

ICICI Bank Eurasia Limited
Liability Company

Financial Statements

For the year ended 31 December 2007

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Independent Auditors' Report

To the Supervisory Board of ICICI Bank Eurasia Limited Liability Company

Report on the Financial Statements

We have audited the accompanying financial statements of ICICI Bank Eurasia Limited Liability Company (the "Bank"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of cash flows and statement of net assets attributable to participants for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 auditor's 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 evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG
6 June 2008

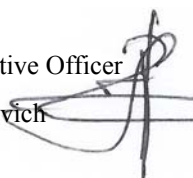
*ICICI Bank Eurasia Limited Liability Company
Balance Sheet as at 31 December 2007*

	Notes	2007 RUR'000	2006 RUR'000
ASSETS			
Cash and cash equivalents	4	529,110	80,661
Minimum reserve deposit at the Central Bank of the Russian Federation	5	188,486	154,882
Placements with banks and other financial institutions	6	7,090,450	2,068,359
Financial instruments at fair value through profit or loss	7	822,748	1,038,942
Loans to customers	8	7,414,110	3,161,832
Available-for-sale assets	9	2,718,677	1,864,492
Property and equipment	10	54,138	31,728
Deferred tax asset	11	45,972	8,442
Other assets	12	76,916	52,632
Total Assets		18,940,607	8,461,970
LIABILITIES			
Financial instruments at fair value through profit or loss	7	38,641	1,983
Deposits and balances from banks and other financial institutions	13	16,132,959	6,831,655
Current accounts and deposits from customers	14	512,116	244,336
Promissory notes	15	2,903	2,621
Subordinated debt	16	506,368	221,388
Other liabilities	17	34,916	2,122
Total liabilities, other than net assets attributable to participants		17,227,903	7,304,105
Net assets attributable to participants	18	1,712,704	1,157,865
Total Liabilities		18,940,607	8,461,970
Commitments and Contingencies	30-32		

The financial statements as set out on pages 4 to 55 were approved by Supervisory Board on 6 June 2008.

Deputy Chief Executive Officer

Vladislav Voitsekhovich




Chief Accountant and Chief Financial Officer

Olga Parshina



ICICI Bank Eurasia Limited Liability Company
Income Statement for the year ended 31 December 2007

	Notes	2007 RUR'000	2006 RUR'000
Interest income	19	971,322	279,060
Interest expense	19	(661,186)	(149,907)
Net interest income		310,136	129,153
Fee and commission income	20	33,122	47,655
Fee and commission expense	21	(2,807)	(1,160)
Net fee and commission income		30,315	46,495
Net (loss)/income on financial instruments at fair value through profit or loss and available-for-sale assets	22	(7,356)	3,512
Net foreign exchange income	23	6,650	3,907
Other income	24	6,359	28,299
Operating income		346,104	211,366
Net impairment (losses)/reversals	25	(24,492)	560
General administrative expenses	26	(375,956)	(203,328)
Operating expenses		(400,448)	(202,768)
(Loss)/income before taxes		(54,344)	8,598
Income tax benefit/(expense)	27	8,298	(6,961)
Net (loss)/income		(46,046)	1,637

ICICI Bank Eurasia Limited Liability Company
Statement of Cash Flows for the year ended 31 December 2007

	Notes	2007 RUR'000	2006 RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		981,808	220,801
Interest payments		(549,247)	(67,073)
Fee and commission receipts		33,572	58,155
Fee and commission payments		(2,215)	(1,160)
Net (payments)/ receipts from financial instruments at fair value through profit or loss		(663)	4,701
Net payments from foreign exchange		(89,288)	(13,551)
Other income		6,360	28,402
General administrative expenses		(368,895)	(196,383)
		11,432	33,892
(Increase)/decrease in operating assets			
Placements with banks and other financial institutions and minimum reserve deposit at the Central Bank of the Russian Federation		(5,004,334)	(1,905,007)
Financial instruments at fair value through profit or loss		329,353	(1,024,087)
Loans to customers		(4,289,491)	(2,929,025)
Available-for-sale assets		(843,270)	(1,847,844)
Other assets		(1,618)	(11,955)
		(9,809,360)	(7,717,918)
Increase/(decrease) in operating liabilities			
Deposits and balances from banks and other financial institutions		9,169,670	6,663,050
Current accounts and deposits from customers		265,975	210,670
Other liabilities		132	(643)
		9,435,777	6,873,077
Net cash flows from operating activities before taxes paid		(362,151)	(810,949)
Taxes paid		(48,989)	(12,165)
Cash flows from operations		(411,140)	(823,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases of property and equipment		(29,471)	(25,102)
Cash flows from investing activities		(29,471)	(25,102)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution by participant		608,478	694,163
Proceeds from subordinated debt		280,275	210,648
Cash flows from financing activities		888,753	904,811
Net increase in cash and cash equivalents		448,142	56,595
Effect of changes in exchange rates on cash and cash equivalents		307	616
Cash and cash equivalents at the beginning of the year		80,661	23,450
Cash and cash equivalents at the end of the year	4	529,110	80,661

ICICI Bank Eurasia Limited Liability Company
Statement of Changes in Net Assets Attributable to Participants for the year
ended 31 December 2007

	Charter Capital RUR'000	Additional paid-in capital RUR'000	Revaluation reserve for available-for- sale assets RUR'000	Retained Earnings RUR'000	Total net assets attributable to participants RUR'000
Balance at 1 January 2006	411,692	146,480	-	(88,717)	469,455
Net income for the year	-	-	-	1,637	1,637
Net unrealised losses on available-for-sale assets	-	-	(9,723)	-	(9,723)
Tax effect of unrealised losses on available-for-sale assets	-	-	2,333	-	2,333
Total income	-	-	(7,390)	1,637	(5,753)
Contribution by the sole participant (refer Note 18)	672,500	21,663	-	-	694,163
Balance at 31 December 2006	1,084,192	168,143	(7,390)	(87,080)	1,157,865
Net loss for the year	-	-	-	(46,046)	(46,046)
Net unrealised losses on available-for-sale assets	-	-	(9,992)	-	(9,992)
Tax effect of unrealised losses on available-for-sale assets	-	-	2,399	-	2,399
Total income	-	-	(7,593)	(46,046)	(53,639)
Contribution by the sole participant (refer Note 18)	608,478	-	-	-	608,478
Balance at 31 December 2007	1,692,670	168,143	(14,983)	(133,126)	1,712,704

1 Background

Principal activities

ICICI Bank Eurasia Limited Liability Company (the “Bank”) was established in the Russian Federation in May 2005, when ICICI Bank Limited (the “Parent”), acquired the entire share capital of Investisionno-Kreditny Bank (IKB), a Russian bank with registered office in Balabanovo in the Kaluga region and a branch in Moscow. Investisionno-Kreditny Bank (IKB) was founded in 1992. The Bank conducts its business under a banking license issued by the Central Bank of the Russian Federation on May 27, 1998 registration number 3329, for banking operations in Russian Roubles and foreign currencies from legal entities and individuals.

The Bank is a member of the state deposit insurance scheme in the Russian Federation.

The principal activities of the Bank are corporate and retail lending, issuing guarantees, deposit taking, customer accounts maintenance, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation (“CBR”).

