions:

	Roubles	USD dollars	Other currencies	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Assets				
Cash and cash equivalents	3 044 237	8 891 944	1 162 002	**13 098 183**
Mandatory cash balances with the Central Bank of the Russian Federation	2 224 801	-	-	**2 224 801**
Placements with banks and other financial institutions	7 100 171	348 914	3	**7 449 088**
Financial instruments at fair value through profit or loss	5 808 326	164	1 167 109	**6 975 599**
Loans to customers	127 123 269	7 565 899	1 431 746	**136 120 914**
Financial instruments available-for-sale	101	-	434	**535**
Property and equipment	3 904 040	-	-	**3 904 040**
Other assets	964 097	15 471	58 828	**1 038 396**
Goodwill	6 494 241	-	-	**6 494 241**
Total assets	**156 663 283**	**16 822 392**	**3 820 122**	**177 305 797**
Liabilities				
Financial instruments at fair value through profit or loss	1 220 301	-	-	**1 220 301**
Deposits and balances from banks and other financial institutions	7 579 524	15 460 971	912 504	**23 952 999**
Current accounts and deposits from customers	49 423 839	5 070 591	2 574 629	**57 069 059**
Debt securities in issue	21 065 246	9 807 665	27 832 635	**58 705 546**
Subordinated debt	22 000	5 043 551	-	**5 065 551**
Other liabilities	847 204	12 777	90	**860 071**
Deferred tax liabilities	111 639	-	-	**111 639**
Total liabilities	**80 269 753**	**35 395 555**	**31 319 858**	**146 985 166**
Net balance sheet position as of March 31, 2008	**76 393 530**	**(18 573 163)**	**(27 499 736)**	**30 320 631**
Net off-balance sheet position as of March 31, 2008	**(46 967 846)**	**19 391 726**	**27 576 120**	**-**
Net position as of March 31, 2008	**29 425 684**	**818 563**	**76 384**	**30 320 631**
Net position as of December 31, 2007	**28 475 365**	**222 976**	**14 292**	**28 712 633**

The net RUB position substantially represents the Group's net equity, which is denominated in RUB.

Interest rate risk

Interest rate risk is the risk of changes in income or the value of financial instrument portfolio due to changes in interest rates. A change in interest rate levels may either increase or reduce the Group's net interest income and the value of its interest-sensitive portfolios.

The Group's exposure to interest rate risk is caused by the mismatching of interest re-pricing dates of balance sheet and off-balance-sheet assets and liabilities.

The table below shows the interest bearing assets and liabilities of the Group and the corresponding average effective interest rates as at March 31, 2008 and December 31, 2007.

		March 31, 2008		2007
	Carrying value RUB'000	Average Effective Interest Rate	Carrying value RUB'000	Average Effective Interest Rate
Interest bearing assets				
Cash and cash equivalents				
Correspondent accounts and overnight placements with other Banks				
- RUB	362 976	-%	1 036 432	2,4%
- foreign currency	9 680 880	2,7%	211 889	5,4%
Placements with banks and other financial institutions				
- RUB	7 100 171	6,0%	9 266 167	4,5%
- foreign currency	348 917	-%	5 372 099	3,7%
Financial instruments at fair value through profit or loss				
- RUB	4 157 252	8,2%	4 508 188	8,2%
- foreign currency	-	-%	552 696	7,2%
Loans to customers				
Loans to corporate entities				
- RUB	41 943 632	14,9%	45 398 060	14,3%
- foreign currency	8 919 340	12,7%	8 695 788	12,4%
Reverse repo				
- RUB	13 619 453	7,0%	-	-
Loans to individuals				
Originated by the Group				
- RUB	64 885 784	24,3%	65 367 273	24,9%
- foreign currency	78 305	12,1%	100 302	12,0%
Purchased by the Group				
- RUB	6 674 400	17,4%	7 438 917	17,4%
- foreign currency	-	-%	-	-%
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
Loro accounts				
- RUB	39 438	-%	63 446	0,1%
- foreign currency	21 515	-%	18 317	-%
Term deposits and syndicated debt				
- RUB	7 540 086	6,4%	2 608 784	6,9%
- foreign currency	16 351 960	5,0%	16 614 330	6,8%
Current accounts and deposits from customers				
- RUB	38 505 380	10,2%	37 127 421	10,2%
- foreign currency	7 321 168	8,1%	5 086 620	7,9%
Debt securities in issue				
- RUB	21 065 246	9,0%	20 769 937	8,9%
- foreign currency	37 640 300	8,1%	36 603 174	8,1%
Subordinated debt				
- RUB	22 000	11,3%	22 000	11,3%
- foreign currency	5 043 551	11,8%	5 167 328	12,0%

