CJSC JSCB “National Clearing Center”

Independent Auditors’ Report

Financial Statements
Period from 30 May 2006
(date of incorporation)
to 31 December 2006

CJSC JSCB "NATIONAL CLEARING CENTER"

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CJSC JSCB "NATIONAL CLEARING CENTER"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 30 MAY 2006 (DATE OF INCORPORATION) TO 31 DECEMBER 2006

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of CJSC JSCB "National Clearing Center" ("Bank").

Management is responsible for the preparation of the financial statements that present fairly in all material respects the financial position of the Bank as of 31 December 2006, the results of its operations, cash flows and changes in equity for the period from 30 May 2006 (date of incorporation) to 31 December 2006, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

These financial statements for the period from 30 May 2006 (date of incorporation) to 31 December 2006 were approved on 6 June 2007 by the Management Board of the Bank.

On behalf of the Management Board:

Chairman of the Board	**Chief Accountant, member of the Board**
6 June 2007 Moscow	6 June 2007 Moscow

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Supervisory Board of CJSC JSCB "National Clearing Center":

Report on the financial statements

We have audited the accompanying financial statements of CJSC JSCB "National Clearing Center" (the "Bank"), which comprise the balance sheet as of 31 December 2006, and the related income statement, statements of changes in equity and cash flows for the period from 30 May 2006 (date of incorporation) to 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2006, and the results of its operations and its cash flows for the period from 30 May 2006 (date of incorporation) to 31 December 2006, in accordance with International Financial Reporting Standards.

Deloitte & Touche

6 June 2007
Moscow

CJSC JSCB "NATIONAL CLEARING CENTER"

INCOME STATEMENT
FOR THE PERIOD FROM 30 MAY 2006 (DATE OF INCORPORATION) TO 31 DECEMBER 2006
(in Russian rubles and in thousands)

	Notes	Period from 30 May 2006 (date of incorporation) to 31 December 2006
Income from outstaffing services	4	10,570
Income from consulting services	5	5,000
Financial aid received from the parent company		6,595
Interest income	6	3,175
OPERATING INCOME		25,340
OPERATING EXPENSES	7	(24,068)
PROFIT BEFORE INCOME TAX		1,272
Income tax expense	8	(299)
NET PROFIT		973

On behalf of the Management Board:

Chairman of the Board

6 June 2007
Moscow

Chief Accountant, member of the Board

6 June 2007
Moscow

The notes on pages 8-19 form an integral part of these financial statements. The Independent Auditors' Report is on pages 2-3.

CJSC JSCB "NATIONAL CLEARING CENTER"

BALANCE SHEET
AS OF 31 DECEMBER 2006
(in Russian rubles and in thousands)

	Notes	31 December 2006
ASSETS:		
Cash and cash equivalents	9	28,776
Financial assets at fair value through profit or loss	10	202,693
Other assets	11	7,007
TOTAL ASSETS		**238,476**
LIABILITIES AND EQUITY		
LIABILITIES:		
Other liabilities	12	2,503
Total liabilities		2,503
EQUITY:		
Share capital	13	235,000
Retained earnings		973
Total equity		235,973
TOTAL LIABILITIES AND EQUITY		**238,476**

On behalf of the Management Board:

Chairman of the Board

6 June 2007
Moscow

Chief Accountant, member of the Board

6 June 2007
Moscow

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STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 30 MAY 2006 (DATE OF INCORPORATION) TO 31 DECEMBER 2006
(in Russian rubles and in thousands)

	Share capital	Retained earnings	Total
30 May 2006 (date of incorporation)	-	-	-
Contribution of share capital	235,000	-	235,000
Net profit	-	973	973
31 December 2006	**235,000**	**973**	**235,973**

On behalf of the Management Board:

Chairman of the Board

6 June 2007
Moscow

Chief Accountant, member of the Board

6 June 2007
Moscow

The notes on pages 8-19 form an integral part of these financial statements. The Independent Auditors' Report is on pages 2-3.