The registered address of the Bank’s head office is 249000, Kaluga region, Balabanovo, 50 Let Oktyabrya square, 3. The Bank has 2 branches in Moscow and Saint-Petersburg and 3 cash offices in Moscow and Kaluga region.

As of December 31, 2007, the number of staff employed by the Bank was 178 (December 31, 2006: 120).

The Bank is wholly-owned by ICICI Bank Limited which is the parent company of ICICI Group (the “Group”). The majority of the Bank’s funding is from the Group. As a result the Bank is economically dependent upon the Group. In addition, the activities of the Bank are closely linked with the requirements of the Group and determination of the pricing of services to or from the Group is undertaken in conjunction with other Group companies. Related party transactions are detailed in Note 33.

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 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.

2 Basis of preparation

Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of measurement

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

Functional and Presentation Currency

The national currency of the Russian Federation is the Russian Rouble (“RUR”). Management has determined the Bank’s functional currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Bank. The RUR is also the Bank’s presentation currency for the purposes of these financial statements.

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

Use of estimates and judgments

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

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

- Loan impairment estimates - Note 8

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied. Changes in accounting policies are described at the end of this Note.

Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the 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 and liabilities as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Bank considers cash and nostro accounts with the CBR to be cash and cash equivalents. The minimum reserve deposit with the CBR is not considered to be a cash equivalent due to restrictions on its withdrawability.

Financial instruments

Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- upon initial recognition, designated by the entity as at fair value through the 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.

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

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

- the Bank intends to sell immediately or in the near term;
- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank upon initial recognition designates as available-for-sale; or
- the Bank 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;
- the Bank designates as available-for-sale; or
- meet the definition of loans and receivables.

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

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

Recognition

Financial assets and liabilities are recognized in the 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

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

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

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

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

Fair value measurement principles

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

Where discounted cash flow techniques are used, estimated future cash flows are based on 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 recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the income statement;
- a gain or loss on an available-for-sale financial asset is recognized directly through changes in assets attributable to participants (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in changes in assets attributable to participants is recognized in the income statement. Interest in relation to an available-for-sale financial asset is recognized 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 recognized in the income statement when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the 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 recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

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

Repurchase and reverse repurchase agreements

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

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

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

Derivative financial instruments

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

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

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

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

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.

A financial guarantee liability is 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.

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

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.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the first day of the month, following the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Equipment	4 years
Fixtures and fittings	4 to 10 years
Vehicles	5 years
Leasehold improvements	Term of lease

Intangible assets

Intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortisation and impairment losses.

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

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

The estimated useful life is as follow:

Computer software	10 years
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Impairment

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans, other receivables and unquoted available-for-sale debt securities (“loans and receivables”). The 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 had an impact on the estimated future cash flows of the loan that can be reliably estimated.

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

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

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

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

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.

Distribution of net profit

The ability of the Bank to distribute the net profit is subject to the rules and regulations of the Russian legislation.

Distribution of net profit is reflected as an appropriation of retained earnings in the period when it is 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 changes in net assets attributable to participants, in which case it is recognised in changes in net assets attributable to participants.

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

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 expenses and fee and commission income

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

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

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

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

Operating leases

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.

Changes in accounting policies

As at 1 January 2007, the Bank adopted the International Financial Reporting Standard IFRS 7 "Financial Instruments: Disclosures" and the amendment to International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" – "Capital Disclosures". The application of the Standard and the amendment resulted in increased disclosure in respect of the Bank's financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of the Bank's objectives, policies and processes for managing capital.

New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 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 an entity should report information about its operating segments and sets out requirements for related disclosures about products and services, geographical areas and major customers. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. IFRS 8 "Operating Segments" will replace International Financial Reporting Standard IAS 14 "Segment Reporting".

International Financial Reporting Standard IAS 1 “Presentation of Financial Statements” (Revised), which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should present changes in net assets attributable to participants not resulting from transactions with owners and other changes in net assets attributable to participants in its financial statements, and introduces certain other requirements in respect of presentation of information in the financial statements. The Company has not yet determined the potential effect of the standard.

Puttable Financial Instruments and Obligations Arising on Liquidation, issued in February 2008, amends IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements. The amendments are effective for annual periods beginning on or after 1 January 2009, although earlier application is permitted. Currently, IAS 32 required shareholders’ interests in limited liability companies to be classified as liabilities because such companies are obliged to pay a withdrawing shareholder its share of the company’s net assets. Following the amendment, IAS 32 requires such interests to be classified as equity, rather than liabilities, because they represent a residual interest in the entity. The Company has not yet determined the potential effect of the standard.

4 Cash and cash equivalents

	2007	2006
	RUR '000	RUR '000
Cash	177,571	31,045
Due from the Central Bank – nostro accounts	351,539	49,616
	529,110	80,661

The nostro accounts represent balances with the CBR related to settlement activity and were available for withdrawal at year end.

5 Minimum reserve deposit with the Central Bank of the Russian Federation

	2007	2006
	RUR '000	RUR '000
Minimum reserve deposit	188,486	154,882
	188,486	154,882

The minimum reserve deposit is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the CBR and whose withdrawability is restricted.

6 Placements with banks and other financial institutions

	2007 RUR'000	2006 RUR'000
<i>Not impaired or past due</i>		
Loans and deposits		
Largest 30 Russian banks	2,860,211	1,186,300
OECD banks	1,964,445	-
Other Russian banks	807,465	52,701
Other foreign banks	371,689	-
Total loans and deposits	6,003,810	1,239,001
Nostro accounts		
OECD banks	503,022	524,806
Largest 30 Russian banks	16,932	2,575
Other foreign banks	4,407	1,321
Other Russian banks	9	481
Total nostro accounts	524,370	529,183
Overnight placements with banks		
OECD banks	562,270	300,175
Total overnight placements with banks	562,270	300,175
	7,090,450	2,068,359

Concentration of placements with banks and other financial institutions

As at 31 December 2007 the Bank had 2 (2006: 2) banks and other financial institutions, whose balance exceeded 10% of total placements with banks and other financial institutions. The gross values of these balances as of 31 December 2007 and 2006 were RUR 3,023,396 thousand and RUR 818,516 thousand, respectively.

7 Financial instruments at fair value through profit or loss

	2007 RUR'000	2006 RUR'000
Assets		
Debt and other fixed-income instruments		
<i>Held by the Bank</i>		
Government and municipal bonds		
- Russian Government Federal bonds (OFZ)	7,480	-
Total government and municipal bonds	7,480	-
Corporate bonds		
- CJSC OMK, 1	111,100	112,389
- OJSC TMK, 3	102,985	103,166
- LLC Investment Company Rubin	102,893	184,638
- OJSC Severstal, 2009	102,631	112,231
- OJSC MOESK, 01	101,498	-
- X5 Retail Group N.V., 01	101,324	-
- OJSC Uralsvyazinform, 7	17,919	-
- OJSC TMK, 2	5,838	-
- OJSC Mechel, 2	-	152,143
- OJSC FSK EES, 3	-	120,877
Total corporate bonds	646,188	785,444
Bonds issued by banks		
- CJSC Nomos Bank, 7	50,166	50,359
- JSC Commercial Bank "Center-invest", 1	-	131,820
- OJSC Sibacadem Bank, 5	-	71,319
Total bonds issued by banks	50,166	253,498
<i>Pledged under sale and repurchase agreements</i>		
Corporate bonds		
- JSC OGGK-6, 01 (refer Note 13)	100,355	-
	100,355	-
Derivative financial instruments		
Foreign currency contracts	18,559	-
	18,559	-
	822,748	1,038,942
Liabilities		
Derivative financial instruments		
Foreign currency contracts	38,641	1,983
	38,641	1,983

Included in financial assets at fair value through profit or loss at 31 December 2007 are RUR 804,189 thousand in financial assets which are classified as held for trading and RUR 18,559 in financial assets which were, upon initial recognition, designated by the entity as financial assets at fair value through profit or loss (2006: RUR 1,038,942 thousand and nil, respectively).

