URSA Bank

Interim Financial Statements for the nine-month period ended 30 September 2007

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(expressed in thousands of Russian Roubles – refer to Note 3)

	Note	30 September 2007	31 December 2006
Assets			
Cash and cash equivalents	5	3 566 859	7 880 645
Mandatory cash balances with the Central Bank of the Russian Federation		1 996 627	1 095 115
Due from other banks	6	1 481 743	13 376 797
Financial instruments at fair value through profit or loss	7		
-Unpledged		13 231 194	12 298 476
-Pledged		5 530 454	-
Financial instruments available for sale	8	110 580	-
Loans to customers	9	128 957 904	67 405 820
Other assets	10	961 236	629 502
Goodwill	11	6 494 241	6 494 241
Deferred tax asset	12	37 903	154 782
Premises and equipment	13	3 245 494	2 275 394
Total assets		**165 614 235**	**111 610 772**
Liabilities			
Financial instruments at fair value through profit or loss	7	248 832	539 718
Due to other banks	14	27 569 590	17 523 530
Customer accounts	15	47 365 071	36 502 241
Debt securities in issue	16	55 752 231	36 124 731
Subordinated debt	17	5 378 585	5 559 284
Other liabilities	18	1 953 703	340 445
Total liabilities		**138 268 012**	**96 589 949**
Shareholders' equity			
Share capital	19	1 629 083	1 434 920
Share premium		21 440 166	11 496 500
Revaluation reserve for premises and equipment		4 853	5 045
Retained earnings		4 272 121	2 084 358
Total shareholders' equity		**27 346 223**	**15 020 823**
Total liabilities and shareholders' equity		**165 614 235**	**111 610 772**

K.V. Brel
General Director

V.N. Khokhlov
First Deputy General Director

(expressed in thousands of Russian Roubles – refer to Note 3)

	Note	9-months period ended 30 September 2007	9-months period ended 30 September 2006
Interest income	20	14 258 154	4 809 417
Interest expense	20	(6 568 138)	(2 219 780)
Net interest income		**7 690 016**	**2 589 637**
Provision for loan impairment	9	(1 904 765)	(1 109 688)
Net interest income after provision for loan impairment		**5 785 251**	**1 479 949**
Net income on securities trading		117 384	(16 995)
Net foreign exchange income		87 464	46 536
Fee and commission income	21	1 820 727	1 517 779
Fee and commission expense	21	(202 618)	(93 358)
Other operating income		294 812	22 403
Operating income		**7 903 020**	**2 956 314**
Operating expenses	22	(2 150 648)	(939 228)
Staff costs		(2 657 897)	(1 042 241)
Income before taxation		**3 094 475**	**974 845**
Income tax expense	23	(728 345)	(240 066)
Net income		**2 366 130**	**734 779**

The notes set out on pages 5 to 37 form an integral part of these interim financial statements.

(expressed in thousands of Russian Roubles – refer to Note 3)

	Note	9-months period ended 30 September 2007	9-months period ended 30 September 2006
Cash flows from operating activities			
Interest received		13 443 075	4 486 613
Interest paid		(5 099 685)	(1 701 965)
Net income on securities trading		117 384	(68 413)
Net loss from foreign exchange		(1 140 423)	(149 453)
Fees and commissions received		1 820 727	1 517 779
Fees and commissions paid		(202 618)	(93 358)
Other operating income received		294 812	25 147
Staff costs paid		(2 774 003)	(990 178)
Operating expenses paid		(2 080 785)	(862 297)
Income tax paid		(611 405)	(360 936)
Cash flows from operating activities before changes in operating assets and liabilities		**3 767 079**	**1 802 939**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(901 512)	(366 770)
Net decrease in due from other banks		11 950 716	106 412
Net increase in financial instruments at fair value through profit or loss		(6 095 830)	(4 895 530)
Net increase in loans to customers		(63 098 737)	(23 554 092)
Net increase in other assets		(348 434)	(321 967)
Net increase in due to other banks		10 587 728	6 469 101
Net increase in customer accounts		10 784 197	5 529 109
Net decrease / (increase) in promissory notes and deposit certificates		(1 196 902)	805 869
Net increase in other liabilities		1 916 502	6 132
Net cash used in operating activities		**(32 635 193)**	**(14 418 797)**
Cash flows from investing activities			
Purchases of premises and equipment		(1 193 495)	(510 762)
Proceeds from sale of premises and equipment		7 226	3 204
Purchase / (sale) of unconsolidated subsidiaries		(162)	500
Net cash used in investing activities		**(1 186 341)**	**(507 058)**
Cash flows from financing activities			
Proceeds from issuance of share capital	19	10 137 829	2 089 161
Dividends paid	24	(178 337)	(191)
Repayments of subordinated debt		(122 266)	3 915 840
Proceeds from issue of long-term loan participation notes and domestic bonds		19 719 279	10 006 495
Net cash from financing activities		**29 556 505**	**16 011 305**
Effect of exchange rate changes on cash and cash equivalents		**(48 667)**	**(74 456)**
Net increase in cash and cash equivalents		**(4 313 786)**	**1 010 994**
Cash and cash equivalents at the beginning of the period		7 880 645	3 123 368
Cash and cash equivalents at the end of the period	5	**3 566 859**	**4 134 362**

(expressed in thousands of Russian Roubles – refer to Note 3)

	Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	Total shareholders' equity
Balance at 1 January 2006	**936 491**	**1 246 780**	**53 718**	**618 970**	**2 855 959**
Shares issued	90 000	1 999 161	-	-	2 089 161
Net income for the year	-	-	-	1 464 494	1 464 494
Revaluation reserve for premises and equipment, net of deferred tax effect	-	-	(47 592)	-	(47 592)
Depreciation of revaluation reserve for premises and equipment, net of deferred tax effect	-	-	(1 081)	1 081	-
Preference dividend declared (Note 23)	-	-	-	(187)	(187)
Additional shares issued as a result of the merger with UVTB	**408 429**	**8 250 559**	**-**	**-**	**8 658 988**
Balance at 31 December 2006	**1 434 920**	**11 496 500**	**5 045**	**2 084 358**	**15 020 823**
Shares issued (Note 19)	194 163	9 943 666	-	-	10 137 829
Net income for the reporting period	-	-	-	2 366 130	2 366 130
Preference dividend declared during the current year for the current reporting period (Note 23)	-	-	-	(17 100)	(17 100)
Depreciation of revaluation reserve for premises and equipment, net of deferred tax effect	-	-	(192)	192	-
Preference dividend declared during the year for the last reporting period (Note 23)	-	-	-	(161 459)	(161 459)
Balance at 30 September 2007	**1 629 083**	**21 440 166**	**4 853**	**4 272 121**	**27 346 223**

(expressed in thousands of Russian Roubles – refer to Note 3)

1 Principal Activities

URSA Bank was created as a result of merger of Sibacadembank, Open Joint Stock Company (the "Sibacadembank"), and Uralvneshtorgbank, Open Joint Stock Company (the "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 Bank's principal business activity is commercial and retail banking operations within the Russian Federation. The Bank is headquartered in Novosibirsk and has a network of branches in the Ural and Siberian Federal Districts. The Bank has 20 regional headquarters and 244 branches, 3 representative offices and 9 431 employees as of 30 September 2007 (as at 31 December 2006: 9 700).

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

The Bank's subsidiaries are as follows:

Name	Country of Incorporation	Main Activity	% Owned as at 30.09.2007	% Owned as at 31.12.2006
Lempira LLP	Russian Federation	Leasing	100%	100%
Service ETM LLP	Russian Federation	Leasing	100%	100%
Uralvneshleasing LLP	Russian Federation	Leasing	100%	100%
ZS ZhASO	Russian Federation	Insurance	57,8%	57,8%
Sibacademfinance Plc	Ireland	Investment	-	-

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

Sibacademfinance Plc is a special purpose entity established to facilitate the issue of loan participation notes by the Bank. The Bank does not own the entity; control arises through the predetermination of the entity's activities.

2 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 financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

3 Basis of Preparation

Statement of compliance
The interim financial statements of the Bank have been prepared in accordance with International Financial Reporting Standard IAS 34 *"Interim Financial Reporting"* and are unaudited. They do not include all of the information required for full financial statements and should be read in conjunction with the consolidated financial statements of the Bank for the year ended 31 December 2006, as these interim financial statements provide an update of previously reported financial information.