CJSC JSCB "NATIONAL CLEARING CENTER"

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 30 MAY 2006 (DATE OF INCORPORATION) TO 31 DECEMBER 2006
(in Russian rubles and in thousands)

	Notes	Period from 30 May 2006 (date of incorporation) to 31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax		1,272
Adjustments for:		
Unrealized loss on financial assets at fair value through profit or loss		250
Change in interest accruals, net		(1,973)
Cash flows from operating activities before changes in operating assets and liabilities		(451)
Changes in operating assets and liabilities		
Increase in financial assets at fair value through profit or loss		(200,970)
Increase in other assets		(6,948)
Increase in other liabilities		2,463
Cash outflow from operating activities before taxation		(205,906)
Income tax paid		(259)
Net cash outflow from operating activities		(206,165)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets		(59)
Net cash outflow from investing activities		(59)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contribution of share capital		235,000
Net cash inflow from financing activities		235,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		28,776
CASH AND CASH EQUIVALENTS, beginning of period		-
CASH AND CASH EQUIVALENTS, end of period	9	28,776

Interest received by the Bank in cash during the period from 30 May 2006 (date of incorporation) to 31 December 2006 amounted to RUB 1,202 thousand.

On behalf of the Management Board:

Chairman of the Board

6 June 2007
Moscow

Chief Accountant, member of the Board

6 June 2007
Moscow

The notes on pages 8-19 form an integral part of these financial statements. The Independent Auditors' Report is on pages 2-3.

1. ORGANISATION

Closed Joint Stock Company Commercial Bank "National Clearing Center" (the "Bank") is a joint-stock bank, which was incorporated in the Russian Federation in 2006. The Bank conducts its business under the Central Bank of the Russian Federation (the "CBR") regulation, under the license number 3466. The primary activities of the Bank will include clearing and settlement operations on stock exchanges and over-the-counter markets in accordance with legislation of Russian Federation.

The legal address of the Bank is as follows: 13, Bolshoy Kislovsky per., Moscow, 125009, Russian Federation.

As of 31 December 2006, the following shareholders owned the outstanding shares of the Bank:

Shareholder	31 December 2006 %
Ultimate shareholders of the Bank:	
CJSC "Moscow Interbank Currency Exchange" ("CJSC "MICEX")	98%
Non-profit Partnership "National Depositary Center"	2%
Total	**100%**

These financial statements were authorized for issue by the Management Board of the Bank on 6 June 2007.

2. BASIS OF PRESENTATION

Accounting basis

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

These financial statements are presented in thousands of Russian Rubles ("RUB thousand"), unless otherwise indicated. These financial statements are prepared on the historical cost basis, except for the fair value evaluation of some financial instruments.

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

Equity as of 31 December 2006 and net profit for the period from 30 May 2006 to 31 December 2006 are reconciled between Russian accounting standards and IFRS as follows:

	31 December 2006 (RUB'000) Equity	Period from 30 May 2006 to 31 December 2006 (RUB'000) Net profit
Russian Accounting Standards	**236,065**	**1,261**
Accrued interest, net	1,973	1,973
Fair value adjustments, net	(250)	(250)
Accrued expenses	(1,599)	(1,795)
Deferred income tax expense	(40)	(40)
Other	(176)	(176)
International Financial Reporting Standards	**235,973**	**973**

Key assumptions

The preparation of financial statements in conformity with IFRS requires management of the Bank to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results, therefore, could differ from these estimates. Estimates that are particularly susceptible to change relate to the fair value of financial instruments. Taxation issues are considered in Note 14.

Functional currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

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

Financial assets and liabilities are initially recognized at fair value. The accounting policies for subsequent measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on the correspondent account with the Central Bank of the Russian Federation and on accounts with other credit institutions.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent marketable securities recognized as such upon acquisition. Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for the Bank's assets at fair value through profit or loss. Fair value adjustment on financial assets at fair value through profit or loss is recognized in income statement for the period. The Bank does not reclassify financial instruments in or out of this category while they are held.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits against which deductible temporary differences can be utilized will be available.