Losses arising on derivative financial instruments are recognized in net foreign exchange income (Note 23).

Foreign currency contracts

The table below summarises, by major currency, the contractual amounts of the Bank's forward exchange contracts outstanding at 31 December 2007 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, along with the amounts payable and receivable on the matured but unsettled contracts, have been recognised in the income statement and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contracted exchange rates	
	2007 RUR '000	2006 RUR '000	2007	2006
Buy USD sell RUR				
Less than three months	1,055,487	1,100,640	25.05	26.37
Between three months and one year	245,462	308,074	25.38	26.37
Buy JPY sell USD				
Less than three months	802,151	-	0.009	-
Between three months and one year	450,808	-	0.009	-
Buy USD sell GBP				
Less than three months	197,891	-	0.50	-
Between three months and one year	173,945	-	0.49	-
Buy USD sell Euros				
Less than three months	-	65,822	-	0.76

The following table provides information on the credit quality of foreign currency contracts, which are assets:

	2007 RUR'000	2006 RUR'000
Largest 30 Russian banks	2,474,937	1,474,536
Other foreign Banks	450,807	-
	2,925,744	1,474,536

8 Loans to customers

	2007 RUR'000	2006 RUR'000
Commercial loans		
Loans to corporate clients	5,632,908	2,565,348
Public sector customers		
Public administration	253,833	200,000
Loans to individuals		
Mortgage lending	1,450,483	341,405
Auto loans	94,160	59,835
Credit cards	12,609	507
Gross loans to customers	7,443,993	3,167,095
Impairment allowance	(29,883)	(5,263)
Net loans to customers	7,414,110	3,161,832

Movements in the loan impairment allowance for the year ended 31 December 2007 and 2006 were as follows:

	2007 RUR'000	2006 RUR'000
Balance at the beginning of the year	5,263	5,925
Net charge/(recovery) for the year (Note 25)	24,620	(662)
Balance at the end of the year	29,883	5,263

As at 31 December 2007, interest accrued on impaired loans amounted to RUR 1,675 thousand (31 December 2006: RUR 845 thousand).

Credit quality of commercial loan portfolio

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2007:

	Gross loans RUR'000	Impairment RUR'000	Net loans RUR'000	Impairment to gross loans %
Loans to corporate clients				
Loans for which no impairment has been identified:				
- Standard loans	5,626,963	(14,549)	5,612,414	0.26
Total loans for which no impairment has been identified	5,626,963	(14,549)	5,612,414	0.26
Impaired loans:				
- overdue more than 1 year	5,945	(5,945)	-	100
Total impaired loans	5,945	(5,945)	-	100
Total loans to corporate clients	5,632,908	(20,494)	5,612,414	0.36

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2006:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Loans to corporate clients				
Loans for which no impairment has been identified:				
- Standard loans	2,561,026	-	2,561,026	-
Total loans for which no impairment has been identified	2,561,026	-	2,561,026	-
Impaired loans:				
- overdue more than 1 year	4,322	(4,322)	-	100
Total impaired loans	4,322	(4,322)	-	100
Total loans to corporate clients	2,565,348	(4,322)	2,561,026	0.17

The Bank has estimated loan impairment for commercial loans based on an analysis of the future cash flows for impaired loans. For portfolios of loans for which no indicators of impairment has been identified provisions are derived from historical loss rates.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment provision on commercial loans as of 31 December 2007 would be RUR 56,124 thousand lower/higher (31 December 2006: RUR 25,610 thousand).

Analysis of collateral

Loans granted to corporate clients are secured by real estate, securities and guarantees of individuals and legal entities.

For the impaired loans with a gross value of RUR 5,945 thousand, management have estimated the fair value of collateral as zero.

During the year ended 31 December 2007 the Bank did not obtain any assets by taking control of collateral accepted as security for commercial loans (31 December 2006: nil).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance of commercial loans for the year ended 31 December 2007 and 2006 were as follows:

	2007	2006
	RUR'000	RUR'000
Loan impairment allowance as at 1 January	4,322	5,774
Loan impairment losses/(recovery) during the year	16,172	(1,452)
Loan impairment allowance as at 31 December	20,494	4,322

Credit quality of loans to public sector customers

The following table provides information on the credit quality of the loans to public sector customers portfolio as at 31 December 2007:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Loans to public sector customers				
Loans for which no impairment has been identified:				
- Standard loans	253,833	-	253,833	-
Total loans for which no impairment has been identified	253,833	-	253,833	-
Total loans to public sector customers	253,833	-	253,833	-

The following table provides information on the credit quality of the loans to public sector customers portfolio as at 31 December 2006:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Loans to public sector customers				
Loans for which no impairment has been identified:				
- Standard loans	200,000	-	200,000	-
Total loans for which no impairment has been identified	200,000	-	200,000	-
Loans to public sector customers	200,000	-	200,000	-

There were no historical losses from loans to public sector customers.

Changes in estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment on loans to individuals as of 31 December 2007 would be RUR 2,538 thousand lower/higher (31 December 2006: RUR 2,000 thousand).

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2007:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Mortgage loans				
- Not past due	1,450,483	(7,360)	1,443,123	0.51
Total mortgage loans	1,450,483	(7,360)	1,443,123	0.51
Auto loans				
- Not past due	93,247	(686)	92,561	0.74
- Overdue more than 360 days	913	(913)	-	100
Total auto loans	94,160	(1,599)	92,561	1.69
Credit cards				
- Not past due	12,260	(81)	12,179	0.66
- Overdue 180 - 360 days	34	(34)	-	100.0
- Overdue more than 360 days	315	(315)	-	100.0
Total credit cards	12,609	(430)	12,179	3.41
Total loans to individuals	1,557,252	(9,389)	1,547,863	0.60

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2006:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Mortgage loans				
- Not past due	337,613	-	337,613	-
- Overdue less than 30 days	3,792	-	3,792	-
Total mortgage loans	341,405	-	341,405	-
Auto loans				
- Not past due	58,894	-	58,894	-
- Overdue less than 30 days	565	(565)	-	100
- Overdue 180 - 360 days	376	(376)	-	100
Total auto loans	59,835	(941)	58,894	1.57
Credit cards				
- Not past due	507	-	507	-
Total credit cards	507	-	507	-
Total loans to individuals	401,747	(941)	400,806	0.23

The Bank estimates loan impairment based on its past historical loss experience on these types of loans and taking in to account current market conditions.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the loan impairment on loans to individuals as of 31 December 2007 would be RUR 46,436 thousand lower/higher (31 December 2006: RUR 12,024 thousand).

Analysis of collateral

Mortgage loans are secured by underlying real estate. Auto loans are secured by underlying vehicles. Credit cards are not secured.