These interim financial statements of the Bank present interim balance sheets as at 30 September 2007 and 31 December 2006, interim income statement, interim statement of cash flow, and interim statement of changes in shareholders' equity for the nine-month period ended 30 September 2007, and explanatory notes.

Basis of measurement
The interim 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 and premises are periodically revalued.

Functional and presentation currency
The Russian Rouble is the national currency of the Russian Federation. The Russian Rouble ("RUB") has been selected by the Bank Management as the functional currency, where it reflects the economic substance of the Bank's operations and circumstances influencing its activities. It is also the currency of this financial statements presentation.

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

Use of estimates and judgments
The preparation of interim financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments made by Management in the application of IFRS that have significant effect on these interim financial statements are described in Note 11 in respect of goodwill.

4 Significant Accounting Policies

The following significant accounting policies have been applied in the preparation of the interim financial statements. The accounting policies have been consistently applied, except for the changes in accounting policies described at the end of Note 4.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities 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 entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Parent company controls another entity. The financial statements of subsidiaries are included in the financial statements from the date on which that control commences until the date it ceases.

Special purpose entities ("SPEs") are entities, which are created to accomplish a narrow and well-defined objective, such as the execution of a specific borrowing transaction. In addition, the benefits related to it operations and net assets are presently attributable to the Bank via a number of agreements.

The financial statements of SPEs are included in the interim financial statements when the substance of relationship between the Bank and the SPE indicates that the Bank controls the SPE, even if the Bank does not have any direct or indirect shareholdings in the entity.

Intra-bank transactions, balances and unrealised gains on transactions between the Bank companies are eliminated. Unrealised losses are also eliminated, but only to the extent that there is no evidence of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

(ii) Minority interest

Minority interest is that part of the profit or loss and net assets of a subsidiary, which is not owned, directly or indirectly, by the Parent company.

Minority interest is presented in the balance sheet within equity, separately from the equity owned by the parent. Minority interest in the profit or loss of the Bank is separately disclosed in the interim statement of income as an allocation of profit or loss for the reporting period attributable to minority interest.

(iii) Business combinations

The purchase method of accounting is used to account for the merger of companies. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in the interim statement of income.

(iv) Acquisition and disposal of minority interests

Any difference between the consideration paid to acquire a minority interest, and the carrying amount of that minority interest, is recognised directly in the equity attributable to equity holders of the parent.

Any difference between the consideration received upon disposal of minority interest, and the carrying amount of that portion of the Bank's interest in the subsidiary, is recognised directly in the equity attributable to the parent.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the CBR rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at the CBR rate ruling at such reporting date. Non-monetary assets and liabilities denominated in foreign currency, which are stated at historical cost, are translated to the functional currency at the CBR rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currency are translated to the functional currency at the CBR rate ruling at the dates the fair values were determined. Foreign exchange differences arising as a result of changes in exchange rates are recognised in the 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 hyperinflation-adjusted carrying amounts of the Bank's assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent 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.

Mandatory cash balances with the CBR

Mandatory cash balances with the CBR represent mandatory reserve deposits, which are not available to finance the Bank's day-to-day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the cash flow statement.

Financial instruments

Classification

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

- are financial instruments held for trading, acquired or incurred principally for the purpose of selling or repurchasing in the near term;

- are 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;

- are a derivative (except for a derivative that is a designated and effective hedging instrument); or

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

The Bank 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 an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

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 Bank intends to sell immediately or in the near term those that the Bank upon initial recognition designates as at fair value through profit or loss, or those which the holder 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 Bank has the positive intention and ability to hold to maturity, other than those that:

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

- those that the Bank designates as available-for-sale; or

- those that 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.

Recognition

Financial assets and liabilities are recognised in the balance sheet when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement of financial instruments

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 amortised cost using the effective interest method;

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

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot 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 amortised cost. Amortised 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 amortised based on the effective interest rate of the instrument.

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 management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet 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 recognised as follows:

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

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

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the income statement when the financial asset or liability is derecognised or impaired, and through the amortisation process.

Derecognition

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

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 due to other banks or to customers, as appropriate. The difference between the sale and repurchase price represents interest expense and is recognised in the income statement over the terms of the repo agreement using the effective interest method.

Securities purchased under agreements to resell ("reverse repo") are recorded as due from banks or customers as appropriate. The differences between the sale and purchase prices are treated as interest income and accrued over the life of the reverse repo agreement using the effective interest method.

Credit related commitments
In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees.

Financial guarantees are contracts that require the Bank 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.

Financial guarantee liabilities are recognised initially at fair value net of associated transaction costs, and are 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.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the 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.

Premises and equipment
Owned assets
Items of premises and equipment are stated at cost less accumulated depreciation and impairment losses, except for premises, which are stated at revalued amount as, described below.

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

Revaluation
Premises of the Bank are measured at revalued amount. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. A revaluation increase on premises is recognised directly in equity except to the extent that it reverses a previous revaluation decrease recognised in the income statement, in which case it is recognised in the income statement. A revaluation decrease on premises is recognised in the income statement except to the extent that it reverses a previous revaluation increase recognised directly in equity, in which case it is recognised directly in equity.

Depreciation
Depreciation is applied on a straight-line basis over the estimated useful lives of the assets using the following rates:

Premises - 2% per annum;
Equipment - 20%-33% per annum.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the net identifiable assets of the acquired subsidiary/associated undertaking at the date of acquisition. 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.

Impairment
Financial assets carried at amortized cost
Financial assets carried at amortised cost consist principally of loans and other receivables ("loans and receivables"). The Bank 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 an impact on the estimated future cash flows of the loan that can be reliably estimated.

The Bank 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 Bank 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 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 Bank uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in the 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.

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 cannot be reliably measured. If there is objective evidence that such investments are impaired the impairment loss is calculated as the different 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 recognised in the income statement and cannot be reversed.

Non-financial assets - Goodwill

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. Goodwill is allocated to each of the cash-generating unit expecting to benefit from the combination. Impairment is determined by assessing of the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of a cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill cannot be reversed in a subsequent period.

Other 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 recognised in the 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 balance sheet when the Bank has a legal or constructive 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.

Dividends
The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Russian legislation. Dividends in relation to ordinary shares are reflected 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 income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the data reflected in financial statements and data used for the purpose of tax base calculation. The following temporary differences are not taken into account upon the deferred tax calculation: the differences related to the goodwill recognition and not decreasing the tax base; differences related to assets or liabilities the initial recognition of which affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches 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 is based on the Bank's expected manner of realisation or settlement of the carrying amount of assets and liabilities, using income tax rates enacted at the balance sheet date.
A deferred tax asset is 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 realised.

Interest income and expense and fee and commission income
Interest income and expense are recognised in the income statement as they accrue, taking into account the effective interest rate of the asset/liability or an applicable floating rate. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis, except for interest income on financial assets at fair value through profit or loss which comprises coupon interest only. Accrued discounts and premiums on financial assets through profit or loss are recognized in net income on securities trading.

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 amortised to interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fee and commission income is recognised when the corresponding service is provided.

Leases

(i) Finance leases

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the present value of the receivable and the gross receivable represents unearned finance income. Unearned finance income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

The date of the commencement and initial recognition of a lease is considered to be the date from which the lessee is entitled to exercise its right to use the leased asset.

(ii) Operating leases

Where the Bank is the lessor in a lease agreement where it does not transfer substantially all of the risks and rewards incidental to ownership of the asset, the arrangement is accounted for as an operating lease. The leased asset is recognised in the Bank's financial statements, and depreciation and lease income are recognised in the statement of income on a straight-line basis over the period of the lease.

Where the Bank is the lessee in a lease agreement where the lessor does not transfer substantially all of the risks and rewards incidental to ownership of the asset, the arrangement is accounted for as an operating lease. The leased asset is not recognised in the Bank's financial statements, and lease payments are recognised in the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Segment reporting
A segment is a distinguishable component of the Bank that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. Segments whose revenue, results or assets are ten per cent or more of all the combined segments are reported separately.

Comparative information
Certain comparative information in these interim financial statements has been reclassified to conform to changes in presentation in the current period.