The following table shows information on the Group's exposure to interest rate risks as at March 31, 2008. The table includes assets and liabilities at their carrying value, as at the earlier of the following two dates: maturity or the date of repricing of interest rates.

	Less than 1 month	**1 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Non-interest bearing**	**Overdue**	**Total**
Assets	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**
Cash and cash equivalents	10 043 856	-	-	-	-	3 054 327	-	**13 098 183**
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	-	2 224 801	-	**2 224 801**
Placements with banks and other financial institutions	7 448 457	-	-	631	-	-	-	**7 449 088**
Financial instruments at fair value through profit or loss	-	668 844	743 381	2 745 037	-	2 818 337	-	**6 975 599**
Loans to customers	21 576 530	17 535 648	16 219 428	53 199 339	21 528 348	-	6 061 621	**136 120 914**
Financial instruments available-for-sale	-	-	-	-	-	535	-	**535**
Property and equipment	-	-	-	-	-	3 904 040	-	**3 904 040**
Other assets	-	-	-	-	-	1 038 396	-	**1 038 396**
Goodwill	-	-	-	-	-	6 494 241	-	**6 494 241**
Total assets	**39 068 843**	**18 204 492**	**16 962 809**	**55 945 007**	**21 528 348**	**19 534 677**	**6 061 621**	**177 305 797**

Overdue amounts represent the full balances of overdue customers after provisions.

Liabilities	Less than 1 month RUB'000	1 to 6 months RUB'000	6 months to 1 year RUB'000	1 to 5 years RUB'000	More than 5 years RUB'000	Non-interest bearing RUB'000	Overdue RUB'000	Total RUB'000
Financial instruments at fair value through profit or loss	-	-	-	-	-	1 220 301	-	**1 220 301**
Deposits and balances from banks and other financial institutions	8 169 581	13 923 284	1 490 712	369 422	-	-	-	**23 952 999**
Current accounts and deposits from customers	6 288 056	16 387 949	9 692 428	13 129 356	328 759	11 242 511	-	**57 069 059**
Debt securities in issue	1 891 858	3 678 854	2 598 063	50 536 771	-	-	-	**58 705 546**
Subordinated debt	308 447	973 098	-	3 784 006	-	-	-	**5 065 551**
Other liabilities	-	-	-	-	-	860 071	-	**860 071**
Deferred tax liabilities	-	-	-	-	-	111 639	-	**111 639**
Total liabilities	**16 657 942**	**34 963 185**	**13 781 203**	**67 819 555**	**328 759**	**13 434 522**	-	**146 985 166**
Net balance sheet position on interest bearing assets and liabilities as of March 31, 2008	**22 410 901**	**(16 758 693)**	**3 181 606**	**(11 874 548)**	**21 199 589**	**6 100 155**	**6 061 621**	**30 320 631**
Net off-balance sheet position on interest bearing assets and liabilities as of March 31, 2008	-	**(15 324 100)**	**(12 633 340)**	**27 957 440**	-	-	-	-
Net position on interest bearing assets and liabilities as of March 31, 2008	**22 410 901**	**(32 082 793)**	**(9 451 734)**	**16 082 892**	**21 199 589**	**6 100 155**	**6 061 621**	**30 320 631**
Net position on interest bearing assets and liabilities as of December 31, 2007	**15 116 741**	**(31 737 376)**	**(4 892 493)**	**21 478 634**	**19 889 129**	**4 826 170**	**4 031 828**	**28 712 633**

The results of the analysis of the sensitivity of the Group's net interest income and equity for the year to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves (assuming no asymmetrical movement in yield curves and a constant balance sheet position):

RUB'000	**March 31, 2008**		**2007**	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
100 bp parallel rise	33 187	25 222	(93 853)	(71 392)
100 bp parallel fall	(33 187)	(25 222)	93 853	71 392

Equity price risk

Equity price risk is the risk of changes in income or the value of financial instruments portfolios due to changes in equity securities prices.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments.