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

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

Other taxes prescribed by the legislation of the Russian Federation and assessed by the Bank's activities are recognized in the income statement as a component of operating expenses.

Share capital

Contributions to share capital are recognized at cost.

Retirement benefit obligation

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

Recognition of income and expense

Income and expense are recognized on an accrual basis. Interest income is recognized on an accrual basis calculated using the effective interest rate method. Effective interest method is based on calculation of the amortized cost of the financial asset or a financial liability (or group of financial assets/financial liabilities), and allocation of the interest income or interest expense to the appropriate period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts to the net carrying amount of the financial asset or financial liability. The discounting period equals to the expected life of the financial instrument, or if applicable, to a shorter period.

Adoption of new standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006.

At the date of issue of these financial statements the following Standards and Interpretations applicable to the Bank were issued but not yet effective for these financial statements: IRFS 7 "Financial Instruments: Disclosures" effective from 1 January 2007 requires disclosure of additional information on financial instruments; amendments to IAS 1 "Presentation of Financial Statements" require disclosures on the purposes, policy and operations relating to capital management. Currently the Bank estimates the effect of these new and amended Standards on its financial statements and develops an action plan to modify its accounting and reporting systems to provide reliable disclosure of the required information. The Bank anticipates that the application of other new Standards and Interpretations, which are adopted but not effective, in future periods will have no material financial impact on the financial statements of the Bank.

4. INCOME FROM OUTSTAFFING SERVICES

Income from outstaffing services in the amount of RUB 10,570 thousand represents income received by the Bank from the provision of personnel to CJSC "MICEX" to render advisory services related to the development of clearing technologies and servicing of foreign currency and futures markets.

5. INCOME FROM CONSULTING SERVICES

Income from consulting services in the amount of RUB 5,000 thousand represents income received by the Bank as a result of rendering services to CJSC "MICEX" related to the development of a new clearing model and the respective requirements to the technological platform for clearing activities.

6. INTEREST INCOME

Interest income for the period from 30 May 2006 to 31 December 2006 includes interest income on debt securities.

7. OPERATING EXPENSES

	Period from 30 May 2006 to 31 December 2006 (RUB'000)
Staff costs	15,653
Unified social tax	2,517
Taxes, other than income tax	1,664
Operating leases	1,252
Fixed assets maintenance	773
Professional services	659
Membership fee	376
Other	1,174
Total operating expenses	**24,068**

8. INCOME TAXES

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

The Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and tax-free regime under local tax regulations.

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

The tax effects of temporary differences at statutory rates as of 31 December 2006 comprise:

	31 December 2006 (RUB'000)
Deferred tax assets:	
Current period tax deductible loss	1,098
Other liabilities	186
Total deferred tax assets	**1,284**
Deferred tax liabilities:	
Financial assets at fair value through profit or loss	(1,324)
Total deferred tax liabilities	**(1,324)**
Net deferred tax liabilities at the statutory rate (24%)	(160)
Net deferred tax asset at the statutory tax rate (15%)	120
Net deferred tax liabilities	**(40)**

Relationships between tax expenses and accounting profit for the period from 30 May 2006 to 31 December 2006 are explained as follows:

	Period from 30 May 2006 to 31 December 2006 (RUB'000)
Profit before income tax	1,272
Statutory tax rate	24%
Tax at the statutory tax rate	305
Tax effect of permanent differences	65
Tax effect on income taxed at different rates	(71)
Income tax expense	**299**
Current income tax expense	259
Deferred income tax expense	40
Income tax expense	**299**

9. CASH AND CASH EQUIVALENTS

	31 December 2006 (RUB'000)
Balances with the Central Bank of the Russian Federation	28,657
Cash	91
Current accounts in other credit institutions	28
Total cash and balances with the Central Bank of the Russian Federation	**28,776**