For impaired and overdue loans management estimates the fair value of collateral as zero.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2007 are as follows:

	Mortgage loans	Auto loans	Credit cards	Total
Loan impairment allowance as at 1 January	-	941	-	941
Loan impairment losses during the year	7,360	658	430	8,448
Loan impairment allowance as at 31 December	7,360	1,599	430	9,389

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2006 were as follows:

	Mortgage loans	Auto loans	Credit cards	Total
Loan impairment allowance as at 1 January	136	15	-	151
Loan impairment losses during the year/(recovery)	(136)	926	-	790
Loan impairment allowance as at 31 December	-	941	-	941

Industry analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	2007	2006
	RUR'000	RUR'000
Trade	1,367,905	725,753
Manufacturing	1,324,355	665,441
Finance	697,104	180,306
Mining/metallurgy	612,036	263,323
Oil and gas	457,265	70,768
Real estate	352,589	514,650
Machine-building	289,824	143,530
Municipal authorities	253,833	200,009
Other	531,830	1,568
Loans to individuals	1,557,252	401,747
	7,443,993	3,167,095
Impairment allowance	(29,883)	(5,263)
	7,414,110	3,161,832

Significant credit exposures

As at 31 December 2007 the Bank had no (2006: none) borrowers or groups of related borrowers, whose loan balance exceeded 10% of loans to customers.

Loan maturities

The maturity of the Bank's loan portfolio is presented in Note 36, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. Due to the short-term nature of the credits issued by the Bank, it is likely that many of the Bank's loans to customers will be renewed on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

9 Available-for-sale assets

	2007 RUR'000	2006 RUR'000
Assets		
Debt and other fixed-income instruments		
Government and municipal bonds		
- Russian Government Federal bonds (OFZ)	93,331	-
- Volgograd municipality	50,044	50,244
Total government and municipal bonds	143,375	50,244
Corporate bonds		
- OJSC Chelyabinsk Tube Rolling Plant, 1	117,226	119,455
- OJSC Tatenergo, 1	109,436	111,534
- OJSC Wimm-Bill-Dann Foods, 2	107,660	108,157
- OJSC Salavatnefteorgsintez, 2	106,095	98,061
- OJSC Nijnekamskneftechim, 4	102,872	106,863
- JSC Amurmetal	102,108	-
- LLC San InterBruy Finance, 2	101,503	92,683
- PJSC Stroytransgaz, 02	101,315	-
- OJSC KOKS, 02	101,281	-
- JSC TGK-1, 01	101,191	-
- URALSIB Financial Corporation's Leasing Company, 01	101,161	-
- LLC Itera Finance	101,069	-
- JSC OGK-5, 01	100,708	-
- JSC SIBUR Holding, 01	100,328	-
- OJSC UMPO, 1	99,886	100,259
- OJSC Bashkirenergo, 3	99,558	99,953
- JSC The Seventh Continent, 02	97,885	-
- OJSC OGK-2, 01	92,328	-
- OJSC MMK, 2008	87,908	95,467
- AFK Sistema, 2008	82,793	92,021
- OJSC Uralsvyazinform, 6	60,574	60,842
- OJSC Gas-finance, 1	51,538	51,577
- JSC Tattелеcom	50,818	-
- OJSC Uralsvyazinform, 5	20,449	20,768
- OJSC Baltika Breweries, 1	-	113,783
- OJSC Mosenergo, 1	-	107,287
- OJSC Salavatnefteorgsintez	-	80,649
- OJSC TMK, 2	-	51,601
- N-Invest S.A.	-	27,003
Total corporate bonds	2,197,690	1,537,963

	2007 RUR'000	2006 RUR'000
Bonds issued by banks		
- OJSC Commercial bank Petrocommerce	85,942	93,788
- OJSC MDM Bank, 03	50,975	-
- OJSC Bank Zenit, 03	50,717	-
- JSC TransCreditBank, 02	49,229	-
- JSC TransCreditBank, 01	19,312	-
- Alfa Bank, 2012 (LPN)	11,435	-
- CJSC Russian Standard Bank, 5	-	30,675
Total bonds issued by banks	267,610	124,463
Promissory notes issued by banks		
- OJSC MDM Bank	85,787	-
- OJSC Bank URALSIB	24,215	151,822
Total promissory notes issued by banks	110,002	151,822
	2,718,677	1,864,492

Included in available-for-sale assets are the following non-quoted debt securities:

	2007 RUR'000	2006 RUR'000
<i>Debt and other fixed-income instruments</i>		
Corporate bonds	-	207,911
	-	207,911

10 Property and equipment

RUR'000	Equipment	Fixtures and fittings	Vehicles	Intangible Assets (Computer software)	Construction in progress	Leasehold improvements	Total
Cost amount							
At 1 January 2007	13,532	14,106	1,680	7,081	70	-	36,469
Additions	11,493	5,674	-	6,034	6,270	-	29,471
Transfers	38	-	-	-	(6,340)	6,302	-
At 31 December 2007	25,063	19,780	1,680	13,115	-	6,302	65,940
Depreciation / amortisation							
At 1 January 2007	(2,297)	(1,104)	(584)	(756)	-	-	(4,741)
Depreciation / amortisation charge	(5,028)	(598)	(301)	(902)	-	(232)	(7,061)
At 31 December 2007	(7,325)	(1,702)	(885)	(1,658)	-	(232)	(11,802)
Carrying value							
At 31 December 2007	17,738	18,078	795	11,457	-	6,070	54,138
At 31 December 2006	11,235	13,002	1,096	6,325	70	-	31,728

RUR'000	Equipment	Fixtures and fittings	Vehicles	Computer software	Construction in progress	Total
Cost amount						
At 1 January 2006	2,760	411	1,680	5,768	992	11,611
Additions	10,062	13,695	-	1,313	70	25,140
Transfers	992	-	-	-	(992)	-
Disposals	(282)	-	-	-	-	(282)
At 31 December 2006	13,532	14,106	1,680	7,081	70	36,469
Depreciation / amortisation						
At 1 January 2006	(554)	(107)	(283)	(162)	-	(1,106)
Depreciation / amortisation charge	(1,884)	(997)	(301)	(594)	-	(3,776)
Disposals	141	-	-	-	-	141
At 31 December 2006	(2,297)	(1,104)	(584)	(756)	-	(4,741)
Carrying value						
At 31 December 2006	11,235	13,002	1,096	6,325	70	31,728
At 31 December 2005	2,206	304	1,397	5,606	992	10,505

11 Deferred tax asset

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 of 31 December 2007 and 2006. These deferred tax assets have been recognised in these financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods.

These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

RUR'000	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Financial instruments at fair value through profit or loss	16,761	4,412	(582)	-	16,179	4,412
Placements with banks and other financial institutions	2,270	-	-	-	2,270	-
Loans to customers	22,997	2,520	-	(376)	22,997	2,144
Available-for-sale assets	4,732	2,333	-	-	4,732	2,333
Property and equipment	-	-	(2,170)	(447)	(2,170)	(447)
Deposits and balances from banks and other financial institutions	-	-	(6,251)	-	(6,251)	-
Other	8,215	-	-	-	8,215	-
Total deferred tax assets/(liabilities)	54,975	9,265	(9,003)	(823)	45,972	8,442

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

The above deductible temporary differences do not expire under current tax legislation.