Liquidity risk exists when the maturities of assets and liabilities do not match. It should be noted that it is unusual for financial institutions ever to be completely matched since the business transacted is often of an uncertain term. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group's liquidity risk management policy is determined by ALCO, the Treasury Department manages the Group's current liquidity ratio, and the Financial Risk Department assesses liquidity risks.

The Group takes the following actions for the purposes of liquidity risk management:

- diversification of the structure of assets and liabilities;
- forecasts of all inflows and planning of all cash flows by major currencies over the next 30 calendar days;
- forming a portfolio of highly liquid securities sufficient for maintaining a stable liquidity position;
- development and implementation of plans for liquidity management in extreme situations;
- monitoring of conformity of liquidity ratios to the requirements of the regulator – the Central Bank of the Russian Federation;
- measures to set or increase credit tires for the Group by counterparty banks to provide a reserve source for maintaining liquidity on the interbank market.

Liquidity risk is estimated through gap-analysis (calculation of liquidity gap between assets and liabilities by call dates and maturity) and setting limits on cumulative liquidity gap. Stress-testing of the Bank's liquidity is also performed. The liquidity risk estimates are reported to the Bank management and ALCO.

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

The gross undiscounted cash flows of the Group as of March 31, 2008 may be presented as follows:

	Demand and less than 1 month	**From 1 to 6 month**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total gross nominal outflow/ (inflow)**	**Carrying amount**
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	7 835 209	6 641 502	4 460 711	5 359 729	681 059	24 978 210	23 952 999
Current accounts and deposits from customers	17 595 688	14 100 390	10 805 013	18 553 731	500 724	61 555 546	57 069 059
Debt securities in issue	1 919 632	4 382 507	4 153 300	59 078 810	-	69 534 249	58 705 546
Subordinated debt	18 065	278 476	297 290	5 828 937	898 452	7 321 220	5 065 551
Other liabilities	725 341	10 187	32 747	22 826	68 970	860 071	860 071
Derivative liabilities							
Inflow	(6 262 224)	(30 561 010)	(5 388 001)	(44 241 396)	-	(86 452 631)	(2 309 591)
Outflow	6 301 069	30 083 691	5 962 403	43 674 018	-	86 021 181	1 220 301
Total	**28 132 780**	**24 935 743**	**20 323 463**	**88 276 655**	**2 149 205**	**163 817 846**	**144 563 936**
Credit related commitments	**6 417 715**	**774 851**	**1 626 147**	**1 295 767**	**343 369**	**10 457 849**	**10 457 849**

The gross undiscounted cash flows of the Group as of December 31, 2007 may be presented as follows:

	Demand and less than 1 month	From 1 to 6 month	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross nominal outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	1 210 734	6 918 117	6 293 281	5 335 512	513 476	20 271 120	19 304 877
Current accounts and deposits from customers	18 933 859	15 337 163	7 744 853	15 404 735	93 277	57 513 887	53 932 761
Debt securities in issue	600 911	4 431 653	5 519 124	58 834 069	-	69 385 757	57 373 111
Subordinated debt	52 931	255 719	314 461	6 103 954	1 008 332	7 735 397	5 189 328
Other liabilities	465 979	9 168	26 414	1 593	24 452	527 606	527 606
Derivative liabilities							
Inflow	(12 822 327)	(19 939 641)	(17 553 864)	(37 864 941)	-	(88 180 773)	(822 115)
Outflow	12 815 446	19 862 439	18 150 338	38 109 866	-	88 938 089	707 146
Total	**21 257 533**	**26 874 618**	**20 494 607**	**85 924 788**	**1 639 537**	**156 191 083**	**137 034 828**
Credit related commitments	**7 385 750**	**771 093**	**1 274 391**	**2 361 208**	**876 652**	**12 669 094**	**12 669 094**

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. The Bank was in compliance with these ratios during the 1st quarter of 2008 and 2007.

The table below reflects the contractual maturities of assets and liabilities of the Group excluding interest receipts and payments, as at March 31, 2008.