New standards and interpretations effective in the current period

IFRIC 10 "Interim Financial Reporting and Impairment", which is effective for annual periods beginning on or after 1 November 2006, clarifies that impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost should not be reversed.

IFRIC 9 "Reassessment of embedded derivatives", which is effective for annual periods beginning on or after 1 November 2006, clarifies that an embedded derivative shall be assessed for separation from the host contract and accounted for as a derivative when the Bank first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a significant change in the terms of the contract, i.e. in the terms of either the host contract or the embedded derivative or both.

The adoption of the above two amendments to standards and Interpretations did not have a significant impact on the interim financial statements of the Bank.

IFRS 7 "Financial Instruments: Disclosures", which is effective for annual periods beginning on or after 1 January 2007, provides disclosure requirements regarding the significance of financial instruments to the Bank's financial position and performance, and qualitative and quantitative information about the nature and extent of risks arising from financial instruments. The Standard supersedes International Financial Reporting Standard IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the disclosure requirements in International Financial Reporting Standard IAS 32 "Financial Instruments: Presentation and Disclosure". A large portion of existing disclosure requirements in International Financial Reporting Standard IAS 32 "Financial Instruments: Presentation and Disclosure" is transferred to the new Standard. The title of International Financial Reporting Standard IAS 32 is amended to IAS 32 "Financial Instruments: Presentation".

Amendment to IAS I "Presentation of Financial Statements - Capital Disclosures", which is effective for annual periods beginning on or after 1 January 2007. The application of the amendment requires increased disclosures in respect of the Bank's objective, policies and processes for managing capital.

The adoption of the above two amendments had no impact on the interim financial position and interim results of operations of the Bank. As these financial statements are condensed, additional disclosures resulting from the above two amendments, including IFRS 7, are not required in these interim financial statements and will be provided in the annual financial statements for the year ended 31 December 2007.

New standards and interpretations not yet adopted
A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 September 2007, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations. The Bank plans to adopt these pronouncements when they become effective. The Bank 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 1 January 2009, specifies how the Bank should report information about the operating segments and sets out requirements for related disclosures about products and services, geographical areas and major customers. Operating segments are components of the Bank 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.

(expressed in thousands of Russian Roubles – refer to Note 3)

5 Cash and Cash Equivalents

	30 September 2007	31 December 2006
Correspondent accounts and overnight placements with other banks	426 720	3 008 655
Cash on hand	2 614 210	2 949 456
Cash balances with the CBR (other than mandatory reserve deposits)	525 929	1 922 534
Total cash and cash equivalents	**3 566 859**	**7 880 645**

As at 30 September 2007, the Bank had no counterparties (31 December 2006: two), whose aggregated balances on correspondent accounts and overnight placements exceeded more than 10% of total cash and cash equivalents (31 December 2006: RUB 2 517 175 thousand). At 30 September 2007 the major risk amounted to RUB 253 922 thousand.

Currency analysis of cash and cash equivalents is detailed in Note 25. Information on related party balances is disclosed in Note 29.

6 Due from Other Banks

	30 September 2007	31 December 2006
Term placements with other banks	1 481 743	13 376 797
Total due from other banks	**1 481 743**	**13 376 797**

As at 30 September 2007, the Bank had two (31 December 2006: one) counterparties, whose aggregated balances exceeded more than 10% of due from other banks. The total amount of these balances as at 30 September 2007 was RUB 623 233 thousand (31 December 2006: RUB 10 654 377 thousand).

Included in term placements with other banks as at 31 December 2006 were deposits of RUB 10 654 377 thousand pledged against deposits received from other banks.

Currency analysis, effective interest rate and maturity structure of due from other banks are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

(expressed in thousands of Russian Roubles – refer to Note 3)

7 Financial Instruments at Fair Value through Profit or Loss

	30 September 2007	31 December 2006
Unpledged		
Trading		
Government debt instruments		
Federal loan bonds (OFZ)	2 633 835	3 469 318
Bonds of Russian regions	1 507 856	1 876 946
Corporate debt and equity instruments		
Corporate bonds	7 616 192	6 872 887
Promissory notes	-	74 509
Corporates	964 029	-
Foreign exchange contracts		
Foreign exchange contracts	273 949	4 816
Financial assets designated at fair value through profit or loss		
Equity securities	235 333	-
Total unpledged financial assets at fair value through profit or loss	**13 231 194**	**12 298 476**
Pledged under sale and purchase agreements		
Federal loan bonds (OFZ)	11 395	-
Bonds of Russian regions	1 069 747	-
Corporates and corporate bonds	4 449 312	-
Total financial assets at fair value through profit or loss	**18 761 648**	**12 298 476**

Financial liabilities at fair value through profit or loss	30 September 2007	31 December 2006
Foreign exchange contracts	230 041	539 718
Securities purchase agreements	18 791	-
Total financial liabilities at fair value through profit or loss	**248 832**	**539 718**

Foreign exchange contracts. The table below summarises, by major currency, the contractual amounts of the Bank's foreign exchange contracts outstanding as at 30 September 2007 and 31 December 2006 with details of the 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 have been recognised in the interim income statement and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contracted exchange rates	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
Buy USD sell RUB				
Less than one month	18 590 375	8 273 232	25.22	26.47
Between one and three months	998 476	9 308 044	28.25	27.62
Between three and six months	-	3 159 732	-	26.44
Between six months and one year	4 335 450	5 002 909	25.81	26.56
Between one and five years	5 849 450	1 053 244	25.44	28.25
Total buy USD sell RUB	**29 773 751**	**26 797 161**	**25.45**	**26.95**

(expressed in thousands of Russian Roubles – refer to Note 3)

Buy RUB sell USD				
Less than one month	2 824 025	468 916	25.51	26.34
		-		-
Total buy RUB sell USD	**2 824 025**	**468 916**	**25.51**	**26.34**
Buy RUB sell EUR				
Less than one month	3 477 900	-	34.78	-
Total buy RUB sell EUR	**3 477 900**	**-**	**34.78**	**-**
Buy EUR sell USD				
Less than one month	2 663 588	17 348	1.42	1.32
Total buy EUR sell USD	**2 663 588**	**17 348**	**1.42**	**1.32**
Buy EUR sell RUB				
Less than one month	19 005 618	-	35.38	-
Between one and three months				
Between one and five years	10 466 000	-	34.89	-
Total buy EUR sell RUB	**29 471 618**		**35.20**	
Buy USD sell GBP				
Less than one month	222 031	-	2.02	-
Between one and three months		-		-
Total buy USD sell GBP	**222 031**	**-**	**2.02**	**-**
Buy USD sell EUR				
Less than one month	3 462 190	-	1.42	-
Total buy USD sell EUR	**3 462 190**	**-**	**1.42**	**-**
Buy HUF sell RUB				
Between one and five years	602 823	-	0.14	-
Total buy HUF sell RUB	**602 823**	**-**	**0.14**	**-**
Buy USD sell CHF				
Less than one month	-	43 039	-	1.22
Total buy USD sell CHF	**-**	**43 039**	**-**	**1.22**
Buy GBP sell USD				
Less than one month	211 924	-	2.02	-
Between one and three months		-		-
Total buy GBP sell USD	**211 924**	**-**	**2.02**	**-**

Currency analysis, effective interest rate and maturity structure of financial instruments at fair value through profit or loss are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

(expressed in thousands of Russian Roubles – refer to Note 3)

8 Financial Instruments available for sale

Financial instruments available for sale	**30 September 2007**	**31 December 2006**
Equities		
Financial institutions	82	-
Corporates	110 508	-
Provision for loan impairment	(10)	-
Total financial instruments available for sale	**110 580**	**-**

Available-for-sale financial instruments comprise unquoted equity securities. There are no quoted market prices for these investments. In these interim financial statements these investments are stated at cost.