Movement in temporary differences during the year

RUR'000	Balance 1 January 2007	Recognised in income	Recognised in changes in net assets attributable to participants	Balance 31 December 2007
Financial instruments at fair value through profit or loss	4,412	11,767	-	16,179
Placements with banks and other financial institutions	-	2,270	-	2,270
Loans to customers	2,144	20,853	-	22,997
Available-for-sale assets	2,333	-	2,399	4,732
Property and equipment	(447)	(1,723)	-	(2,170)
Deposits and balances from banks and other financial institutions	-	(6,251)	-	(6,251)
Other	-	8,215	-	8,215
	8,442	35,131	2,399	45,972

12 Other assets

	2007	2006
	RUR '000	RUR '000
Other prepayments	47,983	39,135
Tax prepayments	20,249	-
Rent advances	7,023	-
Unsettlements securities trades	811	11,142
Other	850	2,483
	76,916	52,760
Impairment allowance	-	(128)
	76,916	52,632

Analysis of movements in the impairment allowance

	2007	2006
	RUR '000	RUR '000
Balance at the beginning of the year	128	26
Impairment losses / (recovery) during the year (Note 25)	(128)	102
Balance at the end of the year	-	128

13 Deposits and balances from banks and other financial institutions

	2007	2006
	RUR '000	RUR '000
Term deposits	16,047,266	6,831,655
Sale and repurchase agreements	85,693	-
	16,132,959	6,831,655

Securities sold under sale and repurchase agreements as at 31 December 2007 are securities with a total fair value of RUR 100,355 thousand (2006: nil) (Refer to Note 7).

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2007 the Bank had 1 (2006: 1) group of related banks, whose balances exceeded 10% of total deposits and balances from banks and other financial institutions. The gross value of these balances as of 31 December 2007 and 2006 were RUR 13,661,294 thousand and RUR 6,388,303 thousand, respectively.

14 Current accounts and deposits from customers

	2007	2006
	RUR '000	RUR '000
Current accounts and demand deposits		
- Retail	60,004	15,286
- Corporate	271,737	218,689
Term deposits		
- Retail	130,329	4,066
- Corporate	50,046	6,295
	512,116	244,336

Concentrations of current accounts and customer deposits

As of 31 December 2007 the Bank had 1 (2006: 2) customers, whose balances exceeded 10% of total customer accounts. These balances as of 31 December 2007 and 2006 were RUR 58,394 thousand and RUR 114,241 thousand, respectively.

Blocked accounts

As of 31 December 2007, the Bank maintained customer deposit balances of RUR 33,913 thousand (2006: none) which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

15 Promissory notes

	2007	2006
	RUR'000	RUR'000
Promissory notes issued	2,903	2,621
	2,903	2,621

16 Subordinated debt

	2007	2006
	RUR '000	RUR '000
Subordinated debt (ICICI Bank Limited)	506,368	221,388
	506,368	221,388

As at 31 December 2007 and 2006, the Bank had the following subordinated debt outstanding:

				2007	2006
Principal amount	Interest rate	Issue date	Maturity date	RUR '000	RUR '000
8,000	6.65%	30 March 2006	30 March 2016	206,381	221,388
12,000	7.06%	26 March 2007	27 March 2017	299,987	-

17 Other liabilities

	2007 RUR '000	2006 RUR '000
Deferred income received	32,241	-
Accrued compensation expenses	1,992	-
Taxes payable	-	1,906
Other	683	216
	34,916	2,122

18 Net assets attributable to participants

Charter capital represents contributions made by the participant of the Bank.

Under Russian legislation, a participant in a limited liability company has the unilateral right to withdraw from the company, in which case the company would be obliged to pay such withdrawing participant's share of the net assets of the company. As a result charter capital and retained earnings attributable to participants of the Bank have been presented as a liability in order to comply with the *IAS 32 (revised 2003) "Financial Instruments: Disclosure and Presentation"*. Management of the Bank has not been advised of the intention of the participant to withdraw its capital from the Bank.

As at December 31, 2007 the charter capital of the Bank was RUR 1,692,670 thousand (2006 RUR: 1,084,192 thousand). During 2007 charter capital was increased by RUR 608,478 thousand (2006 RUR: 672,500 thousand).

In June 2006, the Bank received a contribution from the participant amounting to RUR 21,663 thousand to comply with the depositary insurance requirements, which was treated as additional paid-in capital.

19 Net interest income

	2007 RUR '000	2006 RUR '000
Interest income		
Loans to customers	471,307	108,957
Securities interest	267,708	106,775
Placements with banks and other financial institutions	232,307	63,328
	971,322	279,060
Interest expense		
Deposits and balances from banks and other financial institutions	649,084	148,990
Current accounts and deposits from customers	11,823	218
Promissory notes	279	699
	661,186	149,907

20 Fee and commission income

	2007	2006
	RUR '000	RUR '000
Fees related to loans	11,051	37,605
Settlement fees	6,583	2,588
Currency exchange fees	3,714	-
Cash transaction fees	3,570	1,665
Agency services fee	2,752	522
Account maintenance fees	1,858	-
Guarantee and letter of credit issuance fees	774	3,044
Underwriting and corporate finance fees	426	1,350
Other	2,394	881
	33,122	47,655

21 Fee and commission expense

	2007	2006
	RUR '000	RUR '000
Settlement fees	1,020	334
Participation fees	695	241
Cash transaction fees	340	369
Credit card maintenance fees	104	47
Other	648	169
	2,807	1,160

22 Net (loss)/income on financial instruments at fair value through profit or loss and available-for-sale assets

	2007	2006
	RUR '000	RUR '000
Unrealized (loss)/gains on financial instruments at fair value through profit or loss	(4,024)	3,512
Realised loss on available-for-sale assets	(3,332)	-
	(7,356)	3,512

23 Net foreign exchange income

	2007	2006
	RUR '000	RUR '000
Gain from translation of financial assets and liabilities	114,108	19,441
Loss on spot transactions and derivatives	(107,458)	(15,534)
	6,650	3,907

24 Other income

	2007	2006
	RUR '000	RUR '000
Income from sale of loans	5,341	-
Fines and penalties	535	-
Research and information services	-	27,524
Other	483	775
	6,359	28,299

25 Net impairment reversals/(losses)

	2007	2006
	RUR '000	RUR '000
Impairment losses		
Loans to customers (Note 8)	(24,620)	-
Other assets (Note 12)	-	(102)
	(24,620)	(102)
Reversals of impairment losses		
Loans to customers (Note 8)	-	662
Other assets (Note 12)	128	-
	128	662
Net impairment reversal/(losses)	(24,492)	560

26 General administrative expenses

	2007	2006
	RUR '000	RUR '000
Employee compensation	155,287	98,758
Advertising and marketing	48,672	1,842
Rent	36,678	27,995
Operational taxes	28,546	11,496
Payroll related taxes	18,284	12,021
Repairs and maintenance	17,035	11,964
Professional services	16,251	4,963
Information and consultation services	10,998	2,317
Retail banking sales cost	9,117	6,315
Communications services	7,773	4,412
Depreciation and amortisation (Note 10)	7,061	3,776
Travel	6,564	2,260
Insurance	498	1,073
Other	13,192	14,136
	375,956	203,328

27 Income tax (benefit)/expense

	2007	2006
	RUR '000	RUR '000
Current tax expense		
Current year	28,080	12,165
Over provided in prior years	(1,247)	-
	26,833	12,165
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance	(35,131)	(5,204)
	(35,131)	(5,204)
Total income tax (benefit)/expense in the income statement	(8,298)	6,961

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

Reconciliation of effective tax rate:

	2007		2006	
	RUR '000	%	RUR '000	%
(Loss)/income before tax	(54,344)		8,598	
Theoretical income tax expense/(benefit) at the applicable statutory rates	(13,043)	24	2,064	24
Tax effect of net non-deductible cost	6,688	(12)	5,118	60
Over provided in prior years	(1,247)	2	-	-
Tax effect of items taxed at lower rate	(696)	1	(221)	(3)
	(8,298)	15	6,961	81

28 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 market risk, which includes price, interest rate and currency risks, credit risk, liquidity risk and operational risk.