	Less than 1 month	**From 1 to 6 months**	**From 6 months to 1 year**	**From 1 to 5 years**	**More than 5 years**	**No stated maturity**	**Overdue**	**Total**
Assets	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**
Cash and cash equivalents	13 098 183	-	-	-	-	-	-	**13 098 183**
Mandatory cash balances with the Central Bank of the Russian Federation	2 224 801	-	-	-	-	-	-	**2 224 801**
Placements with banks and other financial institutions	7 448 457	-	-	631	-	-	-	**7 449 088**
Financial instruments at fair value through profit or loss	148 637	1 037 330	295 564	4 756 636	228 686	508 746	-	**6 975 599**
Loans to customers	21 576 530	17 535 648	16 219 428	53 199 339	21 528 348	-	6 061 621	**136 120 914**
Financial instruments available-for-sale	-	-	-	-	-	535	-	**535**
Premises and equipment	-	-	-	-	-	3 904 040	-	**3 904 040**
Other assets	458 570	209 591	197 677	25 408	3 854	116 848	26 448	**1 038 396**
Goodwill	-	-	-	-	-	6 494 241	-	**6 494 241**
Total assets	**44 955 178**	**18 782 569**	**16 712 669**	**57 982 014**	**21 760 888**	**11 024 410**	**6 088 069**	**177 305 797**

Overdue amounts represent the full balances of overdue customers after provisions.

Liabilities	Less than 1 month RUB'000	From 1 to 6 months RUB'000	From 6 months to 1 year RUB'000	From 1 to 5 years RUB'000	More than 5 years RUB'000	No stated maturity RUB'000	Overdue RUB'000	Total RUB'000
Financial instruments at fair value through profit or loss	163 893	705 900	1 611	348 897	-	-	-	**1 220 301**
Deposits and balances from banks and other financial institutions	7 819 199	6 366 226	4 236 993	4 898 869	631 712	-	-	**23 952 999**
Current accounts and deposits from customers	17 396 885	12 984 722	9 725 350	16 633 343	328 759	-	-	**57 069 059**
Debt securities in issue	1 891 858	3 678 854	2 598 063	50 536 771	-	-	-	**58 705 546**
Subordinated debt	16 671	138 627	-	4 098 047	812 206	-	-	**5 065 551**
Other liabilities	725 341	10 187	32 747	22 826	68 970	-	-	**860 071**
Deferred tax liabilities	-	-	-	-	-	111 639	-	**111 639**
Total liabilities	**28 013 847**	**23 884 516**	**16 594 764**	**76 538 753**	**1 841 647**	**111 639**	-	**146 985 166**
Net liquid position	**16 941 331**	**(5 101 947)**	**117 905**	**(18 556 739)**	**19 919 241**	**10 912 771**	**6 088 069**	**30 320 631**
Total liquid position as at March 31, 2008	**16 941 331**	**11 839 384**	**11 957 289**	**(6 599 450)**	**13 319 791**	**24 232 562**	**30 320 631**	
Total liquid position as at December 31, 2007	**9 701 140**	**5 063 139**	**5 728 476**	**(4 859 332)**	**13 862 288**	**24 663 059**	**28 712 633**	

In spite of substantial portion of customers' current 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 liabilities provide a stable source of funding for the Group.

Operational risk

Operational risk is the risk of financial losses to the Group due to:

- the mismatch of internal business processes to the nature and scale of the Bank's activities;
- violation by Bank officials and/or other parties of the internal regulations of the Bank and the laws of the Russian Federation (due to incompetence, accidental or deliberate actions or inaction);
- disparity (insufficiency) of the functional capabilities (characteristics) of the information, technical and other systems used by the Bank and/or their failure (breakdown);
- impact of external events;
- impact of legal risk factors.

The Bank is in the process of development and implementation of an operational risk framework which incorporates the following elements:

- identification of operational risk (including concentration zones);
- assessment (determining materiality for the Bank);
- reducing the Bank's exposure to operational risk;
- monitoring of operational risk;
- control over operational risk.

The Bank uses the following methods for identifying operational risk:

- systems of self-assessment of operational risk by Bank divisions;
- collection of information on losses related to operational risk, their systemisation and storage;
- analysis of the reports of the Bank's internal and external auditors and supervisory bodies;
- analysis of statistical information on losses as a result of realisation of operational risk in other credit institutions.