Currency analysis, effective interest rate and maturity structure of financial instruments available for sale are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

9 Loans to Customers

	30 September 2007	**31 December 2006**
Loans to corporate entities	61 462 812	36 948 497
Loans to individuals		
Originated by the Bank:		
- Consumer finance loans	31 113 228	18 152 964
- Mortgage finance loans	17 845 935	5 706 532
- Auto finance loans	11 413 268	2 503 476
- Other loans	2 483 140	1 379 305
Purchased by the Bank:		
- Consumer finance loans	7 538 774	5 050 480
- Mortgage finance loans	1 926 597	9 770
- Auto finance loans	1 451	2 218
Financial leases	-	579 921
Gross loans to customers	**133 785 205**	**70 333 163**
Less: provision for loan impairment	(4 827 301)	(2 927 343)
Net loans to customers	**128 957 904**	**67 405 820**

Consumer Finance Loans purchased by the Bank continue to be serviced by the sellers. Interest is accrued on loans purchased by the Bank based on the interest amount due to the Bank after retention of the agreed portion by the seller.

In respect of the consumer finance loans purchased, the sellers of the loans retain a certain portion of the interest paid by the borrowers, in return for which they have provided renewable guarantees to the Bank in respect of principal and interest amounts. As at 30 September 2007, guarantees received comprise a guarantee of RUB 115 000 thousand (31 December 2006: RUB 100 000 thousand) from a related party in respect of consumer finance loans. The amount of such guaranteed loans as at 30 September 2007 was RUB 7 526 918 thousand (31 December 2006: RUB 5 045 254 thousand).

In respect of the guarantee from the related party, 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 (31 December 2006: RUB 100 000 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.

(expressed in thousands of Russian Roubles – refer to Note 3)

Analysis of loans based on the number of overdue days as at 30 September 2007 is presented below:

	Up to 30 days	From 31 to 90 days	From 91 to 180 days	More than 180 days	Total
Loans to corporate entities					
Overdue loans	107 654	16 377	69 352	254 382	**447 765**
Loans to individuals					
Overdue loans originated by the Bank					
- Consumer finance loans	889 953	575 128	489 776	2 949 748	**4 904 605**
- Mortgage finance loans	612 581	273 819	197 978	82 316	**1 166 694**
- Auto finance loans	375 811	220 544	136 741	125 055	**858 151**
- Other loans	13 711	11 682	19 022	51 544	**95 959**
Overdue loans purchased by the Bank					
- Consumer finance loans	10 576	-	70	904	**11 551**
- Mortgage finance loans	75 414	100 776	53 750	3 623	**233 562**
- Auto finance loans	-	-	-	1 281	**1 281**
Total	**2 085 700**	**1 198 326**	**966 689**	**3 468 853**	**7 719 568**

Analysis of loans based on the number of overdue days as at 31 December 2006 is presented below:

	Up to 30 days	From 31 to 90 days	From 91 to 180 days	More than 180 days	Total
Loans to corporate entities					
Overdue loans	130 842	24 442	4 906	108 336	**268 526**
Loans to individuals					
Overdue loans originated by the Bank					
- Consumer finance loans	569 638	459 330	592 323	1 708 395	**3 329 686**
- Mortgage finance loans	184 394	25 417	5 940	-	**215 751**
- Auto finance loans	55 333	40 313	8 943	13 079	**117 668**
- Other loans	5 648	5 244	5 673	22 461	**39 026**
Overdue loans purchased by the Bank					
- Consumer finance loans	168	639	382	127	**1 316**
- Auto finance loans	95	363	218	73	**749**
Total	**946 118**	**555 748**	**618 385**	**1 852 471**	**3 972 722**

Movements in the provision for loan impairment are as follows:

	30 September 2007
Provision for loan impairment as at 31 December	**2 927 343**
Loans written off during the period as uncollectible	(4 807)
Provision for loan impairment for the period	**1 904 765**
Provision for loan impairment as at 30 September	**4 827 301**

The Bank has reviewed its loans to corporate entities and has identified 181 loans totalling RUB 447 756 thousand (31 December 2006: 61 loans totalling RUB 268 526 thousand), which display indicators of impairment and created provisions for these loans of RUB 153 597 thousand (31 December 2006: RUB 101 198 thousand). In respect of the remaining loans to corporate entities the Bank estimated loan impairment of RUB 507 501 thousand (31 December 2006: RUB 435 284 thousand) based on past historical loss and portfolio delinquency experience and overall economic conditions.

(expressed in thousands of Russian Roubles – refer to Note 3)

The Bank estimated impairment on its retail loan portfolio as follows:

- In respect of loans originated by the Bank – the Bank has, based on its past historical loss experience on these types of loans, portfolio delinquency and collection rates, provided RUB 4 154 585 thousand (31 December 2006: RUB 2 390 239 thousand).
- In respect of consumer finance loans purchased by the Bank from OJSC Vostochny Express Bank, the Bank believes that no provision for impairment is required given its assessment of impairment in the portfolio and considering the guarantees it has received from the sellers.
- In respect of other consumer loans purchased by the Bank – the Bank has, based on its past historical loss experience on these types of loans, portfolio delinquency and collection rates, provided RUB 11 618 thousand (31 December 2006: RUB 622 thousand).

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

	30 September 2007		31 December 2006	
	Amount	**%**	**Amount**	**%**
Individuals	72 322 393	54	32 804 743	47
Trade	26 031 517	19	13 162 756	19
Production	9 113 237	7	5 268 983	7
Finance	10 866 650	8	4 600 983	7
Construction	4 185 302	3	3 660 695	5
Mining	3 344 938	3	2 357 738	3
Service sector	2 861 226	2	791 956	1
Trade finance	1 369 396	1	852 993	1
Transport	751 190	1	20 082	-
Farming	164 775	-	3 020 492	4
Energy	603	-	373 104	1
Government bodies	33 265	-	46 547	-
Other	2 740 713	2	3 372 091	5
Total loans to customers (gross of provisions)	**133 785 205**	**100**	**70 333 163**	**100**

Currency analysis, effective interest rate and maturity structure of loans to customers are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

10 Other assets

	30 September 2007	31 December 2006
Settlements	40 240	252 935
Prepayments for equipment and services provided	568 526	283 012
Securities transactions settlements	196 755	-
Investment in unconsolidated subsidiary	70 084	61 353
Prepaid taxes	79 577	23 407
Other	6 054	8 795
Total other assets	**961 236**	**629 502**

Currency analysis and maturity structure of other assets are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

(expressed in thousands of Russian Roubles – refer to Note 3)

11 Goodwill

On 22 December 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 OJSC 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. As at September 30, 2007 management of the Bank has not identified any indicators of impairment.

12 Deferred Tax Assets

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 30 September 2007 and 31 December 2006. These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

	Assets		**Liabilities**		**Net**	
	31 December 2006	**30 September 2007**	**31 December 2006**	**31 December 2006**	**30 September 2007**	**31 December 2006**
Due from other banks		-	(29 252)	(9 293)	(29 252)	(9 293)
Financial instruments at fair value through profit or loss (assets)	-	5 829	(7 989)	(39)	(7 989)	5 790
Loans to customers	86 192	164 248	(42 991)	(72 061)	43 201	92 187
Premises and equipment	46 688	49 965	(163 640)	(137 516)	(116 952)	(87 551)
Other assets	134 719	62 625	(2)	(11 988)	134 717	50 637
Financial instruments at fair value through profit or loss (liabilities)	55 210	129 132	-	-	55 210	129 132
Due to other banks	1 339	-	-	(4 314)	1 339	(4 314)
Customer accounts	-	1 158	(34 742)	(4 397)	(34 742)	(3 239)
Debt securities in issue	-	2 195	(58 108)	(44 691)	(58 108)	(42 496)
Subordinated debt	-	-	(3 540)	(3 495)	(3 540)	(3 495)
Other liabilities	67 701	36 949	(13 682)	(9 525)	54 018	27 424
Net deferred tax assets/(liabilities)	**391 849**	**452 101**	**(353 946)**	**(297 319)**	**37 903**	**154 782**

The rate of tax applicable for deferred taxes was 24% (2006: 24%).