Risk management policies and procedures

The Bank's risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Supervisory Board of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Executive Board of the Bank is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of Risk Management Group of the Bank is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the President and CEO of the Bank.

Credit, market, liquidity and operational risks at portfolio and transactional levels are managed and controlled through a system of Credit Committees, Operational and Reputation Risk Management Committee, Product and Process Approval Committee and an Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Bank's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Group monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Bank's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the Executive Board and Asset and Liability Committee (ALCO), both chaired by the President and CEO of Bank. Market risk limits are approved by ALCO and the Executive Board based on recommendations of the Risk Management Group.

The Bank manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Executive board.

The management of interest rates risk, component of market risk, by monitoring interest rate gaps is supplemented by monitoring the sensitivity of the Bank's net interest margin to various standard and non-standard interest rate scenarios.

The Bank also utilizes Value-at-Risk (VaR) methodology to monitor market risk of its trading positions.

Interest rate repricing risk

Interest rate repricing risk is the risk that movements in interest rates will affect the Bank's income or the value of its portfolios of financial instruments.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate repricing 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.

An analysis of sensitivity of the Bank's projected net income for the year and net assets attributable to participants to interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2007 and 31 December 2006 is as follows:

	2007	2006
	Net income and net assets attributable to participants	Net income and net assets attributable to participants
100 bp parallel increase	(14,872)	(7,059)
100 bp parallel decrease	14,872	7,059

Currency risk

The Bank has assets and liabilities denominated in several foreign 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. For further information on the Bank's exposure to currency risk at year end refer to Notes 7 and 37.

An analysis of sensitivity of the Bank's net income for the year and net assets attributable to participants to changes in the foreign currency exchange rates based on positions existing as at 31 December 2007 and 2006 and a simplified scenario of a 5% change in USD and Euro to Russian Rouble exchange rates is as follows:

	<u>2007</u>	<u>2006</u>
	Net income and net assets attributable to participants	Net income and net assets attributable to participants
5% appreciation of USD against RUR	(13,609)	(2,677)
5% depreciation of USD against RUR	13,609	2,677
5% appreciation of EUR against RUR	190	(41)
5% depreciation of EUR against RUR	(190)	41

Fair value interest rate 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.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1 or 10-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential movements in market prices are determined with reference to market data from at least the last 12 months.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets:

- The use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those which are of an extreme nature.
- A 1 or 10-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- The use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR.
- As VaR is only calculated on the end-of-day positions it does not necessarily reflect exposures that may arise on positions during the trading day.
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Bank does not solely rely on its VaR calculations in its market risk measurement due to inherent risk of usage of VaR as described above. The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

A summary of the VaR estimates in respect of the Bank's portfolio of financial instruments at fair value through profit or loss as at 31 December 2007 is as follows:

	2007	2006
Fixed income securities interest rate risk	22,279	32,445
	22,279	32,445

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 (both for on balance sheet and off balance sheet 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 Supervisory Board.

The Bank's credit policy establishes:

- Procedures for review and approval of loan/credit applications;
- Credit rating framework
- Formation of reserves (provisions)
- Assessment of pledges;
- Methodology for the credit assessment of borrowers (corporate, public and retail);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Limits on portfolio concentrations;
- Procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan/credit applications are originated by the Corporate Credit Department, which is responsible for the Bank's corporate loan portfolio. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The loan/credit application and the report are then independently reviewed by the Risk Management Group's Credit Risk Manager and a second opinion with a credit rating is given accompanied by a check that credit policy requirements have been met. The Credit Committee reviews the loan/credit application on the basis of submissions by the Corporate Credit Department and the Risk Management Group. Individual transactions are also reviewed by the Bank's Legal, Security and Accounting departments depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most

recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by the Bank's specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan/credit applications are reviewed by the Bank's respective retail lending division (Mortgages, Auto loans, Credit Cards) through the use of parameters, stipulated in the retail policies and application data verification procedures developed together with the Risk Management Group. Approval of retail transactions lies under different authorities depending on the amount and deviation from the policy.

Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Management Group with regard to credit concentration and market risks.

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

The Bank monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 8 "Loans to customers".

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Bank. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Bank's liquidity policy is reviewed and approved by the Executive Board.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Bank requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;

- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

Under the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis. Decisions on the Bank's liquidity management are made by the Asset and Liability Management Committee and implemented by the Treasury Department.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. The Bank was in compliance with these ratios during the years ended 31 December 2006 and 31 December 2007.

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

The position of the Bank as at 31 December 2007 was as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	2,471,668	4,764,776	2,825,117	3,026,844	3,538,225	16,626,630	16,132,959
Current accounts and deposits from customers	373,991	31,426	9,780	80,816	27,953	523,966	512,116
Promissory notes	-	-	2,814	-	252	3,066	2,903
Subordinated debt	-	23,462	-	10,403	774,734	808,599	506,368
Other liabilities	124	560	-	-	-	684	34,916
Derivative liabilities							
- Inflow	(1,711,883)	(245,462)	(98,185)	(1,335,110)	-	(3,390,640)	(18,559)
- Outflow	1,710,515	255,255	97,980	1,346,156	-	3,409,906	38,641
Total	2,844,415	4,830,017	2,837,506	3,129,109	4,341,164	17,982,211	17,209,344
Credit related commitments	88,170	-	-	-	599,154	687,324	687,324

The position of the Bank as at 31 December 2006 was as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	750,848	2,122,080	1,785,119	1,428,738	1,029,832	7,116,617	6,831,655
Current accounts and deposits from customers	236,930	4,119	821	2,610	-	244,480	244,336
Promissory notes	-	-	-	-	3,065	3,065	2,621
Subordinated debt	-	14,008	-	-	336,722	350,730	221,388
Other liabilities	-	2,122	-	-	-	2,122	2,122
Derivative liabilities							
- Inflow	(1,021,994)	(144,988)	(308,061)	-	-	(1,475,043)	-
- Outflow	1,023,101	144,914	308,495	-	-	1,476,510	1,983
Total	988,885	2,142,255	1,786,374	1,431,348	1,369,619	7,718,481	7,304,105
Credit related commitments	76,651	263,311	-	-	157,991	497,953	497,953

For further information on the Bank's exposure to liquidity risk at year end refer to Note 36.