The Bank has identified the following as the main methods for assessing the level of operational risk:

- use of a system of key risk indicators (under development);
- statistical analysis of distribution of actual losses (based on an analysis of databases on operational losses);
- modeling/scenario analysis (under development).

Exposure to operational risk is reduced through the use of the following measures:

- regulation, standardisation and improvement of the Bank's business processes to reduce exposure to operational risk;
- distribution of equity to cover possible losses from the realization of operational risk (under development);
- organization of a system for insuring operational risk (comprehensive insurance contract “BBB”);
- improving the information security system (access control to computerized banking products, control over security of computer networks, etc.);
- implementation of a management quality system;
- improvement of the system of internal controls.

The procedures for monitoring and control over operational risks include the following:

- procedures for control over key operational risks;
- monitoring of the quality of business processes;
- control over increasing operational loss limits pursuant to the Bank's internal documents;
- regular formation of operational risk cards;
- preparation of reports for Bank management.

28 Capital management

The Central Bank of the Russian Federation sets and monitors capital requirements for the Bank, the lead operational entity of the Bank, and for the Group as a whole.

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

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the Group's capital position calculated in accordance with the requirements of the Basle Accord, as at March 31, 2008.

	March 31, 2008	**2007**
	RUB'000	**RUB'000**
Tier 1 capital		
Share capital	1 629 083	1 629 083
Share premium	21 439 785	21 439 785
Retained earnings	7 251 763	5 643 765
Goodwill	(6 494 241)	(6 494 241)
Total tier 1 capital	**23 826 390**	**22 218 392**
Tier 2 capital		
Subordinated debt (unamortized portion under Basel)	3 573 570	3 941 827
Total tier 2 capital	**3 573 570**	**3 941 827**
Investments in associates and unconsolidated subsidiaries	(162)	(70 246)
Total capital	**27 399 798**	**26 089 973**
Risk-weighted assets		
Banking book	148 615 931	138 379 192
Trading book	4 842 548	4 454 646
Less: assets eliminated from the equity	(162)	(70 246)
Total risk weighted assets	**153 458 317**	**142 763 592**
Total capital expressed as a percentage of risk-weighted assets ("total capital ratio")	**17,85%**	**18,27%**
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	**15,53%**	**15,56%**

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

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Group. The Group has complied with all externally imposed capital requirements during the 1st quarter 2008 and 2007.

Under these covenants the Group has to maintain the total capital ratio at a level not less than 12 %.

29 Commitments

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

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced.

The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties of the Group failed completely to perform as contracted.

	March 31, 2008 RUB'000	**2007 RUB'000**
Contracted amount		
Loan and credit line commitments	8 971 659	10 631 207
Guarantees and letters of credit	1 486 190	2 037 887
	10 457 849	**12 669 094**

The majority of specified commitements may terminate without being funded. Thus, commintements mentioned above do not represent the expected cash outflow.

30 Operating leases

Leases as lessee

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

	March 31, 2008 RUB'000	**2007 RUB'000**
Less than one year	17 613	19 040
Between one and five years	51 371	42 846
More than five years	17 373	14 121
	86 357	**76 007**

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

In the reporting year, RUB 181,185 thousand was recognized as an expense in the interim consolidated income statement in respect of operating leases (1Q of 2007: RUB 121, 271 thousand).

31 Contingencies

Insurance

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

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Group Management believes that the Group's ultimate liabilities arising from legal actions (if any), will not have a material adverse effect on the financial condition of the Group.

Taxation contingencies

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

These circumstances may create tax risks in the Russian Federation that are substantially higher than those in other countries. Management of the Group believes that its tax liabilities are fully reflected in this consolidated financial statements based on its interpretations of Russian tax law in effect, official pronouncements and court decisions. However, considering the fact that the interpretations of the tax legislation by different regulatory authorities could differ from the Group's opinion, in case of the regulatory authorities are successful in enforcing their interpretation, the effect on these consolidated financial statements of the Group could be significant.

32 Custody activities

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

33 Related party transactions

There is no ultimate controlling party as none of the Group's shareholders own more than 50% of the its shares.

