

**VOSTOCHNY EXPRESS BANK
(formerly DALVNESHTORGBANK)**

Financial Statements and Auditor's Report

31 December 2006

Vostochny Express Bank
(formerly Dalvneshtorgbank)
Financial Statements and Auditor's Report

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Vostochny Express Bank
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STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the financial statements and related notes of Open Joint-Stock Bank «Vostochny Express Bank» (the "Bank"). They have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on judgements and estimates by management.

The Bank maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Bank's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

S.N. Vlasov,
President

E.N.Ryapolova,
Chief Accountant

Vostochny Express Bank
(formerly Dalvneshstorgbank)
Financial Statements and Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Management and the Board of Directors of Vostochny Express Bank

We have audited the accompanying financial statements of Open Joint-Stock Bank Vostochny Express Bank (the "Bank"), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year when 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 misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Vostochny Express bank as at 31 December 2006, and of its financial performance and its cash flows for the year when ended in accordance with International Financial Reporting Standards.

OOO Moore Stephens

18A Verkhneportovaya St.,
Vladivostok, Russia

Dated 20 March 2007

Vostochny Express Bank
(formerly Dalvneshtorgbank)
Balance Sheet as at 31 December 2006
(in thousands of Russian Roubles)

	Notes	2006	2005
Assets			
Cash and cash equivalents	5	730,748	387,141
Mandatory cash balances with the Central Bank of the Russian Federation		110,113	21,739
Investments	6	111	80
Due from other banks	7	1,057,409	-
Loans and advances to customers	8	5,642,312	1,334,780
Accrued interest income and other assets	9	329,079	57,969
Service fee asset	19	1,137,986	486,211
Premises and equipment	10	540,774	169,337
Total assets		9,548,532	2,457,257
Liabilities and shareholders' equity			
Due to other banks	11	864,493	459,829
Customer accounts	12	5,735,026	998,567
Promissory notes		771,157	92,446
Warranty on loans sold	13	153,106	64,459
Accrued interest expense and other liabilities	14	191,970	64,326
Finance lease liability	15	69,879	64,238
Deferred tax liability	16	244,687	105,791
Total liabilities		8,030,318	1,849,656
Shareholders' equity			
Share capital	17	399,837	399,837
Share premium		4,697	4,697
Accumulated profit and other reserves	18	1,113,680	203,067
Total shareholders' equity		1,518,214	607,601
Total liabilities and shareholders' equity		9,548,532	2,457,257
Total credit related commitments	26	5,421	30,136

Approved on behalf of the Management Board on 20 March 2007

S.N. Vlasov, President

E.N. Ryapolova, Chief Accountant

Vostochny Express Bank
(formerly Dalvneshtorgbank)
Statement of Income for the Year Ended 31 December 2006
(in thousands of Russian Roubles)

	Notes	<u>2006</u>	<u>2005</u>
Interest income	20	1,142,582	126,729
Interest expense	20	<u>(426,448)</u>	<u>(94,156)</u>
Net interest income		716,134	32,573
Net allowance for impairment losses on loans and advances	21	<u>(306,221)</u>	<u>(50,254)</u>
Net interest income/(expense) after allowances for impairment losses		409,913	(17,681)
Result on sale of loans	19	1,379,822	492,746
Gains less losses arising from securities		3	-
Gains less losses arising from dealing in foreign currencies		13,394	7,140
Net foreign exchange translation gains/(losses)		959	(296)
Net fee and commission income	22	756,539	197,775
Release of warranty	13	126,183	8,121
Other operating income		2,311	10,055
Allowance for impairment losses against loans resold to URSA Bank		<u>(143,095)</u>	<u>(11,583)</u>
Operating income		2,546,029	686,277
Operating expenses	23	<u>(1,306,814)</u>	<u>(243,857)</u>
Profit before taxation		1,239,215	442,420
Taxation	24	<u>(328,602)</u>	<u>(120,181)</u>
Net profit for the year		<u>910,613</u>	<u>322,239</u>

Vostochny Express Bank
(formerly Dalvneshstorgbank)
Statement of Cash Flows for the Year Ended 31 December 2006
(in thousands of Russian Roubles)

	Notes	2006	2005
Cash flows from operating activities			
Interest received on loans		1,060,377	116,849
Interest paid		(383,864)	(75,305)
Net gains arising from dealing in securities		22	20
Income received from dealing in foreign currencies		13,394	7,140
Net fees and commissions received		2,136,361	276,890
Other operating income received		123,293	10,055
Operating expenses paid		(1,151,314)	(199,734)
Income tax paid		(189,706)	(12,688)
Cash flows from operating activities before changes in operating assets and liabilities		1,608,563	123,227
Net cash increase / (decrease) from changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(88,374)	(17,649)
Net increase in due from other banks		(1,057,409)	-
Net increase in loans and advances to customers		(4,613,753)	(1,127,294)
Net increase in due to other banks		404,664	347,893
Net increase in customer accounts		4,736,459	784,099
Net increase in promissory notes		678,711	92,446
Net change in other assets and liabilities		(931,043)	(51,522)
Net cash generated by operating activities		737,818	151,200
Cash flows from investing activities			
Purchase of premises and equipment		(366,941)	(63,329)
Proceeds from sale of fixed assets		8,962	1,684
Purchase of investments		(111)	(80)
Proceeds from disposal of investments		800	-
Net cash used in investing activities		(357,290)	(61,725)
Cash flows from financing activities			
Finance lease capital repayments		(37,880)	(6,341)
Issue of shares		-	243,000
Net cash (used in)/received from financing activities		(37,880)	236,659
Effect of changes in exchange rate		959	(296)
Net change in cash and cash equivalents		343,607	325,838
Cash and cash equivalents at the beginning of the year		387,141	61,303
Cash and cash equivalents at the end of the year	5	730,748	387,141

Non-cash transactions: fixed assets of RUR 43,521 thousand were acquired under conditions of finance lease during the year (2005: RUR 70,579 thousand).

Vostochny Express Bank
(formerly Dalvneshtorgbank)
Statement of Changes in Equity for the Year Ended 31 December 2006
(in thousands of Russian Roubles)

	<u>Share Capital</u>	<u>Share premium</u>	<u>Accumulated (loss)/profit and other reserves</u>	<u>Total equity</u>
Balance at 1 January 2005	156,837	4,697	(119,172)	42,362
Issue of shares	243,000	-	-	243,000
Net profit	-	-	322,239	322,239
Balance at 1 January 2006	<u>399,837</u>	<u>4,697</u>	<u>203,067</u>	<u>607,601</u>
Net profit	-	-	910,613	910,613
Balance at 31 December 2006	<u><u>399,837</u></u>	<u><u>4,697</u></u>	<u><u>1,113,680</u></u>	<u><u>1,518,214</u></u>

The availability of the Bank's retained earnings for distribution to shareholders is determined by Russian legal and fiscal regulations and by shareholders' decisions and does not correspond to the figures presented above (Note 18).