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	31 December 2006 (RUB'000)
Corporate debt securities	106,487
Debt securities of local governments of the Russian Federation	48,723
State debt securities	47,483
Total financial assets at fair value through profit or loss	**202,693**

	Interest to nominal %	31 December 2006 (RUB'000)
Corporate debt securities:		
OJSC "Russian Railways" (issue 4)	6.59%	35,371
OJSC "Gazprom" (issue 3)	8.11%	21,568
OJSC "Lukoil" (issue 2)	7.25%	16,094
OJSC "Russian Railways" (issue 2)	7.75%	12,509
OJSC "Gazprom" (issue 5)	7.58%	6,430
OJSC "Bank Russian Standard" (issue 3)	8.40%	8,866
OJSC "Gazprom" (issue 4)	8.22%	4,146
OJSC "Russian Railways" (issue 5)	6.67%	1,503
		106,487
Debt securities of local governments:		
Moscow region bonds (issue 3)	11.00%	46,618
Moscow municipal bonds (issue 31)	10.00%	2,105
		48,723
State debt securities:		
OFZ 25060	5.80%	27,190
OFZ 27025	6.00%	10,431
OFZ 46001	10.00%	5,791
OFZ 25058	6.30%	4,071
		47,483
Total financial assets at fair value through profit or loss		**202,693**

As of 31 December 2006 included in financial assets at fair value through profit or loss is accrued interest income on debt securities amounting to RUB 3,697 thousand.

11. OTHER ASSETS

	31 December 2006 (RUB'000)
Prepayments and other debtors	6,932
Fixed assets	59
Other	16
Total other assets	**7,007**

12. OTHER LIABILITIES

As of 31 December 2006 other liabilities included VAT payable in the amount of RUB 1,586 thousand, income tax payable on securities of federal and local governments in the amount of RUB 99 thousand, deferred tax liability in the amount of RUB 40 thousand and other payables.

13. SHARE CAPITAL

The Bank's share capital as of 31 December 2006 consisted of 235,000 outstanding ordinary shares with par value of RUB 1 thousand each. To increase its share capital the Bank may issue 1,500,000 additional ordinary registered shares with par value of RUB 1 thousand each.

The Bank's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statute that provides for the creation of a reserve for these purposes of not less than 5% of the Bank's share capital reported in the statutory books.

14. COMMITMENTS AND CONTINGENCIES

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

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

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments and determination of market price of transactions for transfer pricing purposes. The management of the Bank is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Tax years remain open to review by the tax authorities for three years. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates. Besides, in accordance with clarifications of courts, reviews may cover longer periods where the judicial authorities rule that the audit by the tax authorities was impeded.

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

15. SUBSEQUENT EVENTS

On 30 January 2007 the Bank registered with the Central Bank of the Russian Federation the decision on the first additional issue of 465,000 ordinary shares with par value of RUB 1 thousand each. On 27 April 2007 the shares were sold through private placement at par value. The shares were purchased by CJSC "MICEX". On 24 May 2007 the documents were handed over to Moscow Division of the Central Bank of Russian Federation for the purposes of registration of the report on additional issue of shares.

16. TRANSACTIONS WITH RELATED PARTIES

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

(a) Parties that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank (this includes parent companies, subsidiaries and fellow subsidiaries); own an interest in the Bank that gives them significant influence over the Bank and exercise joint control over the Bank;
(b) Associates are enterprises in which the Bank has significant influence and which are neither a subsidiary nor a joint venture of the investor;
(c) Joint ventures in which the Bank is a venturer; and
(d) Key management personnel of the Bank or its parent;
(e) Immediate family members of any person described in (a) - (d);
(f) Entities that are under control, joint control or significant influence of any person specified in (a) - (e), or in which a substantial interest in the voting power is owned, directly or indirectly, by such a person;
(g) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