The shareholders' structure of the Group is as follows:

Name of the shareholder	**Share in the share capital March 31, 2008**
Kim Igor Vladimirovich	**28,06%**
EBRD	**13,82%**
AVINDALE INVESTMENTS S.A.	**8,68%**
Bekarev Andrey Aleksandrovich	**6,51%**
Taranov Aleksandr Aleksandrovich	**6,51%**
DEG	**5,01%**
ZAO Depozitarno-Kliringovaya Kompaniya (nominal shareholder)	**14,37%**
Other	**17,04%**

For the purposes of these interim consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IFRS IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at March 31, 2008, the outstanding balances with related parties are as follows:

	March 31, 2008				
	Shareholders	**Key management personnel**	**Companies with significant Group shareholders in common**	**Other**	**Total**
Cash and cash equivalents					
Correspondent accounts	-	-	18	-	**18**
Due from other banks					
Term deposits	-	-	28 000	-	**28 000**
Financial instruments available for sale					
Equities/ Shares in authorized capital	-	-	-	8	**8**
Loans to customers					
Loans outstanding (gross)	10 111	81 817	124 024	736	**216 688**
Loan impairment	-	(199)	(445)	-	**(644)**
Other assets					
Investments in unconsolidated subsidiary	-	-	-	162	**162**
Deposits and balances from banks and other financial institutions					
Term placements of other banks	2 439 256	-	-	-	**2 439 256**
Correspondent accounts of other banks	-	-	35 310	-	**35 310**
Current accounts and deposits from customers					
Term deposits	218 455	25 893	169 618	50 077	**464 043**
Current/demand accounts	1 282	18 391	242 357	2 192	**264 222**
Subordinated debt	486 263	-	22 000	-	**508 263**
Credit related commitments	10 086	3 892	10 003	96	**24 077**
Guarantees received	20 343	33 724	681 938	24 391	**760 396**

As at March 31, 2008, the Group purchased consumer finance loans to individuals from a related party at their carrying amount which have an outstanding balance of RUB 5,597,498 thousand (2007: RUB 6,315,211 thousand). Loans continue to be serviced by this related party. The Group pays to this related party a monthly commission.

In respect of the loans purchased, the related party has provided a renewable guarantee to the Group of RUB 115,000 thousand (2007: RUB 115,000 thousand) in respect of principal and interest amounts. Should the full amount of the guarantee be required to be called on, the seller is obligated to either provide further guarantees, in increments of RUB 115,000 thousand (2007: RUB 115,000 thousand), as required up to the full value of the outstanding loans, or to pay a penalty of 2% of the outstanding balance of the loan portfolio and accrued interest.

In the 1st quarter of 2008, the Group sold to the related party loans overdue for more than 180 days and with nominal value of RUB 1,782,825 thousand with a discout of 87.8% (2007: no such transactions). See comment 14.

In the 1st quarter of 2008, the Group sold to the shareholder ZAO ZSSA Zhaso at the carrying amount, but in spite of that the insurance company also remains to be a related party.

As at March 31, 2008, effective interest rates on major related parties balances are as follows:

	March 31, 2008	
	RUB	**Foreign currency**
Assets		
Loans to customers	13,44%	11,00%

Loans to banks	6,25%	-
Liabilities		
Deposits and balances from banks and other financial institutions	-	7,22%
Current accounts and deposits from customers	10,73%	9,33%
Subordinated debt	11,32%	10,90%

The results of transactions with related parties as at March 31, 2008, are as follows:

	March 31, 2008				
	Shareholders	**Key management personnel**	**Companies with significant Group shareholders in common**	**Other**	**Total**
Interest income on loans to customers	188	2 461	12 646	28	**15 323**
Interest expense on deposits and balances from banks and other financial institutions	(56 890)	-	-	-	**(56 890)**
Interest expense on current accounts and deposits from customers	(1 370)	(733)	(3 862)	(396)	**(6 361)**
Interest expense on subordinated debt	(15 951)	-	(691)	-	**(16 642)**
Loan impairment		3 843	1 092	107	**5 042**
Net fee and commission income	8	-	9 252	18	**9 278**
Other operating income	-	-	825	-	**825**
Operating expenses	(49)	-	(51 929)	(2 520)	**(54 498)**
Occupancy	-	-	(7 377)	-	**(7 377)**

During the 1st quarter of 2008, the total remuneration of the key management personnel, including discretionary compensation, amounted to RUB 179,883 thousand (1st quarter of 2007: RUB 106,691 thousand).