A reconciliation of shareholders' equity and net profit per Russian Accounting Standards and International Financial Reporting Standards is set out in Note 3 (c).

Vostochny Express Bank
(formerly Dalvneshtorgbank)
Notes to the Financial Statements - 31 December 2006

1. Principal Activities

Vostochny Express Bank (formerly "Dalvneshtorgbank, hereafter the "Bank") is a commercial bank owned by shareholders whose liability is limited. It is constituted as a Russian open joint stock company (OAO). The Bank was granted a license to conduct banking operations by the Central Bank of Russian Federation (CBRF) on 12 May 1991. It holds a license to carry out transactions with individuals and a license to make loans. These were last renewed 22 June 2006. At 31 December 2006 the Bank operated a head office in Blagoveshensk, seven branches and 195 offices located in the Russian Far East and Siberia. The Bank adopted its current name on 17 July 2006.

The Bank's registered office is located at the following address: 1, per. Svyatiteyal Innokentiya, Blagoveschensk, Amursky Region, 675000, Russian Federation. As at 31 December 2006 the Bank had 3,124 employees (2005: 1,299).

A list of major shareholders is set out in Note 17.

The Bank does not have any immediate parent entity. Mr. Igor Kim is considered to be the Bank's ultimate controlling party.

2. Operating Environment of the Bank

The Russian economy, although essentially transformed to market status, continues to display certain characteristics consistent with that of a market in transition. These attributes have in the past included higher than normal historic inflation, lack of liquidity in capital markets, and the existence of currency controls that cause the national currency to be illiquid outside of the Russian Federation. The continued success and stability of the Russian economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

3. Basis of Presentation

a) Basis of Presentation

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards ("IFRS") which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations ("SIC") approved by the International Accounting Standards Committee that remain in effect. The Bank maintains its accounting records in accordance with Russian Banking regulations. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS.

The accompanying financial statement have been prepared using the Russian Rouble ("RUR") as the unit of measurement and adjusted for the impact of inflation during periods of hyperinflation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". Adjustments have been made for periods up to 31 December 2002.

b) Functional and presentation currency

Accounting records of the Bank are maintained in Russian Roubles and the Rouble is also considered to be the Bank's functional currency for the purpose of IFRS financial statements as management believes this currency best reflects the economic substance of the underlying events and circumstances relevant to the Bank. Management also believes the Russian Rouble to be the most appropriate currency for presentation of the Bank's IFRS financial statements.

Actual exchange rates applied in translation of transactions and balances denominated in currencies other than the Russian Rouble are detailed in Note 4(n).

continued

Vostochny Express Bank
(formerly Dalvneshstorgbank)
Notes to the Financial Statements - 31 December 2006

3. Basis of Presentation (continued)

c) Reconciliation of shareholders' equity and net profit between Russian Accounting Standards and IFRS

Shareholders' equity and net profit in accordance with Russian Accounting Standards can be reconciled to equity and net profit in accordance with IFRS as follows:

	2006		2005	
	Shareholders' equity	Net profit	Shareholders' equity	Net profit
	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Russian Accounting Standards	894,761	540,173	354,588	63,391
Depreciation and other expenses related to fixed assets	(12,111)	(7,229)	(4,882)	(8,094)
Tax liabilities, including profit tax	(244,687)	(138,896)	(105,791)	(107,493)
Effect of accrued interests	30,692	39,688	(8,996)	(8,991)
Allowance for loans and fair value adjustment	62,724	62,992	(268)	(941)
Result on sales of loans	1,872,568	1,379,822	492,746	492,746
Reserve against resold loans	18,142	29,725	(11,583)	(11,583)
Amortization of Service Asset	(1,021,992)	(942,877)	(79,115)	(79,115)
Value of warranty issued	134,304	126,183	8,121	8,121
Other operating accruals	(131,587)	(97,629)	(33,958)	(33,958)
Unused holidays	(32,776)	(27,196)	(5,580)	(5,580)
Low value items written off	(23,966)	(18,857)	(5,109)	(6,225)
Other	(27,858)	(35,286)	7,428	19,961
International Financial Reporting Standards	1,518,214	910,613	607,601	322,239

d) Consolidation

The Bank has two subsidiaries and three associates (one is influenced by the Bank with no direct holding of shares), whose operations, singly and in aggregate are immaterial in the context of the Bank. There are also several related parties which are under common control with the Bank (see Note 28). Management has considered whether or not IFRS require the Bank to produce consolidated financial statements consolidating the balances and results of any of these entities and has concluded that consolidation is not required. In the light of the above management has decided not to produce consolidated financial statements. This decision will be reviewed on an annual basis.

e) Changes in accounting policies

Revised IFRS

During 2005 the Bank changed a number of its accounting policies as a result of new or revised Standards that are relevant to its operations and effective for periods beginning on or after 1 January 2005. The following changes had an impact on the Bank's financial position or results of operations, or resulted in changes in classification or increased disclosures:

Application of IAS 1 "Presentation of Financial Statements" (revised 2003) has resulted in increased disclosures, including disclosure of critical accounting estimates and judgements in applying accounting policies.

Application of IAS 24 "Related Party Disclosures" (revised 2003) has resulted in increasing disclosures in respect of related party transactions.

Application of IAS 32 "Financial Instruments: Disclosure and Presentation" (revised 2004) has resulted in increasing disclosures in respect of financial instruments.

Application of IAS 39 "Financial Instruments: Recognition and Measurement" (revised 2005) has resulted in accounting for guarantees previously shown off-balance sheet.

There has been no change in Standards in 2006 which is considered to have an impact on the financial statements of the bank.

continued

3. Basis of Presentation (continued)

e) Changes in accounting policies (continued)

There was no impact on opening retained earnings as at 1 January 2004 from the adoption of any of the above-mentioned standards.

f) Critical accounting estimates and judgements in applying accounting policies

In preparation of financial statements in conformity with IFRS and application of the Bank's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are critical judgements and estimations that management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Fair value of financial instruments

Impairment of financial assets

Revenue recognition

The most significant estimates and assumptions relate to management's estimate of allowance for impairment losses on loans which is described in Note 4 (d).

g) Standards, interpretations and amendments that are not yet effective

Following the issue of IFRS 7, the IASB has announced that no new standards will come into force until 2009. This statement does not apply to IFRICs and minor amendments to standards. At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 7 "Financial Instruments: Disclosures"

IFRIC 9 "Reassessment of Embedded Derivatives"

IFRIC 10 "Interim Financial Reporting and Impairment"

IFRIC 11 "IFRS 2—Group and Treasury Share Transactions"

IFRIC 12 "Service Concession Arrangements"

IFRIC D13 "Service Concession Arrangements – the Financial Asset model"

IFRIC D14 "Service Concession Arrangements – the Intangible Asset model"

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specific minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", and disclosure requirements in IAS 32 "Financial Instruments: Disclosure and Presentation". It is applicable to all entities that report under IFRS. In August 2005 amendments have been also introduced to IAS 1 requiring disclosures about entity's objectives, policies and processes for managing capital, as quantitative data about what the entity regards as capital and compliance with capital requirements. The Bank has assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Bank will apply IFRS 7 and the amendment to IAS 1 from the annual period beginning 1 January 2007. IFRIC 9 provides guidance on whether embedded derivatives should be re-assessed and when evaluation should take place on initial application of IAS 39. The Bank believes that this IFRIC 9 should not have a significant impact on the financial statements of the Bank as it does not generally deal with embedded derivatives.

continued

3. Basis of Presentation (continued)

g) Standards, interpretations and amendments that are not yet effective (continued)

The Bank will apply this amendment from the annual period beginning 1 January 2007. The Bank believes that IFRICs 10 to D14 will not have a significant impact on the financial statements of the Bank.