Operational and other risks management

Management of operational risk is based on the "Operational risk management policy" approved by the Supervisory Board. This document requires the following activities to be performed:

- Identification of operational risks (during creating / changing of Bank's products and procedures as well as during separately executed analysis of actual transactions);
- Assessment and measurement of operational risks (including Risk and Control Self-Assessment);
- Monitoring of operational risks (operational loss data collection within and outside the Bank and Key Risk Indicators framework implemented on several levels);
- Operational risk management based on existing informational flows in the Bank (including maintenance of analytical database, ensuring necessary reporting as well as creating, implementation and testing of plans aimed at mitigation of operational risks within approved risk profile and ensuring contingency of Bank's transactions);
- Calculation of capital to be allocated for operational risks based on requirements of Basel Committee on Banking Supervision, Reserve Bank of India (acting as regulator for the Sole Participant – ICICI Bank Ltd.) and Central Bank of Russia;
- Training of all Bank employees and ensuring their participation in operational risks management with proper responsibility and delegation of powers matrix established for management and governing bodies of the Bank.

Reputational risk management

The Reputation Risk Management Policy provides for establishing and monitoring of limits for main indicators for such kind of risks. The Bank has specially created an Operational and Reputation Risk Management Committee. Additionally within the operational risk management framework the approach to legal risk management is based on the same principals. The Bank's policies for identification, assessment, mitigation and control of legal risks are based on Group policies.

29 Capital management

The Central Bank of Russia sets and monitors capital requirements for the Bank.

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

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

The following table shows the composition of the Bank's capital position calculated in accordance with the requirements of the Basle Accord, as at 31 December 2007:

	2007	2006
	RUR'000	RUR'000
Tier 1 capital		
Charter Capital	1,692,670	1,084,192
Additional paid-in capital	168,143	168,143
Retained earnings	(133,126)	(87,080)
Net unrealised losses on available-for-sale assets	(14,983)	(7,390)
Total tier 1 capital	1,712,704	1,157,865
Tier 2 capital		
Subordinated debt (unamortized portion)	506,368	221,388
Total tier 2 capital	506,368	221,388
Total capital	2,219,072	1,379,253
Risk-weighted assets		
Banking book	8,744,093	3,874,763
Trading book	4,275,218	3,657,687
Total risk weighted assets	13,019,311	7,532,450
Total capital expressed as a percentage of risk-weighted assets (“total capital ratio”)	17.04	18.31
Total tier 1 capital expressed as a percentage of risk-weighted assets (“tier 1 capital ratio”)	13.16	15.37

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

30 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 limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	2007	2006
	RUR '000	RUR '000
Contracted amount		
Loan and credit line commitments	599,154	466,302
Credit card commitments	88,170	31,651
Guarantees and letters of credit	21,988	57,481

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

31 Operating leases

Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

	2007	2006
	RUR '000	RUR '000
Less than one year	21,154	20,676
Between one and five years	79,214	83,858
More than five years	-	19,747
	100,368	124,281

The Bank leases a number of premises 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. None of the leases includes contingent rentals.

32 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. 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 the Bank's 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

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of 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.

33 Related party transactions

Control relationships

The party with ultimate control over the Bank (and also its direct parent company) is ICICI Bank Limited, India, which produces publicly available financial statements.

Transactions with members of the Board of Directors and the Supervisory Board

Total remuneration included in employee compensation and payroll related taxes (refer Note 26):

	2007	2006
	RUR '000	RUR '000
Members of the Board of Directors	8,678	8,773
Members of the Supervisory Board	4,530	3,732
	13,208	12,505

The above amounts include employee compensation and payroll related taxes in respect of members of the Board of Directors and Supervisory Board.

The outstanding balances and average interest rates as of 31 December 2007 and 2006 with members of the Board of Directors and Supervisory Board are as follows:

	2007 RUR '000	Average Interest Rate	2006 RUR '000	Average Interest Rate
Balance Sheet				
Assets				
Loans to customers	158	24.00%	488	9.00%
Liabilities				
Current accounts and deposits from customers	2,118	9.36%	-	-

Amounts included in the income statement in relation to transactions with members of the Board of Directors and Supervisory Board is as follows:

	2007 RUR '000	2006 RUR '000
Income statement		
Interest income	18	19
Interest expense	(62)	-

Transactions with other related parties

The outstanding balances and the related average interest rates as of 31 December 2007 and related income statement amounts of transactions for the year ended 31 December 2007 with other related parties are as follows. Other related parties are ICICI Bank Limited (India) and ICICI Bank UK Limited (Great Britain).

	Parent company		Other subsidiaries of the Parent company		Total
	RUR' 000	Average Interest Rate	RUR'000	Average Interest Rate	RUR' 000
Balance Sheet					
Assets					
Placements with banks and other financial institutions	4,407	-	601	-	5,008
Liabilities					
Financial instruments at fair value through profit or loss	6,416	-	-	-	6,416
Deposits and balances from banks and other financial institutions	12,014,647	7.01%	1,646,647	6.35%	13,661,294
Subordinated debt	506,368	6.90%	-	-	506,368
Income statement					
Interest income	63	-	-	-	63
Interest expense	(535,484)	-	(69,697)	-	(605,181)
Net loss on financial instruments at fair value through profit or loss	(6,416)	-	-	-	(6,416)

The outstanding balances and the related average interest rates as of 31 December 2006 and related income statement amounts of transactions for the year ended 31 December 2006 with other related parties are as follows. Other related parties are ICICI Bank Limited (India) and ICICI Bank UK Limited (Great Britain).

	<u>Parent company</u>		<u>Other subsidiaries of the Parent company</u>		<u>Total</u>
	<u>RUR' 000</u>	<u>Average Interest Rate</u>	<u>RUR'000</u>	<u>Average Interest Rate</u>	<u>RUR' 000</u>
Balance Sheet					
Assets					
Placements with banks and other financial institutions	-	-	1,320	-	1,320
Liabilities					
Deposits and balances from banks and other financial institutions	5,864,171	5.99%	524,132	6.02%	6,388,303
Subordinated debt	221,388	6.65%	-	-	221,388
Income statement					
Interest expense	(138,475)	-	(7,118)	-	(145,593)
Other income	27,524	-	1,977	-	29,501

34 Fair value of financial instruments

The estimated fair values of the Bank's financial assets and liabilities, as required to be disclosed by IFRS 7 Financial Instruments: Disclosures, are as follows:

The estimated fair values of financial instruments at fair value through profit or loss and quoted available-for-sale assets are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using pricing model and discounted cash flow techniques based on estimated future cash flows and discount rates for a similar instruments at the balance sheet date.

Management believes that the fair values of all financial instruments do not differ significantly from their carrying values.

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.