Included in the Group key management personnel are members of the Board of Directors and the Management Board.

The Group does not provide post-employment, share-based or other long-term benefits to the key management personnel.

As at December 31, 2007, the outstanding balances with related parties are as follows:

	December 31, 2007				
	Shareholders	**Key management personnel**	**Companies with significant Group shareholders in common**	**Other**	**Total**
Cash and cash equivalents					
Correspondent accounts	-	-	6	-	**6**
Financial instruments available for sale					
Equities/ Shares in authorized capital	-	-	-	8	**8**
Loans to customers					
Loans outstanding (gross)	10 460	102 773	722 284	8 533	**844 050**
Loan impairment	-	(4 042)	(1 537)	(107)	**(5 686)**
Other assets					
Investments in unconsolidated subsidiary	-	-	-	70 246	**70 246**
Deposits and balances from banks and other financial institutions					
Term placements of other banks	2 440 308	-	-	-	**2 440 308**
Correspondent accounts of other banks	-	-	53 057	-	**53 057**
Current accounts and deposits from customers					
Term deposits	14 450	70 647	1 361 771	34 104	**1 480 972**
Current/demand accounts	591	-	31 716	215 546	**247 853**
Subordinated debt	494 187	-	-	22 000	**516 187**
Credit related commitments	10 230	3 559	87 876	109	**101 774**
Guarantees received	20 268	31 031	861 455	31 563	**944 317**

As at December 31, 2007, effective interest rates on major related parties balances are as follows:

	December 31, 2007	
	RUB	**Foreign currency**
Assets		
Loans to customers	14,5%	11,0%
Liabilities		
Deposits and balances from banks and other financial institutions	-	7,52%
Current accounts and deposits from customers	8,79%	7,20%
Subordinated debt	11,32%	11,40%

As at March 31, 2007, the results of transactions with related parties are as follows:

	March 31, 2008				
	Shareholders	**Key management personnel**	**Companies with significant Group shareholders in common**	**Other**	**Total**
Interest income on loans to customers	726	714	3 329	35	**4 804**
Interest income on placements with banks and other financial institutions	-	-	56	-	**56**
Interest expense on current accounts and deposits from customers	(868)	(731)	(510)	(2 124)	**(4 233)**
Loan impairment	386	12	(1 243)	1	**(846)**
Net fee and commission income	4	-	4 321	1 474	**5 799**
Other operating income	2 831	-	445	1 190	**4 466**
Operating expenses	(412)	(4)	(8 503)	(4 415)	**(13 334)**

34 Fair value of financial instruments

The estimated fair value of the Group's financial assets and liabilities, as required to be disclosed by IFRS IAS 32 "Financial Instruments: Disclosure and Presentation", is as follows:

The estimated fair value of cash, mandatory cash balances with the Central Bank of the Russian Federation, and placements with banks and other financial institutions is their carrying amount.

The estimated fair value of quoted financial instruments at fair value through profit or loss is based on quoted market prices as of the balance sheet date without any deduction for transaction costs.

The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received.

The estimated fair value of deposits and balances from banks and customer accounts balances, which are payable on demand, is their carrying value. The estimated fair value of deposits and balances from banks and customer accounts balances, which are not payable on demand, debt securities in issue and subordinated debt, which are not quoted in an active market, is calculated based on discounted expected future principal and interest cash flows.

The estimated fair value of debt securities in issue and subordinated debt quoted in an active market, is based on quoted market prices as of the balance sheet date without any deduction for transaction costs.

The estimated fair value of all other financial instruments represents the discounted amount of estimated future cash flows expected to be received.

The management of the Group believes fair values of all financial instruments, except for long-term loan participation notes, domestic bonds, and mortgage finance loans, approximate their carrying values.

	March 31, 2008 RUB'000	**March 31, 2008 RUB'000**
	Carrying value	**Fair value**
Assets		
Mortgage finance loans	20 598 476	21 870 882
Liabilities		
Long-term loan participation notes	42 797 154	40 154 448
Domestic bonds	14 261 743	13 753 493

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