4. Significant Accounting Policies

a) Cash and cash equivalents

Cash and cash equivalents are items that can be converted into cash within a day. All short term interbank placements, beyond overnight deposits, are included in due from banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

b) Mandatory balances with CBRF

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

c) Securities

Values for securities are derived either from market quotations or from management's assessment of the future realisability of these securities. Certain securities, for which there is no readily attainable market value or those securities for which management has determined that the available quotation does not depict the security's true market value, have been fair valued by management. Management has used the best available information to adjust downwards, based on the concept of prudence, market quotations to reflect their best estimate of fair values where considered necessary.

In determining market value, all securities are valued at the last trade price if quoted on an exchange or, if traded over-the-counter, at the last bid price. If listed market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined based upon other relevant factors, including management's estimates of amounts to be realised on settlement, assuming current market conditions and an orderly disposition in a reasonable period of time and the level of liquidity in the stock. Market value is not necessarily indicative of the amount that could be obtained for disposal of a large block of securities.

Changes in market values are recorded within gains less losses arising from securities in the statement of income in the period in which the change occurs. Coupons earned on government securities are reflected in the statement of income as interest income on securities whereas any trading gains or losses on these securities are reflected as gains less losses arising from securities.

Because of the inherent settlement risk of the securities market, purchases and sales of securities are recorded on the date that ownership is transferred.

d) Loans and advances and allowance for impairment

Loans are stated at underlying amortised cost, net of allowances for impairment. Amortised cost is calculated as the amount outstanding after amortisation of the premium or discount over fair value arising at initial recognition using the effective interest method.

A loan or portfolio of loans is considered impaired and impairment losses are incurred 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 loans (a 'loss event'), that loss event (or events) has an impact on the estimated future cash flows that will be generated by the loan or portfolio of loans and that loss can be reliably estimated.

Whether objective evidence of impairment exists is considered individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Should no objective evidence of impairment exist for an individually assessed loan, whether significant or not, the loan is included in a portfolio of loans with similar credit risk characteristics and is collectively assessed for impairment.

continued

4. Significant Accounting Policies (continued)

d) Loans and advances and allowance for impairment (continued)

The amount of impairment loss is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The aggregate of the allowances made during the year is charged against profit for the year.

Loans and advances which cannot be recovered are written off and charged against the allowance for impairment loss. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss is finally determined.

e) Discount on loans at below commercial rates

Where loans are made at rates of interest below the normal commercial rate, loans are discounted to fair value based on market rates of interest. The financial impact of this write down is shown as a separate item on the face of the statement of income. Any subsequent upward revaluation passes through the statement of income as interest. Such transactions are largely entered into with related parties. They may also be undertaken for marketing or other purposes.

f) Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments comprising loan commitments, letters of credit and guarantees. These operations are initially recognised at fair value and are subsequently re-measured at the higher of the amount that would be recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

g) Fixed assets

Equipment and other fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the statement of income. The estimated recoverable amount is the higher of an asset's potential net sales proceeds and its value in use.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit/(loss). Repairs and maintenance are charged to the statement of income when the expenditure is incurred.

h) Depreciation

Depreciation is applied on the straight line basis over the estimated useful lives of the assets as follows:

Buildings:	50 years;
Leasehold improvements	10 years;
Vehicles and other assets:	3–5 years.

i) Promissory notes

Promissory notes, more commonly known as "veksels", are instruments issued by the Bank to its customers which carry a fixed date of repayment or mature on demand. These instruments can be issued against customer deposits, or as a means of payment which can be discounted by the customer in the over-the-counter secondary market. Issued promissory notes are initially accounted for at their fair value and then re-measured to amortised cost using the effective interest method. Any accrued interest on promissory notes is included in other liabilities, and amortization of discount is recognised in the Income Statement.

j) Share premium

Share premium represents the excess of shareholders' contributions to share capital over the nominal value of the issued shares.

4. Significant Accounting Policies (continued)

k) Dividends

Dividends payable are not accounted for until they have been ratified at the Bank's Annual Shareholders' Meeting. They are accounted for in the year they are ratified. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. No dividends were declared during the current period or in 2005.

l) Income taxes

Taxation has been provided for in the financial statements in accordance with Russian legislation currently in force. The charge for taxation in the statement of income for the year comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates in force at the balance sheet date.

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Taxes, other than on income, are recorded within operating expenses.

m) Income and expense recognition

Interest income and expense are recognised in the statement of income on the accrual basis. Overdue interest or accrued interest which the management considers doubtful is included in interest income and an impairment allowance is recognized when required. Interest income includes coupons earned on fixed income securities and accrued discount on federal short-term zero coupon bonds. Fees, commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognised at the time the products are received or the service is provided.

Certain fees and commissions may be charged in place of applying a higher interest rate to the relevant loan. Where it is possible to identify fees and commissions as being similar in nature to interest they are recognised in equal instalments over the life of the loan and are shown as interest income. Where this is not possible they are treated in a manner similar to other fees and commissions.

n) Foreign currency translation

Transactions denominated in currencies other than the Rouble ("foreign currencies") are recorded in Roubles at the exchange rate ruling on the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of income using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are translated into Russian Roubles at the official exchange rate of the CBRF at the balance sheet date.

Foreign currency gains and losses arising from the translation of assets and liabilities are reflected in the statement of income as foreign exchange translation gains less losses. As at 31 December 2006 the principal rate of exchange used for translating foreign currency balances was U.S.\$ 1 = RUR 26.3311 (2005: U.S. \$ 1 = RUR 28.7825).

Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies. At present, the Russian Rouble is not a fully convertible currency outside the Russian Federation.

o) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

continued

Vostochny Express Bank
(formerly Dalvneshstorgbank)
Notes to the Financial Statements - 31 December 2006

4. Significant Accounting Policies (continued)

p) Pension costs

The Bank contributes to the Russian Federation state pension scheme, social insurance and employment funds in respect of its employees. The Bank's pension scheme contributions amount to 20% of employees' gross salaries, and are expensed as incurred. The contributions are included in staff costs. The Bank has no liability or obligation other than for the annual contribution.

q) Leases

Leases of fixed assets where the Bank has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalized at the lease commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges, is included in payables. The interest element is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining lease liability. Fixed assets acquired under finance lease are depreciated similar to assets owned by the Bank.

Where the Bank is a lessee under operating lease agreements, the total payments made under operating leases are charged against income in equal instalments over the period of the lease.

r) Comparative information

Certain comparative information was restated to comply with current presentation. These restatements have had no effect on profit or reserves for either year.

5. Cash and Cash Equivalents

	<u>2006</u> RUR 000's	<u>2005</u> RUR 000's
Cash on hand	406,633	207,926
Cash balances with the CBRF (other than mandatory reserve and deposits)	218,347	12,776
Correspondent accounts and overnight deposits with other banks:		
- Russian Federation	104,347	163,747
- Other countries	1,421	2,692
Total cash and cash equivalents	<u>730,748</u>	<u>387,141</u>

6. Investments

Investments represent shareholdings in the following subsidiaries and associates:

Name	% holding	Activity	Country of incorporation	<u>2006</u> RUR 000's	<u>2005</u> RUR 000's
Available for sale financial assets					
OOO "First Collection Bureau"	80	Commerce	Russia	-	80
OOO "VEB-Finance"	100	Commerce	Russia	100	-
OOO "Vostochnoye Bureau of Credit Histories"	50	Commerce	Russia	5	-
ZAO "Sibirskoye Bureau of Credit Histories"	20	Commerce	Russia	6	-
				<u>111</u>	<u>80</u>

The investments are accounted for at cost as there are no market values for the investments. Management believes that no allowance for impairment of the investments is required as at the year end (2005: nil).

See detailed information on disposal of "First Collection Bureau" to related parties of the Bank in Note 28. The Bank exercises control or exerts significant influence over the subsidiaries and associates mentioned above.

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7. Due from Other Banks

	<u>2006</u>	<u>2005</u>
	RUR 000's	RUR 000's
Short term loans and deposits with Russian banks	1,057,409	-
	<u>1,057,409</u>	<u>-</u>

Short term unsecured loans were provided to various Russian banks at fixed rates varying from 5% to 8.5% p.a.

8. Loans and Advances to Customers

	<u>2006</u>	<u>2005</u>
	RUR 000's	RUR 000's
Current loans	5,234,725	1,343,778
Overdue loans:		
- instalments overdue as per loan schedule	214,326	8,884
- remaining portion not yet due	552,797	35,433
	<u>6,001,848</u>	<u>1,388,095</u>
Less: Allowance for impairment loss	(359,536)	(53,315)
Total loans and advances to customers	<u>5,642,312</u>	<u>1,334,780</u>

The estimated fair value of collateral taken to secure the Bank's loan portfolio amounted to RUR 74,346 thousand (2005: RUR 55,169 thousand). The Bank also accepted some personal guarantees (with nominal value of RUR 89,839 thousand and RUR 180,873 thousand as at 31 December 2006 and 2005 respectively) to secure loans issued. These are not included in the fair value of collateral quoted above as management believes the fair value of such guarantees to be difficult to estimate reliably.

Movements in the allowance for impairment loss on loans and advances to customers are as follows:

	<u>2006</u>	<u>2005</u>
	RUR 000's	RUR 000's
Allowance for impairment loss on loans and advances to customers at 1 January	53,315	3,061
Net movement in allowance for impairment loss (Note 21)	306,221	50,254
Allowance for impairment loss on loans and advances to customers at 31 December	<u>359,536</u>	<u>53,315</u>

Loan portfolio stratification at 31 December 2006 is as follows:

<u>Loan outstanding balance range</u>	<u>Amount</u>	<u>Number of</u>	<u>%</u>
	RUR 000's	loans	
Less than 500	91	3,021	-
From 500 to 5000	74,647	24,853	1.2
From 5001 to 10000	280,079	37,363	4.7
From 10,001 to 50,000	3,807,601	144,348	63.4
From 50,001 to 100,000	1,358,950	23,380	22.6
From 100,001 to 250,000	328,332	2,710	5.5
From 250,001 to 1,000,000	35,078	90	0.6
More than 1,000,000	117,070	12	2
Total loans and advances to customers	<u>6,001,848</u>	<u>235,777</u>	<u>100.0</u>

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8. Loans and Advances to Customers (continued)

Loan portfolio stratification at 31 December 2005 is as follows:

<u>Loan outstanding balance range</u>	<u>Amount</u> <u>RUR 000's</u>	<u>Number of</u> <u>loans</u>	<u>%</u>
Less than 500	150	58,939	-
From 500 to 5000	13,530	4,680	1.0
From 5001 to 10000	81,571	10,947	5.9
From 10,001 to 50,000	765,029	34,335	55.1
From 50,001 to 100,000	425,517	8,020	30.6
From 100,001 to 250,000	13,075	119	0.9
From 250,001 to 1,000,000	7,982	14	0.6
More than 1,000,000	81,241	16	5.9
Total loans and advances to customers	<u>1,388,095</u>	<u>117,070</u>	<u>100.0</u>

The Bank did not have any borrowers who accounted for more than 5% of the loan portfolio as at 31 December 2006 (2005: none). The ten largest borrowers accounted for RUR 115,052 thousand or 1.9% (2005: RUR 82,141 thousand or 5.8% respectively).

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

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u> <u>RUR 000's</u>	<u>%</u>	<u>Amount</u> <u>RUR 000's</u>	<u>%</u>
Consumer lending	5,886,284	98.1	1,301,926	93.9
Trade and catering	16,971	0.3	14,844	1.1
Manufacturing	1,809	-	8,959	0.6
Other	96,784	1.6	62,366	4.4
Total loans and advances to customers (aggregate amount)	<u>6,001,848</u>	<u>100.0</u>	<u>1,388,095</u>	<u>100.0</u>

Geographic and currency analysis, interest rates and the maturity structure of the loan portfolio are detailed in Note 25. The Bank has several loans to related parties. The relevant information on related party loans is disclosed in Note 28.

During 2006 the Bank sold to URSA Bank (formerly Sibakadembank) a portfolio of loans to individuals amounting to RUR 7,160,997 thousand (2005: RUR 2,419,340 thousand) (See Note 19).