(expressed in thousands of Russian Roubles – refer to Note 3)

Movements in temporary differences during the period ended 30 September 2007 are as follows:

	31 December 2006	Recognised in income	Recognised in equity	Total 30 September 2007
Due from other banks	(9 293)	(19 959)	-	(29 252)
Financial instruments at fair value through profit or loss (assets)	5 790	(9 269)	-	(7 989)
Loans to customers	92 187	(48 986)	-	43 201
Premises and equipment	(87 551)	(29 340)	(61)	(116 952)
Other assets	50 637	84 080	-	134 717
Financial instruments at fair value through profit or loss (liabilities)	129 132	(73 922)	-	55 210
Due to other banks	(4 314)	5 653	-	1 339
Customer accounts	(3 239)	(31 503)	-	(34 742)
Debt securities in issue	(42 496)	(15 612)	-	(58 108)
Subordinated debt	(3 495)	(45)	-	(3 540)
Other liabilities	27 424	22 085	-	54 018
Total deferred tax asset	**154 782**	**(116 818)**	**(61)**	**37 903**

13 Premises and Equipment

The reconciliation of the carrying amount of premises and equipment as at 30 September 2007 is presented below:

	Premises	Office and computer equipment	Intangible assets	Construction in progress	Total
Net book amount as at 31 December 2006	**1 472 891**	**778 955**	**325**	**23 223**	**2 275 394**
Cost/revalued amount					
Opening balance	1 477 472	1 363 380	717	23 223	**2 864 792**
Additions	66 988	392 102	114 559	619 846	**1 193 495**
Transfers	339 261	479	-	(339 740)	**-**
Disposals	(30)	(37 420)	-	-	**(37 450)**
Closing balance	**1 883 691**	**1 718 541**	**115 276**	**303 329**	**4 020 837**
Accumulated depreciation					
Opening balance	(4 581)	(584 425)	(392)	-	**(589 398)**
Depreciation charge (Note 21)	(23 968)	(176 975)	(14 973)	-	**(215 916)**
Disposals	3	29 968	-	-	**29 971**
Closing balance	**(28 546)**	**(731 432)**	**(15 365)**	**-**	**(775 343)**
Net book amount as at 30 September 2007	**1 855 145**	**987 109**	**99 911**	**303 329**	**3 245 494**

Premises of the Bank were last valued by Management based on the results of independent appraisals performed by an independent firm of appraisers as at 31 December 2006. The basis used for the appraisals was market values determined by reference to observable prices and recent transactions in the market for such premises and in some cases the income method.

(expressed in thousands of Russian Roubles – refer to Note 3)

14 Due to Other Banks

	30 September 2007	31 December 2006
Term placements of other banks	18 815 347	14 684 377
Syndicated loans	8 690 338	2 740 453
Correspondent accounts of other banks	63 905	98 700
Total due to other banks	**27 569 590**	**17 523 530**

As at 30 September 2007, the Bank had two counterparties (31 December 2006: two counterparties), whose aggregated balances exceeded more than 10% of due to other banks. The total amount of these balances as at 30 September 2007 was RUB 8 631 304 thousand (31 December 2006: RUB 11 906 674 thousand).

Currency analysis, effective interest rate and maturity structure of due to other banks are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

15 Customer Accounts

	30 September 2007	31 December 2006
Individuals		
Term deposits	27 837 305	22 741 882
Current/demand accounts	4 272 392	3 508 494
Corporate customers		
Term deposits	7 440 085	4 514 878
Current/settlement accounts	7 548 157	5 736 987
Sale and repurchase agreements	267 132	-
Total customer accounts	**47 365 071**	**36 502 241**

Currency analysis, effective interest rate and maturity structure of customer accounts are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

16 Debt Securities in Issue

	30 September 2007	31 December 2006
Long-term loan participation notes	41 966 791	24 904 049
Domestic bonds	13 054 303	9 313 654
Promissory notes	720 339	1 896 896
Deposit certificates	10 798	10 132
Total debt securities in issue	**55 752 231**	**36 124 731**

(expressed in thousands of Russian Roubles – refer to Note 3)

As at 30 September 2007 and 31 December 2006, the Bank had the following long-term loan participation notes outstanding:

Principal amount as at 30 September 2007 (in thousand)	Principal amount as at 31 December 2006 (in thousand)	Interest rate	Issue date	Maturity date	30 September 2007	31 December 2006
350 933 USD	350 933 USD	9,00%	12 May 2006	12 May 2009	8 963 911	9 200 574
62 948 USD	62 948 USD	9,75%	13 December 2005	19 May 2008	1 620 214	1 662 585
4 384 575 HUF	4 384 575 HUF	11,66%	21 September 2006	21 September 2009	600 453	617 876
300 000 EUR	300 000 EUR	8,30%	16 November 2006	16 November 2011	11 322 820	10 468 732
110 000 USD	110 000 USD	9,00%	22 September 2006	22 September 2007	-	2 954 282
5 000 000 RUB	-	9,13%	26 February 2007	26 February 2010	5 022 885	-
400 000 EUR	-	7,00%	21 May 2007	21 May 2010	14 436 508	-
Total long-term loan participation notes					**41 966 791**	**24 904 049**

As at 30 September 2007 and 31 December 2006, the Bank had the following domestic bonds outstanding:

Principal amount (in RUB thousand)	Interest rate	Issue date	Maturity date	30 September 2007	31 December 2006
3 000 000	9,60%	8 June 2006	4 June 2009	3 076 107	3 003 317
1 500 000	7,60%	12 December 2005	12 December 2008	278 767	1 506 570
470 000	8,75%	7 April 2005	5 April 2007	-	479 192
3 000 000	10,05%	24 October 2006	18 October 2011	3 117 891	3 041 636
1 500 000	7,65%	27 April 2006	27 April 2008	1 520 745	1 282 939
5 000 000	8,40%	26 July 2007	19 July 2012	5 060 793	-
Total domestic bonds				**13 054 303**	**9 313 654**

Currency analysis, effective interest rate and maturity structure of debt securities in issue are disclosed in Note 25.

17 Subordinated Debt

Principal amount (in thousand)	Interest rate	Issue date	Maturity date	30 September 2007	31 December 2006
130 000 USD	12.00%	30 June 2006	30 December 2011	3 356 652	3 436 142
30 000 USD	12.25%	29 June 2005	6 July 2010	758 815	822 152
7 500 USD	Libor +6.75%	15 August 2006	15 October 2013	196 643	201 368
6 000 USD	Libor +8.00%	30 September 2005	30 September 2010	153 284	156 105
5 000 USD	Libor +6.75%	15 August 2006	15 October 2013	130 955	134 093
15 000 RUB	11.00%	16 June 2005	16 June 2010	15 000	15 000
7 000 RUB	12.00%	20 April 2004	20 April 2009	7 000	7 000
10 000 USD	Libor + 6.50%	28 November 2006	15 September 2013	247 843	263 139
20 000 USD	Libor +6.00%	25 October 2006	25 October 2013	512 393	524 285
Total subordinated debt				**5 378 585**	**5 559 284**

Currency analysis, effective interest rate and maturity structure of subordinated debt are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

(expressed in thousands of Russian Roubles – refer to Note 3)

18 Other Liabilities

	30 September 2007	31 December 2006
Trade creditors	325 449	166 564
REPO transactions liabilities	1 590 855	-
Taxation payable	5 325	165 384
Other	32 074	8 497
Total other liabilities	**1 953 703**	**340 445**

Currency analysis and maturity structure of other liabilities are disclosed in Note 25.

19 Share capital

Authorised, issued and fully paid share capital of the Bank comprises:

	30 September 2007			31 December 2006		
	Number of shares	Nominal amount	Carrying amount	Number of shares	Nominal amount	Carrying amount
Ordinary shares	1 059 010 100	1 059 010	1 332 884	969 010 100	969 010	1 242 884
Preference shares	288 282 200	288 282	296 199	184 118 740	184 119	192 036
Total share capital	**1 347 292 300**	**1 347 292**	**1 629 083**	**1 153 128 840**	**1 153 129**	**1 434 920**

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 forth 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 shares have a par value of RUB 1 per share. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

During the period ended 30 September 2007 the Bank issued 194 163 460 additional preference shares of the third type with the nominal amount of RUB 194 163 thousand and share premium of RUB 9 943 285 thousand.

On 6 February 2007, the Board of Directors approved the conversion of 90 000 000 preference shares of the second type (issued in December 2005) to ordinary shares effective 1 April 2007.