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

	31 December 2006 (RUB'000)	
	Related party transactions	**Total category as per financial statements caption**
Cash and cash equivalents, including:	28,680	28,776
- entities with joint control or significant influence over the Bank	28,657	
- other related parties	23	
Financial assets at fair value through profit or loss, including:	193,827	202,693
- entities with joint control or significant influence over the Bank	193,827	

Included in the income statement for the period from 30 May 2006 to 31 December 2006 are the following amounts which arose due to transactions with related parties:

	Period from 30 May 2006 to 31 December 2006 (RUB'000)	
	Related party transactions	**Total category as per financial statements caption**
Income from outstaffing services, including:	10,570	10,570
- the parent	10,570	
Income from consulting services, including:	5,000	5,000
- the parent	5,000	
Financial aid received from the parent, including:	6,595	6,595
- the parent	6,595	
Operating expenses, including:	(1,619)	(24,068)
- the parent	(1,252)	
- other related parties	(367)	

	Period from 30 May 2006 to 31 December 2006 (RUB'000)	
	Related party transactions	**Total category as per financial statements caption**
Key management personnel compensation:		
short-term employee benefits	7,977	15,653

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	31 December 2006	
	Current value (RUB'000)	**Fair value (RUB'000)**
Cash and cash equivalents	28,776	28,776
Financial assets at fair value through profit or loss	202,693	202,693

18. RISK MANAGEMENT POLICY

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations include credit risks, liquidity risks, price risks and fair value interest rate risks.

The Bank manages the following types of risks:

Liquidity risk

The liquidity risk is the risk of losses resulting from the Bank's failure to ensure the timely fulfillment of its obligations. Liquidity risk results from a mismatch of financial assets and financial liabilities of the Bank in terms of their maturities and (or) an unforeseen necessity to fulfill a large amount of its financial obligations immediately or simultaneously – the balance sheet liquidity risk. The balance sheet liquidity risk may also result from inadequate or insufficient quality of borrowing requirements leading to the risk of untimely settlement of counterparties' obligations. The liquidity risk may arise from the failure to buy or sell the required quantity of an asset at the average market price – the risk of market liquidity.

The liquidity risk management includes the development of the day-to-day liquidity management methodology as well as measurement and monitoring of the liquidity risk.

Key liquidity risk management methods include:

- Development of an appropriate asset structure to support the profitability of assets and equity with the simultaneous mitigation of the risk that the Bank fails to fulfill its obligations;
- Quantitative measurement of the liquidity risk and the use of the liquidity risk factors;
- Setting the limits on operations or counterparties, funding of asset operations balanced by period;
- Reliable mechanisms to maintain payment positions on the Bank's correspondent accounts;
- Resources movement projections;
- Compliance with the requirements of the Central Bank of the Russian Federation with respect to the liquidity indicators and other requirements.

The detailed projection plans are broken down by maturity or expected asset disposal period. Besides, both the possible overdue maturity of assets and premature disposal of assets to keep payment positions on the Bank's correspondent accounts are considered.

While managing the liquidity with the help of the asset management method the Bank maintains the required and sufficient volume of highly liquid assets: cash on hand, balances on correspondent accounts with the CBR and other credit institutions, government securities and other debt securities with high liquidity. While managing liquidity with the help of the liability management method the Bank considers the possibility of raising interbank loans for day-to-day liquidity management as well as the increase in equity for strategic liquidity management.

The following liquidity risk indicators are used by the Bank to measure the liquidity risk:

- Minimum required liquidity ratios established by the CBR;
- Parameters of payment positions on "nostro" correspondent accounts;
- Liquidity measurement indicators developed based on the CBR methods to measure financial sustainability of credit institutions and liquidity analysis of credit institutions.

Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization. The Asset Management Committee and the Risk Management Department control the liquidity risk through the risk indicators analysis, develop the asset operation strategy and manage the liquidity in the medium- and long-term perspective.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Asset Management Committee and Treasury manage interest rate risks by matching the Bank's interest rate position, which provides the Bank with a necessary interest margin. The cash flow interest rate risk is insignificant, as the Bank does not borrow funds and deposits only its own funds.

The following table presents an analysis of interest rate risk and liquidity risk on balance sheet.

	Up to 1 month	1 month to 3 months	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 Total (RUB'000)
ASSETS:						
Financial assets at fair value through profit or loss	202,693	-	-	-	-	202,693
Total interest bearing assets	**202,693**	**-**	**-**	**-**	**-**	**202,693**
Cash and cash equivalents	28,776	-	-	-	-	28,776
Other assets	107	108	138	6,595	59	7,007
TOTAL ASSETS	**231,576**	**108**	**138**	**6,595**	**59**	**238,476**
LIABILITIES:						
Other liabilities	2,463	-	-	-	40	2,503
TOTAL LIABILITIES	**2,463**	**-**	**-**	**-**	**40**	**2,503**
Liquidity gap	229,113	108	138	6,595		
Interest sensitivity gap	202,693	-	-	-		
Cumulative interest sensitivity gap	202,693	202,693	202,693	202,693		
Cumulative interest sensitivity gap as a percentage of total assets	85.00%	85.00%	85.00%	85.00%		

Currency risk

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

The key methods to minimize currency risks used by the Bank include foreign exchange rate projection (price band based on exchange rate volatility factor), setting limits and hedging of currency positions.

The Financial Committee controls currency risk by management of the open currency position on the estimated basis of RUB devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Bank's open currency position with the aim to match the statutory requirements of the CBR.

As of 31 December 2006 all assets and liabilities of the Bank include balances denominated in Russian Rubles.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The source of the Bank's price risk lies in debt securities of the trading portfolio, which bears moderate price risk due to its high quality and liquidity.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Bank's assets sensitive to interest rate fluctuations include high liquidity debt securities of the trading portfolio, so that we qualify the interest rate risk as moderate.

The limits on financial assets and instruments are approved by the Bank's Management Board. The list of acceptable assets approved by the Bank's Management Board is limited to the bonds of the Bank of Russia, Russian State Bonds (OFZ), bonds of financially stable regions of the Russian Federation and corporate bonds of issuers with high international credit ratings.

Credit risk

Credit risk represents the risk of non-fulfillment by the borrower (counterparty) of its obligations to the Bank resulting from the deterioration of its financial position (risk of default of the counterparty). The deterioration of the financial position of the counterparty may result from the decrease in its financial performance, goodwill, competitive position in the region, industry or as a result of other circumstances affecting its solvency.

The key methods to manage the credit risk include:

- Continuous monitoring of receivables and credit risk bearing financial assets and instruments as well as the financial position of counterparties;
- Setting limits on operations with the counterparties as well as on credit risk bearing financial assets and instruments;
- Continuous monitoring of indicators defining the credit risk amount (credit risk indicators).

Credit risks are measured by the Bank based on indicators defining the credit risk amount as well as professional judgment on the financial position of the counterparty.

The following credit risk indicators are used by the Bank:

- Prudential business ratios established by the Bank of Russia to measure the credit risk;
- Assets quality assessment indicators developed based on methods of the Bank of Russia to measure financial sustainability of credit institutions;
- The Bank's limits on operations with counterparties, financial assets and instruments.

Credit risks are managed by the Asset Management Committee, Treasury and Risk Management Department. Limits on operations with counterparties, financial assets and instruments are approved by the Bank's Management Board. The list of acceptable assets approved by the Bank's Management Board bears low credit risks and is limited to the bonds of the Bank of Russia, Russian State Bonds (OFZ), bonds of financially stable regions of the Russian Federation and corporate bonds of issuers with high international credit ratings

Geographical concentration

As of 31 December 2006 all assets and liabilities of the Bank are represented by the balances on operations in the Russian Federation.