35 Average effective interest rates

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

	2007		2006	
	Value RUR '000	Average Effective Interest Rate	Value RUR '000	Average Effective Interest Rate
Interest Bearing Assets				
Placements with banks and other financial institutions				
<i>Nostro accounts</i>				
- RUR	11,606	-	1,657	0.97%
- USD	502,138	-	525,524	4.48%
- other currencies	10,626	-	2,002	-
<i>Loans and deposits</i>				
- RUR	261,271	8.22%	201,842	7.62%
- USD	6,304,809	5.14%	1,337,334	6.57%
Financial instruments at fair value through profit or loss				
- RUR	701,557	9.03%	926,674	9.72%
- USD	102,632	8.63%	112,268	8.91%
Loans to customers				
- RUR	597,315	10.20%	329,615	10.54%
- USD	6,214,909	8.05%	2,568,922	8.73%
- other currencies	601,886	8.67%	263,295	6.98%
Available-for-sale assets				
- RUR	2,450,598	8.74%	1,323,743	9.26%
- USD	268,079	8.70%	388,927	9.08%
- other currencies	-	-	151,822	9.69%

	2007		2006	
	Value	Average	Value	Average
	RUR '000	Effective	RUR '000	Effective
		Interest		Interest
		Rate		Rate
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
<i>Term deposits</i>				
- RUR	1,061,203	3.79%	260,243	5.30%
- USD	13,573,642	6.14%	6,219,125	5.99%
- other currencies	1,498,114	2.70%	352,287	5.62%
Subordinated debt				
- USD	506,368	6.90%	221,388	6.65%
Current accounts and deposits from customers				
<i>Current accounts and demand deposits</i>				
- RUR	291,335	-	188,312	-
- USD	39,503	-	44,936	-
- other currencies	903	-	727	-
<i>Term deposits</i>				
- RUR	95,863	9.33%	1,460	5.49%
- USD	75,292	6.79%	1,837	5.02%
- other currencies	3,258	5.24%	769	4.12%
<i>Collateral for letters of credit</i>				
- USD	5,962	-	6,295	-
Promissory notes				
- RUR	2,780	13.50%	2,511	13.50%
- other currencies	123	10.00%	110	10.00%

36 Maturity analysis

The table below summarises the Bank's assets and liabilities by remaining contractual maturity dates as at December 31, 2007.

	Demand and less than 1 Month	1 to 3 Months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	RUR '000	RUR '000	RUR '000	RUR '000	RUR '000	RUR '000	RUR '000
Assets							
Cash and cash equivalents	529,110	-	-	-	-	-	529,110
Minimum reserve deposit at the Central Bank of the Russian Federation	32,062	53,551	64,787	38,086	-	-	188,486
Placements with banks and other financial institutions	4,611,533	399,950	1,824,968	253,999	-	-	7,090,450
Financial instruments at fair value through profit or loss	15,603	-	114,056	591,764	101,325	-	822,748
Loans to customers	99,964	209,724	2,284,527	2,993,550	1,826,345	-	7,414,110
Available-for-sale assets	85,787	133,650	221,719	2,176,329	101,192	-	2,718,677
Property and equipment	-	-	-	-	-	54,138	54,138
Deferred tax asset	-	-	-	-	-	45,972	45,972
Other assets	1,137	2,093	31,994	33,439	7,291	962	76,916
Total assets	5,375,196	798,968	4,542,051	6,087,167	2,036,153	101,072	18,940,607
Liabilities							
Financial instruments at fair value through profit or loss	13,563	10,475	14,603	-	-	-	38,641
Deposits and balances from banks and other financial institutions	2,458,828	4,697,992	5,637,897	3,338,242	-	-	16,132,959
Current accounts and deposits from customers	372,586	31,099	83,434	24,997	-	-	512,116
Promissory notes	-	2,780	-	-	123	-	2,903
Subordinated debt	-	-	-	-	506,368	-	506,368
Other liabilities	454	1,729	6,078	20,302	4,363	1,990	34,916
Total liabilities, other than net assets attributable to participants	2,845,431	4,744,075	5,742,012	3,383,541	510,854	1,990	17,227,903
Net position as at 31 December 2007	2,529,765	(3,945,107)	(1,199,961)	2,703,626	1,525,299	99,082	1,712,704
Net position as at 31 December 2006	51,023	(1,857,754)	(570,150)	3,051,554	288,140	195,052	1,157,865

The table below summarises the Bank's assets and liabilities by date of repricing as at December 31, 2007.

	Demand and less than 1 Month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing	Total
	RUR '000	RUR '000	RUR '000	RUR '000	RUR '000	RUR '000	RUR '000
Assets							
Cash and cash equivalents	-	-	-	-	-	529,110	529,110
Minimum reserve deposit at the Central Bank of the Russian Federation	-	-	-	-	-	188,486	188,486
Placements with banks and other financial institutions	4,611,534	997,221	1,479,973	1,722	-	-	7,090,450
Financial instruments at fair value through profit or loss	-	-	111,100	591,764	101,325	18,559	822,748
Loans to customers	1,968,122	2,009,270	1,262,264	744,072	1,430,382	-	7,414,110
Available-for-sale assets	85,787	133,650	221,719	2,176,329	101,192	-	2,718,677
Property and equipment	-	-	-	-	-	54,138	54,138
Deferred tax asset	-	-	-	-	-	45,972	45,972
Other assets	-	-	-	-	-	76,916	76,916
Total assets	6,665,443	3,140,141	3,075,056	3,513,887	1,632,899	913,181	18,940,607
Liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	38,641	38,641
Deposits and balances from banks and other financial institutions	3,318,887	8,634,638	4,179,434	-	-	-	16,132,959
Current accounts and deposits from customers	372,586	31,099	83,434	24,997	-	-	512,116
Promissory notes	-	2,780	-	-	123	-	2,903
Subordinated debt	-	-	-	206,381	299,987	-	506,368
Other liabilities	-	-	-	-	-	34,916	34,916
Total liabilities, other than net assets attributable to participants	3,691,473	8,668,517	4,262,868	231,378	300,110	73,557	17,227,903
Net position as at 31 December 2007	2,973,970	(5,528,376)	(1,187,812)	3,282,509	1,332,789	839,624	1,712,704
Net position as at 31 December 2006	1,369,438	(2,115,360)	(1,254,694)	2,585,310	248,931	324,240	1,157,865

37 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2007:

	RUR	USD	EUR	Other currencies	Total
	RUR '000	RUR '000	RUR '000	RUR '000	RUR '000
Assets					
Cash and cash equivalents	432,981	89,395	6,734	-	529,110
Minimum reserve deposit at the Central Bank of the Russian Federation	188,486	-	-	-	188,486
Placements with banks and other financial institutions	272,877	6,806,947	2,558	8,068	7,090,450
Financial instruments at fair value through profit or loss	701,557	106,991	-	14,200	822,748
Loans to customers	597,315	6,214,909	-	601,886	7,414,110
Available-for-sale assets	2,450,598	268,079	-	-	2,718,677
Property and equipment	54,138	-	-	-	54,138
Deferred tax asset	45,972	-	-	-	45,972
Other assets	76,370	540	-	6	76,916
Total assets	4,820,294	13,486,861	9,292	624,160	18,940,607
Liabilities					
Financial instruments at fair value through profit or loss	-	32,226	-	6,415	38,641
Deposits and balances from banks and other financial institutions	1,061,203	13,573,642	-	1,498,114	16,132,959
Current accounts and deposits from customers	387,198	120,757	4,161	-	512,116
Promissory notes	2,780	-	123	-	2,903
Subordinated debt	-	506,368	-	-	506,368
Other liabilities	3,102	31,814	-	-	34,916
Total liabilities, other than net assets attributable to participants	1,454,283	14,264,807	4,284	1,504,529	17,227,903
Net on balance sheet position as of 31 December 2007	3,366,011	(777,946)	5,008	(880,369)	1,712,704
Net off balance sheet position as of 31 December 2007	(1,300,949)	419,826	-	881,123	-
Net on and off balance sheet positions as of 31 December 2007	2,065,062	(358,120)	5,008	754	1,712,704
Net on and off balance sheet positions as of 31 December 2006	1,228,950	(70,436)	(1,078)	429	1,157,865