Holders of 150 000 preference shares of the first type are entitled to receive dividends of 10.00% 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 a minimum dividend of 9.00% per annum of the first issue price being USD 0,9 per share. Holders of 1 415 280 preference shares of the forth type are entitled to receive dividends of 10% per annum on the par value of their shareholding. Holders of 1 210 preference shares of the fifth type are entitled to receive dividends of 100% per annum on the par value of their shareholding. Holders of 21 450 preference shares of the sixth type are entitled to receive dividends of 110% per annum on the par value of their shareholding. Holders of 2 530 800 preference shares of the seventh type have no set dividends entitlement.

All of URSA Bank's preference shares have a par value of RUB 1 per share and carry no voting rights but rank ahead in the event of the liquidation of the Bank. These shares are not redeemable.

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

(expressed in thousands of Russian Roubles – refer to Note 3)

20 Interest Income and Expense

	Nine-month period ended 30 September 2007	Nine-month period ended 30 September 2006
Interest income		
Loans to customers	12 919 013	4 472 982
Financial instruments at fair value through profit or loss	1 090 342	291 541
Due from other banks	248 799	44 894
Total interest income	**14 258 154**	**4 809 417**
Interest expense		
Customer accounts	(2 726 535)	(916 962)
Debt securities in issue	(2 597 982)	(893 321)
Due to other banks	(755 414)	(232 457)
Subordinated debt	(488 207)	(177 040)
Total interest expense	**(6 568 138)**	**(2 219 780)**
Net interest income	**7 690 016**	**2 589 637**

21 Fee and Commission Income and Expense

	Nine-month period ended 30 September 2007	Nine-month period ended 30 September 2006
Fee and commission income		
Commission on settlement transactions	598 268	469 804
Commission on cash transactions	1 082 646	885 270
Other	139 813	162 705
Total fee and commission income	**1 820 727**	**1 517 779**
Fee and commission expense		
Commission on settlement transactions	(132 581)	(72 321)
Commission on cash transactions	(9 408)	(2 167)
Other	(60 629)	(18 870)
Total fee and commission expense	**(202 618)**	**(93 358)**
Net fee and commission income	**1 618 109**	**1 424 421**

(expressed in thousands of Russian Roubles – refer to Note 3)

22 Operating Expenses

	Nine-month period ended 30 September 2007	Nine-month period ended 30 September 2006
Rental expenses	496 925	158 710
Depreciation of premises and equipment (Note 13)	215 916	80 587
Advertising and marketing	230 222	51 860
Professional services	167 503	63 246
Expenses related to premises and equipment	156 746	171 560
Deposit insurance	120 045	93 814
Supplies	113 487	69 747
Business trips and representation	104 825	39 098
Security	100 372	34 789
Taxes other than on income	70 241	50 723
Software expenses	68 894	24 606
Charity	2 648	5 064
Other	302 824	95 424
Total operating expenses	**2 150 648**	**939 228**

23 Income Taxes

Income tax expense comprises the following:

	Nine-month period ended 30 September 2007	Nine-month period ended 30 September 2006
Current tax expense	611 465	353 200
Deferred tax expense	116 880	(113 134)
Income tax expense for the period	**728 345**	**240 066**

The Bank's applicable tax rate for current and deferred tax was 24% (31 December 2006: 24%).

Reconciliation of effective tax rate:

	Nine-month period ended 30 September 2007	%	Nine-month period ended 30 September 2006	%
Income before taxation	3 094 475		974 845	
Income tax expense using the applicable tax rate	742 674	24%	233 963	24%
Effect of non-deductible expenses	62 228	2%	20 984	2%
Effect of lower tax rates	(34 897)	(1%)	(14 881)	(1%)
Income for tax purposes only	(8 762)	(1%)		
Other	(32 898)	(1%)	-	-
Income tax expense for the year	**728 345**	**22%**	**240 066**	**25%**

(expressed in thousands of Russian Roubles – refer to Note 3)

24 Dividends

	Dividends on preference shares
Dividends payable at 31 December 2006	**101**
Dividends declared during the period	178 560
Dividends paid during the period	(178 337)
Dividends payable at 30 September 2007	**324**

Dividends on ordinary shares have not been declared or paid by the Bank during the years ended 31 December 2006 and 2005.

25 Financial Risk Management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to credit risk, liquidity risk and market risk, which includes price, currency and fair value interest rate risk. These risks are managed in the following manner:

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank. The Bank has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Bank's credit risk. The Bank's credit policy is reviewed and approved by the Board of Directors.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its commitments. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Bank's liquidity policy is reviewed and approved by the Management Board.

(expressed in thousands of Russian Roubles – refer to Note 3)

The contractual maturity of assets and liabilities of the Bank as at 30 September 2007 is set out below:

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Overdue**	**No stated maturity**	**Total**
Assets								
Cash and cash equivalents	3 566 859	-	-	-	-	-	-	**3 566 859**
Mandatory cash balances with the Central Bank of the Russian Federation	641 869	471 681	274 895	600 694	7 488	-	-	**1 996 627**
Due from other banks	1 111 436	72 547	165 306	131 830	624	-	-	**1 481 743**
Financial instruments at fair value through profit or loss								
-Unpledged	3 951	284 511	663 658	10 498 675	581 037	-	1 199 362	**13 231 194**
-Pledged	-	-	322 866	4 672 141	348 093	-	187 354	**5 530 454**
Financial instruments available for sale	-	-	-	-	-	-	110 580	**110 580**
Loans to customers	10 318 091	21 767 661	18 741 549	55 751 234	18 296 003	4 083 366	-	**128 957 904**
Other assets	546 476	190 140	23 656	22 043	5 330	-	173 591	**961 236**
Goodwill	-	-	-	-	-	-	6 494 241	**6 494 241**
Deferred tax asset	-	-	-	-	-	-	37 903	**37 903**
Premises and equipment	-	-	-	-	-	-	3 245 494	**3 245 494**
Total assets	**16 188 682**	**22 786 540**	**20 191 930**	**71 676 617**	**19 238 575**	**4 083 366**	**11 448 525**	**165 614 235**
Liabilities								
Financial instruments at fair value through profit or loss	15 741	26 261	113 871	74 168	18 791	-	-	**248 832**
Due to other banks	6 561 095	9 114 816	5 419 629	5 990 418	483 632	-	-	**27 569 590**
Customer accounts	15 226 759	11 189 464	6 521 213	14 249 997	177 638	-	-	**47 365 071**
Debt securities in issue	515 352	1 781 107	3 399 918	50 055 854	-	-	-	**55 752 231**
Subordinated debt	17 743	149 035	-	4 286 575	925 232	-	-	**5 378 585**
Other liabilities	1 853 987	2 927	45 717	51 072	-	-	-	**1 953 703**
Total liabilities	**24 190 677**	**22 263 610**	**15 500 348**	**74 708 084**	**1 605 293**	**-**	**-**	**138 268 012**
Net gap	**(8 001 995)**	**522 930**	**4 691 582**	**(3 031 467)**	**17 633 282**	**4 083 366**	**11 448 525**	27 346 223
Cumulative gap as at 30 September 2007	**(8 001 995)**	**(7 479 065)**	**(2 787 483)**	**(5 818 950)**	**11 814 332**	**15 897 698**	**27 346 223**	
Cumulative gap as at 31 December 2006	**2 402 115**	**7 931 331**	**5 857 488**	**(244 825)**	**4 126 330**	**5 899 792**	**15 020 823**	

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

Market risk

Price risk. Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Bank takes a long or short position in a financial instrument.