9. Accrued Interest Income and Other Assets

	<u>2006</u> <u>RUR 000's</u>	<u>2005</u> <u>RUR 000's</u>
Accrued interest income	92,046	9,860
Receivable from customers on loans previously sold	361,274	16,396
Balances with Post Office	29,023	-
Debtors and prepayments	33,700	44,274
Other	6,658	1,211
	<u>522,701</u>	<u>71,741</u>
Less: Allowance for impairment loss	<u>(193,622)</u>	<u>(13,772)</u>
Total accrued interest income and other assets	<u>329,079</u>	<u>57,969</u>

Movements in the allowance for impairment loss are as follows:

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9. Accrued Interest Income and Other Assets (continued)

	2006 RUR 000's	2005 RUR 000's
Allowance for impairment loss at 1 January	13,772	113
Charge during the period	179,850	13,659
Allowance for impairment loss at 31 December	193,622	13,772

10. Premises and Equipment

	Premises RUR 000's	AUC RUR 000's	Equipment RUR 000's	Total RUR 000's
Historical cost				
Opening balance as at 01/01/05	26,424	1,565	22,459	50,448
Additions	17,309	16,689	99,910	133,908
Disposals	-	(1,461)	(1,096)	(2,557)
Transferred to fixed assets	7,138	(7,173)	35	-
Closing balance as at 31/12/05	50,871	9,620	121,308	181,799
Additions	221,639	77,340	111,483	410,462
Disposals	(170)	(190)	(6,221)	(6,581)
Transferred to fixed assets	115	(8,919)	8,804	-
Closing balance as at 31/12/06	272,455	77,851	235,374	585,680
Accumulated Depreciation				
Opening balance as at 01/01/05	170	-	5,071	5,241
Charge	716	-	7,378	8,094
Disposals	-	-	(873)	(873)
Closing balance as at 31/12/05	886	-	11,576	12,462
Charge	2,724	-	31,820	34,544
Disposals	(4)	-	(2,096)	(2,100)
Closing balance as at 30/12/06	3,606	-	41,300	44,906
NBV as at 01/01/06	49,985	9,620	109,732	169,337
NVB as at 31/12/06	268,849	77,851	194,074	540,774

Assets with a net book value of RUR 92,867 thousand are held under finance leases (2005: RUR 67,629 thousand). Details concerning the lease of fixed assets from related parties are disclosed in Note 28. As at 31 December 2006 fixed assets of the Bank were insured for RUR 30,222 thousand with Russian insurance companies (2005: RUR 13,867 thousand).

11. Due to Other Banks

	2006 RUR 000's	2005 RUR 000's
Unsecured short-term loans from Russian banks	824,492	328,513
Unsecured long-term loans from Russian banks	20,000	85,000
Vostro accounts with Russian banks	20,001	46,316
Total due to other banks	864,493	459,829

Unsecured loans were provided by various Russian banks at fixed rates varying from 4.3% to 15% p.a.

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12. Customer Accounts

	<u>2006</u>	<u>2005</u>
	<u>RUR 000's</u>	<u>RUR 000's</u>
State and public organisations		
– Current/settlement accounts	6,290	1,498
– Term deposits	21,639	13,103
Other legal entities		
– Current/settlement accounts	113,253	47,696
– Term deposits	586,464	176,630
Individuals		
– Current/demand accounts	546,917	180,862
– Term deposits	4,460,463	578,778
Total customer accounts	<u>5,735,026</u>	<u>998,567</u>

Deposits and current accounts of the Bank's ten largest depositors accounted for RUR 897,241 thousand or 15.6% of the overall balance as at 31 December 2006 (2005: RUR 187,699 thousand or 18.8%).

Customer accounts stratification at 31 December 2006 is as follows:

<u>Outstanding balance range</u>	<u>Amount</u>	<u>Number of</u>	<u>%</u>
	<u>RUR 000's</u>	<u>accounts</u>	
Less than 500	20,278	469,014	0.4
From 501 to 5,000	225,005	109,017	3.9
From 5,001 to 10,000	90,238	14,304	1.6
From 10,001 to 50,000	404,116	17,073	7.0
From 50,001 to 100,000	569,144	8,200	9.9
From 100,001 to 250,000	1,528,525	10,604	26.7
From 250,001 to 500,000	580,476	1,751	10.1
500,001 and higher	2,317,244	1,215	40.4
Total customer accounts	<u>5,735,026</u>	<u>631,178</u>	<u>100.0</u>

Customer accounts stratification at 31 December 2005 is as follows:

<u>Outstanding balance range</u>	<u>Amount</u>	<u>Number of</u>	<u>%</u>
	<u>RUR 000's</u>	<u>accounts</u>	
Less than 500	5,014	102,705	0.5
From 501 to 5,000	56,605	27,676	5.7
From 5,001 to 10,000	31,232	4,605	3.1
From 10,001 to 50,000	132,540	5,688	13.3
From 50,001 to 100,000	146,539	1,978	14.7
From 100,001 to 250,000	164,254	1,186	16.4
From 250,001 to 500,000	87,799	251	8.8
500,001 and higher	374,584	162	37.5
Total customer accounts	<u>998,567</u>	<u>144,251</u>	<u>100.0</u>

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12. Customer Accounts (continued)

Geographical, currency analysis of customers, interest rates and the maturity structure of the accounts are provided in Note 25. The Bank has several deposits from related parties. Information on related party deposits is disclosed in Note 28.

Economic sector concentrations within customer accounts are as follows:

	2006		2005	
	Amount	%	Amount	%
	RUR 000's		RUR 000's	
Individuals	5,007,380	87.3	755,847	75.7
Financial intermediation	328,032	5.7	112,719	11.3
Manufacturing	227,900	4.0	71,205	7.1
Wholesale and retail trade	70,012	1.2	17,478	1.8
Transport, storage and communications	21,405	0.4	13,152	1.3
Community and personal activities	16,524	0.3	9,337	1.0
Construction	15,345	0.3	9,035	0.9
Electricity, gas and water supply	10,804	0.2	3,266	0.3
Agriculture, hunting and forestry	3,889	0.1	167	-
Education	828	-	40	-
Real estate, renting	1,104	-	36	-
Health and social work	117	-	23	-
Hotels and restaurants	198	-	13	-
Other	31,488	0.5	6,249	0.6
Total customer accounts	5,735,026	100.0	998,567	100.0

13. Warranty on Loans Sold

The warranty on loans sold arises from the transactions described in Note 19. Movements on the warranty during the period are as follows:

	2006	2005
	RUR 000's	RUR 000's
Opening balance	64,459	-
Fair value of warranty issued in period at date of issue	214,830	72,580
Movement in fair value of warranty in issue	(126,183)	(8,121)
Closing balance	153,106	64,459

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14. Accrued Interest Expense and Other Liabilities

	<u>2006</u> RUR 000's	<u>2005</u> RUR 000's
Accrued interest expense	61,435	18,851
Other accrued expenses	118,159	33,958
Taxes	11,953	5,214
Other	423	6,303
Total accrued interest expenses and other liabilities	<u>191,970</u>	<u>64,326</u>

15. Finance Lease Liability

Amounts payable under finance lease liability as at 31 December 2006 are:

	<u>Minimum lease payments</u> RUR 000's	<u>Present value of minimum lease payments</u> RUR 000's
Within one year	48,329	39,526
From two to five years	32,597	30,353
Minimum lease payments	80,926	<u>69,879</u>
Less: Future finance charges	(11,047)	
Present value of minimum lease payments	<u>69,879</u>	

16. Deferred Tax

	<u>2006</u> RUR 000's	<u>2005</u> RUR 000's
Deferred tax (liability)/asset at 1 January	(105,791)	1,702
Deferred tax recognised during the year (Note 24)	(138,896)	(107,493)
Deferred tax liability at 31 December	<u>(244,687)</u>	<u>(105,791)</u>

Major components making up the deferred tax liability at the end of the year were:

		<u>31 December 2005</u>		<u>Movement during the year</u>		<u>31 December 2006</u>	
	Tax rate, %	Temporary differences	Deferred tax asset/(liability)	Temporary differences	Deferred tax asset/(liability)	Temporary differences	Deferred tax asset/(liability)
		RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Securities	24	7,721	1,853	(28,613)	(6,867)	(20,892)	(5,014)
Loan loss allowance	24	53,010	12,722	(106,241)	(25,497)	(53,231)	(12,775)
Other allowances	24	(2,373)	(570)	(146,370)	(35,128)	(148,743)	(35,698)
Accrued income	24	(1,015)	(244)	(55,904)	(13,417)	(56,919)	(13,661)
Accrued expenses	24	33,958	8,150	87,050	20,892	121,008	29,042
Fixed assets	24	(137,884)	(33,092)	(183,229)	(43,975)	(321,113)	(77,067)
Loans sold	24	(565,326)	(135,678)	(1,594,652)	(382,717)	(2,159,978)	(518,395)
Other items of work capital	24	171,114	41,068	1,449,225	347,813	1,620,339	388,881
		<u>(440,795)</u>	<u>(105,791)</u>	<u>(578,734)</u>	<u>(138,896)</u>	<u>(1,019,529)</u>	<u>(244,687)</u>

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17. Share Capital

Statutory capital authorised, issued and fully paid comprises:

	2006		2005	
	Number of shares	RUR 000's	Number of shares	RUR 000's
Ordinary shares with nominal value of RUR 100 each at 1 January, all carrying equal rights	2,799,883	279,988	369,883	36,988
Preference shares with nominal value of RUR 1 each at 1 January	11,700	12	11,700	12
Issue of new ordinary shares during the period	-	-	2,430,000	243,000
Inflation effect of IAS 29 on share capital	-	119,837	-	119,837
Total issued capital at the year end	2,811,583	399,837	2,811,583	399,837

The nominal value of capital is 280 million RUR (2005: 280 million RUR). All preference shares have a par value of RUR 1 per share and carry no voting rights but rank ahead of the ordinary shares in the event of liquidation of the Bank. Holders of preference shares are entitled to receive annual dividends. If the dividends are not paid, preference shares carry the right to vote at annual and general meetings until the dividends are paid. Currently preference shareholders have the right to vote.

During 2005 the Bank issued an additional 2,430,000 ordinary shares with a nominal value of 100 RUR each. All shares were fully paid for as at 31 December 2005.

The Bank's major shareholders are:

Shareholder	2006		2005	
	Number of ordinary shares	% holding	Number of ordinary shares	% holding
Vladimir Kozhevnikov	-	-	473,442	16.84
ZAO DLK	-	-	316,303	11.25
OOO Vklad	-	-	316,303	11.25
OOO Sibakademinvest	559,000	19.96	286,900	10.20
OAO Commercial bank Zheldorbank (former Mezhtorgbank)	-	-	200,000	7.11
Non-commercial Partnership Stolichnoe Paevoe Obshestvo	-	-	168,695	6.00
OOO Renaissance Capital Finance	209,991	7.5	-	-
Alexander Taranov	371,033	13.25	70,362	2.50
Schouplova Evgeniya (on behalf of Sergei Vlasov)	360,000	12.86	-	-
Members of the Board of Directors, including:				
Igor Kim	554,634	19.81	559,749	19.91
Sergei Vlasov	527,758	18.85	281,159	10.00
Andrey Bekarev	171,033	6.11	70,362	2.50
Yuri Vavilov	44,469	1.18	12,113	0.43
Other shareholders - individuals and legal entities (holders of less than 5%)	13,665	0.48	56,195	2.01
Total	2,811,583	100.0	2,811,583	100.0

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18. Accumulated Profit and Other Reserves

In accordance with Russian Law on banking activity, the Bank must use financial statements prepared under Russian Accounting Standards as the basis for calculating distributable profit. Profits may be used to pay dividends or transferred to reserves. The Bank's reserves under Russian Accounting Standards as at 31 December 2006 were RUR 617,401 thousand (2005: RUR 66,413 thousand).

19. Results on Sale of Loans

During the year the Bank sold loans with a carrying value of RUR 7,160,997 thousand (2005: RUR 2,419,340 thousand) at the time of sale to Sibakadembank (changed its name to URSA Bank during the year), a related party. Under the sale agreement the Bank continues to service the loans and has the right to retain service fees paid by the borrowers. These are charged at the rate of 1.5% per month based on the original amount advanced. Interest and capital are forwarded to URSA Bank. In accordance with the agreement URSA Bank charges the Bank a fee for maintaining accounting records.

Also as part of the sales agreement the Bank has issued a warranty in respect of the collectability of the loans sold. The initial limit of the warranty is set at RUR 100,000 thousand. Should the warranty be called upon the Bank will be obliged to either provide additional warranties to a maximum value equal to the value of loans sold, or to pay a penalty of 3% of the outstanding balance of the loan principal and accrued interest

The result on disposal has been calculated as follows:

	<u>2006</u> RUR 000's	<u>2005</u> RUR 000's
Fair value of cash consideration received	7,160,997	2,419,340
Carrying value of assets derecognised	7,160,997	2,419,340
Less element attributable to servicing asset	(1,594,652)	(565,326)
	(5,566,345)	(1,854,014)
Less fair value of warranties issued at date of issue	(214,830)	(72,580)
Result on disposal	1,379,822	492,746

Movements on the service fee asset during the year were as follows:

	<u>2006</u> RUR 000's	<u>2005</u> RUR 000's
Opening balance	486,211	-
Additions in the year	1,594,652	565,326
Amortisation in the year	(942,877)	(79,115)
Closing balance	1,137,986	486,211

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20. Interest Income and Expense

	2006	2005
	RUR 000's	RUR 000's
Interest income		
Loans and advances to legal entities	10,838	8,876
Loans and advances to individuals	1,114,161	117,211
Securities	19	20
Due from other banks	17,564	622
Total interest income	1,142,582	126,729
Interest expense		
Term deposits of individuals	(234,123)	(45,182)
Finance lease charges	(10,857)	(5,920)
Term deposits of legal entities	(32,982)	(9,559)
Promissory notes	(64,848)	(11,489)
Current/settlement accounts	(3,804)	(1,426)
Term deposits of banks	(79,834)	(20,580)
Total interest expense	(426,448)	(94,156)
Net interest income	716,134	32,573