Currency risk. The Bank has assets and liabilities denominated in different currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

(expressed in thousands of Russian Roubles – refer to Note 3)

As at 30 September 2007, the Bank had the following positions in different currencies:

	RUB	**USD**	**Other currencies**	**Total**
Assets				
Cash and cash equivalents	2 706 791	594 783	265 285	**3 566 859**
Mandatory cash balances with the Central Bank of the Russian Federation	1 996 627			**1 996 627**
Due from other banks	332 080	834 389	315 274	**1 481 743**
Financial instruments at fair value through profit or loss				
- Unpledged	13 095 857	135 337		**13 231 194**
- Pledged	4 474 440	1 056 014		**5 530 454**
Financial instruments available for sale	110 166		414	**110 580**
Loans to customers	120 023 877	7 562 057	1 371 970	**128 957 904**
Other assets	930 016	30 925	295	**961 236**
Goodwill	6 494 241			**6 494 241**
Deferred tax asset	37 903			**37 903**
Premises and equipment	3 245 494			**3 245 494**
Total assets	**153 447 492**	**10 213 505**	**1 953 238**	**165 614 235**
Liabilities				
Financial instruments at fair value through profit or loss	248 832			**248 832**
Due to other banks	8 646 737	17 990 892	931 961	**27 569 590**
Customer accounts	44 183 882	1 776 571	1 404 618	**47 365 071**
Debt securities in issue	18 829 473	10 512 677	26 410 081	**55 752 231**
Subordinated debt	22 000	5 356 585		**5 378 585**
Other liabilities	1 466 625	486 914	164	**1 953 703**
Total liabilities	**73 378 759**	**36 142 429**	**28 746 824**	**138 268 012**
Net balance sheet position as at 30 September 2007	**80 068 733**	**(25 928 924)**	**(26 793 586)**	**(27 346 223)**
Net off-balance sheet position as at 30 September 2007	**(53 546 267)**	**27 758 435**	**25 787 832**	
Net position as at 30 September 2007	**26 522 466**	**1 829 511**	**(1 005 754)**	**27 346 223**
Net position as at 31 December 2006	**15 176 054**	**(26 599)**	**(128 632)**	**15 020 823**

Other currency balances primarily comprise of EURO.

Fair value interest rate risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

(expressed in thousands of Russian Roubles – refer to Note 3)

The table below displays the Bank's interest bearing assets and liabilities and their corresponding average effective interest rates as at 30 September 2007 and 31 December 2006.

	30 September 2007		31 December 2006	
	Roubles	**Foreign Currency**	**Roubles**	**Foreign Currency**
Assets				
Due from other banks	6,2%	1,5%	7,5%	3,1%
Financial instruments at fair value through profit or loss	7,8%	8,7%	8,1%	8,2%
Loans to corporate entities originated by the Bank	12,8%	10,1%	13,5%	10,8%
Loans to individuals originated by the Bank	28,8%	13,1%	36,2%	12,1%
Loans to individuals purchased by the Bank	19,9%	-	18,4%	-
Liabilities				
Due to other banks	6,4%	6,9%	4,3%	5,7%
Customer accounts	7,3%	7,3%	8,0%	7,7%
Debt securities in issue	8,9%	8,1%	9,6%	8,8%
Subordinated debt	11,3%	12,0%	11,3%	12,0%

The sign "-" in the table above means that the Bank does not have assets or liabilities in that currency.

(expressed in thousands of Russian Roubles – refer to Note 3)

The table below summarises the Bank's exposure to interest rate risks, as at 30 September 2007. Included in the table are the assets and liabilities at carrying amounts, categorised by the earlier of maturity or interest rate review dates.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Overdue	Non - interest bearing	Total
Assets								
Cash and cash equivalents	426 720	-	-	-	-	-	3 140 139	**3 566 859**
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	-	-	1 996 627	**1 996 627**
Due from other banks	1 111 436	72 547	165 306	131 830	624	-	-	**1 481 743**
Financial instruments at fair value through profit or loss	-	-	-	-	-	-	-	**-**
- Unpledged	109 130	523 125	1 227 539	9 753 858	418 180	-	1 199 362	**13 231 194**
- Pledged	-	11 395	243 385	4 428 755	659 565	-	187 354	**5 530 454**
Financial instruments available for sale	-	-	-	-	-	-	110 580	**110 580**
Loans to customers	10 318 091	21 767 661	18 741 549	55 751 234	18 296 003	4 083 366	-	**128 957 904**
Other assets	-	-	-	-	-	-	961 236	**961 236**
Goodwill	-	-	-	-	-	-	6 494 241	**6 494 241**
Deferred tax asset	-	-	-	-	-	-	37 903	**37 903**
Premises and equipment	-	-	-	-	-	-	3 245 494	**3 245 494**
Total assets	**11 965 377**	**22 374 728**	**20 377 779**	**70 065 677**	**19 374 372**	**4 083 366**	**17 372 936**	**165 614 235**
Liabilities								
Financial instruments at fair value through profit or loss	-	-	-	-	-	-	248 832	**248 832**
Due to other banks	6 690 897	19 128 390	1 239 989	213 897	296 417	-	-	**27 569 590**
Customer accounts	15 358 283	11 620 657	6 521 213	13 655 895	177 584	-	31 439	**47 365 071**
Debt securities in issue	515 352	1 781 107	3 399 918	50 055 854	-	-	-	**55 752 231**
Subordinated debt	327 599	1 035 572	-	4 015 414	-	-	-	**5 378 585**
Other liabilities	-	-	-	-	-	-	1 953 703	**1 953 703**
Total liabilities	**22 892 131**	**33 565 726**	**11 161 120**	**67 941 060**	**474 001**		**2 233 974**	**138 268 012**
Total on balance sheet interest rate sensitivity gap as at 30 September 2007	**(10 926 754)**	**(11 190 998)**	**9 216 659**	**2 124 617**	**18 900 371**	**4 083 366**	**15 138 962**	**27 346 223**
Total off balance sheet interest rate sensitivity gap (interest rate swaps) as at 30 September 2007		(15 324 100)		15 324 100				
Cumulative interest rate sensitivity gap	**(10 926 754)**	**(26 515 098)**	**9 216 659**	**17 448 717**	**18 900 371**	**4 083 366**	**15 138 962**	**27 346 223**
Interest rate sensitivity gap as at 31 December 2006	**(3 268 329)**	**(781 508)**	**424 053**	**(3 468 628)**	**5 682 895**	**1 773 462**	**14 658 878**	**15 020 823**

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions which are monitored on a regular basis and reviewed and approved by the Asset and Liability Committee.

(expressed in thousands of Russian Roubles – refer to Note 3)

26 Contingencies and Commitments

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

	30 September 2007	31 December 2006
Less than one year	8 081	13 248
Between one and five years	58 562	31 554
More than five years	19 841	16 815
Total operating lease commitments	**86 484**	**61 617**

The Bank 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 that date. Lease payments are usually increased annually to reflect market rentals. Operating lease commitments do not include any contingent commitments.

During the nine-month period ended 30 September 2007, operating lease payments as reflected in the interim profit and loss statement amounted to RUB 496 925 thousand (during 9 months of 2006: RUB 246 897 thousand).

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. The Bank 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 Bank property or relating to the Bank's operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

Litigation. As at 30 September 2007, Management is unaware of any significant actual, pending or threatened claims against the Bank.

Taxation contingencies. The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, 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 authorities, 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 more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed the limits of the Bank's commitments and generally extend for a period of up to five years.

The contractual amounts of credit related 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 in the Financial Statements if counterparties failed completely to perform as contracted.

(expressed in thousands of Russian Roubles – refer to Note 3)

Outstanding credit related commitments are as follows:

	30 September 2007	31 December 2006
Contracted amount		
Undrawn credit lines	10 589 877	5 629 648
Guarantees issued	1 728 599	858 880
Import letters of credit	654 422	817 989
Total credit related commitments	**12 972 898**	**7 306 517**

Movements in the provision for impairment are as follows:

	30 September 2007	31 December 2006
Provision for impairment as at 1 January	**-**	**5 364**
Recovery of provision for impairment for the year	-	(5 364)
Provision for impairment as at 31 December	**-**	**-**

Information on related party transactions is disclosed in Note 29.

27 Fair Value of Financial Instruments

The Bank has performed an assessment of its financial instruments, as required by International Financial Reporting Standards IAS 32 “Financial Instruments: Disclosure and Presentation””.

The estimated fair value of cash, correspondent accounts with the CBR, correspondent accounts, overnight deposits with other banks and other floating rate placements is their carrying value.

The estimated fair value of quoted financial instruments at fair value through profit or loss is based on quoted market prices at 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 due to other banks and customer accounts balances, which are payable on demand, is their carrying value. The estimated fair value of due to other 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 quoted debt securities in issue and subordinated debt is based on quoted market prices at 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 Bank believes that fair value of financial instruments does not differ significantly from their carrying value.

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.

(expressed in thousands of Russian Roubles – refer to Note 3)

28 Analysis by Segment

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

The Bank is organised into three main business segments:

- Commercial banking – includes corporate banking operations that include deposit taking and commercial lending, settlements and cash operations with corporate clients.
- Retail banking – includes retail banking operations which include deposit taking and lending, settlements, foreign exchange and cash operations with individuals.
- Treasury and investments – includes corporate finance, debt and equity capital markets, money markets, trading and brokerage in securities, foreign exchange, REPO transactions and trading in derivatives.

Segment breakdown of assets and liabilities of the Bank is set out below:

	30 September 2007	31 December 2006
Assets		
Commercial banking	65 857 882	42 475 704
Retail banking	72 208 472	34 373 813
Treasury and investments	20 857 924	28 748 831
Unallocated assets	6 689 957	6 012 424
Total assets	**165 614 235**	**111 610 772**
Liabilities		
Commercial banking	15 409 531	11 632 895
Retail banking	32 111 138	26 268 432
Treasury and investments	90 384 494	58 348 177
Unallocated liabilities	362 849	340 445
Total liabilities	**138 268 012**	**96 589 949**

The Bank's income statement information by business segments for the nine-month period ended 30 September 2007 is set out below:

	Commercial banking	Retail banking	Treasury and investments	Unallocated	Total
External revenue	5 583 263	9 514 491	1 480 787	0	16 578 541
Net revenue from other segments	(2 936 174)	(1 361 210)	4 297 384	0	0
Revenue	**2 647 089**	**8 153 281**	**5 778 171**	**0**	**16 578 541**
Provision for loan impairment	(131 368)	(1 773 397)	0	0	(1 904 765)
Interest expense	(285 689)	(1 961 658)	(4 320 791)	0	(6 568 138)
Fee and commission expense	(145 812)	(29 254)	(27 552)	0	(202 618)
Staff costs and operating expenses	(996 564)	(3 764 406)	(47 575)	0	(4 808 545)
Segment result	**1 087 656**	**624 566**	**1 382 253**	**0**	**3 094 475**
Income tax expense					**(728 345)**
Net income					**2 366 130**
Other segment items					
Capital expenditure	247 350	934 337	11 808	0	1 193 495
Depreciation charge	44 748	169 032	2 136	0	215 916

Net revenue from other segments represents income and expense from lending and borrowing between segments, charged at internally calculated rates. No costs have been charged to segments for the use of shareholders equity.

(expressed in thousands of Russian Roubles – refer to Note 3)

29 Related Party Transactions

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

For the purposes of these interim 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 International Financial Reporting Standards (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.

The outstanding balances as at 30 September 2007 with related parties are as follows:

	30 September 2007				
	Shareholders	**Key management personnel**	**Companies with the Bank's significant shareholders in common**	**Other**	**Total**
Cash and cash equivalents					
Correspondent accounts	-	-	1 231	-	**1 231**
Due from other banks					
Term placements	-	-	-	-	**-**
Financial instruments available for sale					
Shares (equities) in authorised capital	-	-	-	8	**8**
Loans to customers					
Loans outstanding (gross)	10 813	94 891	1 878 672	701 948	**2 686 324**
Loan impairment	-	(434)	(9 297)	(3 541)	**(13 272)**
Other assets					
Investments in unconsolidated subsidiary	-	-	-	70 084	**70 084**
Investments in authorised capital	-	-	-	162	**162**
Due to other banks					
Term placements of other banks	2 559 859	-	-	-	**2 559 859**
Correspondent accounts of other banks	-	-	5 664	-	**5 664**
Customer accounts					
Term deposits	4 688	38 523	326 800	32 434	**402 445**
Current/demand accounts	1 222	67	38 148	133 121	**172 558**
Subordinated debt	517 254	-	-	22 000	**539 254**
Credit related commitments	7 883	2 897	100 156	60 647	**171 583**
Guarantees received	-	33 456	328 790	38 024	**400 270**

Total remaining aggregate outstanding balance of loans purchased from a related party as at 30 September 2007 is RUB 7 526 918 thousand (2006: RUB 5 045 254 thousand). Loans continue to be serviced by this related party. The Bank pays a service commission of RUB 1 thousand per month to this related party.

In respect of purchased consumer finance loans the related party has provided a renewable guarantee to the Bank of RUB 115 000 thousand (2006: RUB 100 000 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 (2006: RUB 100 000 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.

(expressed in thousands of Russian Roubles – refer to Note 3)

As at 30 September 2007 effective interest rates on major related party balances were as follows:

	30 September 2007	
	Roubles	**Foreign Currency**
Assets		
Loans to customers	13,1%	11,9%
Liabilities		
Due to other banks	-	8,0%
Customer accounts	8,3%	7,9%
Subordinated debt	11,3%	11,4%

The results of transactions with related parties for the nine-month period ended 30 September 2007 are as follows:

	30 September 2007				
	Shareholders	**Key management personnel**	**Companies with significant shareholders in common**	**Other**	**Total**
Interest income on loans to customers	213	3 143	164 533	22 485	**190 374**
Interest income on due from other banks	-	-	2 016	-	**2 016**
Interest expense on due to other banks	(102 183)	-	(46)	-	**(102 229)**
Interest expense on term deposits	(1 104)	(1 345)	(2 425)	(4 899)	**(9 773)**
Interest expense on subordinated debt	(29 527)	-	-	(1 862)	**(31 389)**
Provision for loan impairment	408	(281)	(8 442)	(3 536)	**(11 851)**
Net fee and commission income	9	24	44 110	17 379	**61 522**
Other income	5	814	91	15 271	**16 181**
Operating expenses	(138 672)	-	(116 065)	(19 724)	**(274 461)**

In addition during the nine-month period ended 30 September 2007 the total remuneration of the key management personnel, including all types of compensation, amounted to RUB 292 926 thousand.

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

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

(expressed in thousands of Russian Roubles – refer to Note 3)

The outstanding balances as at 31 December 2006 with related parties are as follows:

	31 December 2006				
	Shareholders	**Key management personnel**	**Companies with significant shareholders in common**	**Other**	**Total**
Cash and cash equivalents					
Correspondent accounts	-	-	1	-	**1**
Due from other banks					
Term placements	-	-	50 049	-	**50 049**
Financial instruments at fair value through profit or loss					
Promissory notes	-	-	25 541	-	**25 541**
Loans to customers					
Loans outstanding (gross)	24 271	27 756	112 007	910	**164 944**
Loan impairment	(408)	(153)	(855)	(5)	**(1 421)**
Other assets					
Investments in unconsolidated subsidiary	-	-	-	61 353	**61 353**
Due to other banks					
Term placements of other banks	2 315 593	-	-	-	**2 315 593**
Correspondent accounts of other banks	-	-	4 628	-	**4 628**
Customer accounts					
Term deposits	101 230	42 012	9 250	35 551	**188 043**
Current/demand accounts	1 064	-	5 538	52 232	**58 834**
Subordinated debt	530 424	-	-	22 000	**552 424**
Credit related commitments	5 062	4 448	118 010	-	**127 520**
Guarantees received	7 327	35 188	36 931	37 036	**116 482**

As at 31 December 2006 effective interest rates on major related parties balances were as follows:

	31 December 2006	
	Roubles	**Foreign Currency**
Assets		
Due from other banks	12,0%	-
Financial instruments at fair value through profit or loss	9,0%	-
Loans to customers	12,6%	11,0%
Liabilities		
Due to other banks	-	7,9%
Customer accounts	9,6%	8,0%
Subordinated debt	11,3%	11,3%

(expressed in thousands of Russian Roubles – refer to Note 3)

The results of transactions with related parties for the nine-month period ended 30 September 2007 are as follows:

	30 September 2006				
	Shareholders	**Key management personnel**	**Companies with the Group's significant shareholders in common**	**Other**	**Total**
Interest income on loans to customers	139	900	14 004	20	15 063
Interest income on due from other banks	-	-	9 188	-	9 188
Interest income on financial instruments, at fair value through profit or loss for the period	-	-	393	-	393
Interest expense on due to other banks	(24 145)	-	(244)	-	(24 389)
Interest expense on term deposits	(2 899)	(2 507)	(762)	(5 352)	(11 520)
Provision for loan impairment	(24)	(296)	1 721	(3)	1 398
Net fee and commission income	-	-	41 850	2 470	44 320
Other income	-	-	1 328	1 144	2 472
Operating expenses	(2 024)	-	(1 981)	(7 283)	(11 288)