21. Net Allowance for Impairment Losses on Loans and Advances

	2006	2005
	RUR 000's	RUR 000's
Release of allowance credited to profits during the year	(701,314)	(59,281)
New allowance charged to profits during the year	1,007,535	109,535
Net movement in allowance during the year	306,221	50,254

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22. Net Fee and Commission Income

	2006	2005
	RUR 000's	RUR 000's
Service fees	1,558,080	92,471
Commission on cash transactions	165,309	200,782
Amortization of Service Fee Asset	(942,877)	(79,115)
Other commissions	15,505	6,652
Total fee and commission income	796,017	220,790
Commission on settlement and foreign currency exchange transactions	(545)	(120)
Commission on cash transactions	(1,100)	-
Agency fees	(28,652)	(20,415)
Other	(9,181)	(2,480)
Total fee and commission expense	(39,478)	(23,015)
Net fee and commission income	756,539	197,775

23. Operating Expenses

	2006	2005
	RUR 000's	RUR 000's
Staff costs	708,884	93,292
Depreciation (Note 10)	34,544	8,094
Administrative expenses	275,924	74,015
Taxes other than on income (Note 24)	55,793	20,469
Other expenses related to premises and equipment	152,669	37,323
Advertising and marketing	42,245	8,595
Allowance for impairment of other assets	36,755	2,076
Release for impairment of credit related commitments	-	(5)
Release of allowance for impairment of assets on correspondent accounts	-	(2)
Total operating expenses	1,306,814	243,857

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24. Taxation

Income tax comprised the following:

	<u>2006</u> RUR 000's	<u>2005</u> RUR 000's
Current tax charge	(189,706)	(12,688)
Deferred tax charge relating to the origination and reversal of temporary differences (Note 16)	(138,896)	(107,493)
Income tax charge for the year	(328,602)	(120,181)

The income tax rate applicable to the majority of the Bank's income is 24% (2005: 24%). The Bank's accounting profit may be reconciled to profit for taxable purposes as follows:

	<u>2006</u> RUR 000's	<u>2005</u> RUR 000's
Accounting profit before tax	910,613	322,239
Adjustments to comply with IFRS including:		
Allowance for loan loss	62,992	(941)
Additional depreciation due to use of higher rates	(7,229)	(8,094)
Taxes	(328,602)	(120,181)
Net accrued interest	39,688	(8,991)
Other accruals	(124,825)	(39,538)
Result on sale of loans	1,379,822	492,746
Amortization of service asset	(942,877)	(79,115)
Value of warranty issued	126,183	8,121
Other	(24,418)	2,153
	<u>180,734</u>	<u>246,160</u>
Accounting profit under Russian Accounting Standards	729,879	76,079
Adjustments for disallowable items / (not taxable items)	60,561	(23,214)
Taxable profit	<u>790,440</u>	<u>52,865</u>
Tax liability at 24%	(189,706)	(12,688)

Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 24% (2005: 24%).

Other significant taxes borne by the Bank and included in operating expenses (Note 23) comprise:

	<u>2006</u> RUR 000's	<u>2005</u> RUR 000's
Irrecoverable VAT	50,466	19,341
Property tax	4,478	1,107
Other	849	21
Total other taxes	55,793	20,469

Property tax is calculated at a rate of 2.2% (2005: 2.2%) on the value of assets as computed under Russian statutory taxation regulations. Most of the income of the Bank is exempt from VAT and therefore input tax attributable to it is not normally available for credit and hence expensed as incurred.

25. Financial Risk Management

The Bank has a pro-active approach to management of financial risks (credit, interest rate, exchange rate and liquidity), operational risk, legal and reputation risk. The primary objectives of the financial risk management function are to establish risk limits, and then, through the internal control process to ensure that objectives and policies are communicated and implemented, that compliance with limits is monitored, and that deviations are corrected in accordance with management's policies. The operational and legal management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational, legal and reputation risks.

Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review.

The Bank's credit policy establishes:

- Procedures for review and approval of credit applications;
- Methodology for the credit assessment of borrowers;
- Methodology for the evaluation of proposed collateral;
- Credit documentation requirements; and
- Procedures for the ongoing monitoring of loans and contingent operations.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

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

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Country risk

Country risk is the risk that the Bank may suffer losses as the result of exposure of the political or economic environment of a country in which it operates or holds assets.

The Bank has particular exposure to the Russian Federation due to the concentration of its assets, liabilities and operating activities in the country. Further comments on the operating environment of the Bank are set out in Note 2. Comments on the risk associated with Russian tax are set out in Note 26.

A geographical analysis of the Bank's assets and liabilities as at 31 December 2006 is set out on the following page.

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25. Financial Risk Management (continued)

Country risk (continued)

	<u>Russia</u>	<u>OECD</u>	<u>Non OECD</u>	<u>Total</u>
	<u>RUR</u>	<u>RUR</u>	<u>RUR</u>	<u>RUR</u>
	<u>000's</u>	<u>000's</u>	<u>000's</u>	<u>000's</u>
Assets				
Cash and cash equivalents	729,327	1,372	49	730,748
Mandatory cash balances with the CBRF	110,113	-	-	110,113
Due from other banks	1,057,409	-	-	1,057,409
Loans and advances to customers	5,642,312	-	-	5,642,312
Accrued interest income and other assets	327,918	1,161	-	329,079
Investments	111	-	-	111
Service fee asset	1,137,986	-	-	1,137,986
Premises and equipment	540,774	-	-	540,774
Total assets	<u>9,545,950</u>	<u>2,533</u>	<u>49</u>	<u>9,548,532</u>
Liabilities				
Customer accounts	5,735,026	-	-	5,735,026
Due to other banks	864,493	-	-	864,493
Promissory notes	771,157	-	-	771,157
Deferred tax liability	244,687	-	-	244,687
Accrued interest expense and other liabilities	191,970	-	-	191,970
Warranties on loans sold	153,106	-	-	153,106
Finance lease	69,879	-	-	69,879
Total liabilities	<u>8,030,318</u>	<u>-</u>	<u>-</u>	<u>8,030,318</u>
Net on-balance sheet position	<u>1,515,632</u>	<u>2,533</u>	<u>49</u>	<u>1,518,214</u>
Credit related commitments	<u>(5,421)</u>	<u>-</u>	<u>-</u>	<u>(5,421)</u>

The geographical concentration of the Bank's assets and liabilities as of 31 December 2005 is set out below:

	<u>Russia</u>	<u>OECD</u>	<u>Non OECD</u>	<u>Total</u>
	<u>RUR</u>	<u>RUR</u>	<u>RUR</u>	<u>RUR</u>
	<u>000's</u>	<u>000's</u>	<u>000's</u>	<u>000's</u>
Net on-balance sheet position	<u>604,916</u>	<u>11</u>	<u>2,674</u>	<u>607,601</u>
Credit related commitments	<u>(30,136)</u>	<u>-</u>	<u>-</u>	<u>(30,136)</u>

continued

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25. Financial Risk Management (continued)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

At 31 December 2006, the Bank had the following positions in Russian and other currencies:

	RUR	USD	Other currencies	Total
	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Assets				
Cash and cash equivalents	595,655	113,368	21,725	730,748
Mandatory cash balances with the CBRF	110,113	-	-	110,113
Due from other banks	730,000	277,793	49,616	1,057,409
Loans and advances to customers	5,641,847	465	-	5,642,312
Accrued interest income and other assets	325,936	2,971	172	329,079
Investments	111	-	-	111
Service fee asset	1,137,986	-	-	1,137,986
Premises and equipment	540,774	-	-	540,774
Total assets	9,082,422	394,597	71,513	9,548,532
Liabilities				
Customer accounts	5,298,715	378,266	58,045	5,735,026
Due to other banks	824,283	26,331	13,879	864,493
Promissory notes	771,157	-	-	771,157
Deferred tax liability	244,687	-	-	244,687
Accrued interest expense and other liabilities	191,306	583	81	191,970
Warranties on loans sold	153,106	-	-	153,106
Finance lease	69,879	-	-	69,879
Total liabilities	7,553,133	405,180	72,005	8,030,318
Net balance sheet position	1,529,289	(10,583)	(492)	1,518,214
Credit related commitments	(4,368)	(1,053)	-	(5,421)

As of 31 December 2005 the Bank had the following positions in Russian and other currencies:

	RUR	USD	Other currencies	Total
	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Net balance sheet position	634,028	(28,448)	2,021	607,601
Credit related commitments	(30,136)	-	-	(30,136)

Currency classification of monetary assets and liabilities is based on the currency they are denominated in. The Bank has loans and advances denominated in foreign currencies. Depending on the revenue stream of the borrower, any fluctuation of these foreign currencies against the Russian Rouble may adversely affect the borrower's repayment ability and therefore increase the likelihood of future loan losses.

continued

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Notes to the Financial Statements - 31 December 2006

25. Financial Risk Management (continued)

Interest rate risk

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 take place.

The Bank is exposed to this risk, principally as a result of lending and making advances to customers and other banks, at fixed interest rates, in amounts and for periods which differ from those of term deposits and other borrowed funds at fixed interest rates.

In practice, the Bank has the ability to make immediate changes to rates on most interest bearing assets in response to changes in the interest rate environment.

The majority of interest bearing liabilities are on fixed rate terms but the Bank reserved its right to reprice in case of significant fluctuations of interest rates. Management does not consider the Bank to have significant exposure as a result of taking long term deposits at fixed interest rates.

The table below summarises the effective average interest rate, by major currencies, for the main categories of interest bearing assets and liabilities. The analysis has been prepared on the basis of weighted average interest rates for the various financial instruments using year-end contracted interest rates.

	RUR	USD	EURO
Assets			
Due from banks	6.4	5.5	5.2
Loans and advances to customers	15.6	16.0	-
Liabilities			
Due to other banks:			
- current term loans and deposits of other banks	8.2	8.8	6.0
Customer accounts:			
- term deposits of legal entities	9.8	-	-
- term deposits of individuals	13.2	12.9	13.0
Promissory notes issued	16.0	-	-

A significant proportion of the Bank's revenue on loans is earned from charging service fees. This significantly increases the profitability of the Bank's interest bearing assets. Service fees are calculated on a fixed rate basis, generally at 1.5% per month based on the original loan amount.

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25. Financial Risk Management (continued)

Liquidity risk

The liquidity position of the Bank as at 31 December 2006 is set out below:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Overdue/ no stated maturity	Total
	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Assets						
Cash and cash equivalents	730,748	-	-	-	-	730,748
Mandatory cash balances with the CBRF	-	-	-	-	110,113	110,113
Due from other banks	993,179	64,230	-	-	-	1,057,409
Loans and advances to customers	426,625	1,740,914	1,547,751	1,927,022	-	5,642,312
Investments	-	-	-	-	111	111
Accrued interest income and other assets	95,978	242	86	-	232,773	329,079
Service fee asset	94,086	386,900	272,021	384,979	-	1,137,986
Premises and equipment	-	-	-	-	540,774	540,774
Total assets	2,340,616	2,192,286	1,819,858	2,312,001	883,771	9,548,532
Liabilities						
Customer accounts	1,782,968	1,626,761	1,740,062	585,235	-	5,735,026
Due to other banks	775,395	69,098	-	20,000	-	864,493
Promissory notes	69,955	131,202	111,600	448,400	-	761,157
Deferred tax liability	-	-	-	-	244,687	244,687
Accrued interest expense and other liabilities	38,690	85,200	11,642	23,662	32,776	191,970
Finance lease liability	3,299	16,425	19,802	30,353	-	69,879
Warranties on loans sold	12,658	52,054	36,598	51,796	-	153,106
Total liabilities	2,692,965	1,980,740	1,919,704	1,159,446	277,463	8,030,318
Net liquidity gap	(352,349)	211,546	(99,846)	1,152,555	606,308	1,518,214
Cumulative liquidity gap at 31 December 2006	(352,349)	(140,803)	(240,649)	911,906	1,518,214	-
Cumulative liquidity gap at 31 December 2005	(25,342)	(41,704)	(2,644)	495,348	607,601	-

continued

25. Financial Risk Management (continued)

Liquidity risk is defined as the risk that arises from the fact that the maturity of assets and liabilities does not match. Management of the Bank actively monitors liquidity risk. The table above shows assets and liabilities as at 31 December 2006 by their remaining contractual maturity. Some of the assets, however, may be of a longer term nature. For example, loans are frequently renewed and accordingly short term loans can have a longer term duration.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to management of the Bank. It is unusual for banks 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 maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Insurance

The use of insurance as a means of regulating liability risk is still relatively undeveloped in Russian Federation as this type of cover is not widely available. Management has therefore not been able to make extensive use of this risk management tool.

Details of property insurance are set out in Note 10.

As at the end of the year the Bank was registered with the Central Bank's retail deposit insurance scheme.

26. Contingencies, Commitments and Derivative Financial Instruments

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no allowance has been made in these financial statements.

Tax legislation

Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgement of business activities, management's judgement of the Bank's business activities may not coincide with the interpretation of the same activities by tax authorities.

If a particular treatment was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years.

Capital commitments

As at 31 December 2006 and 31 December 2005 the Bank had no material capital commitments.

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Vostochny Express Bank
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Notes to the Financial Statements - 31 December 2006

26. Contingencies, Commitments and Derivative Financial Instruments (continued)

Credit related commitments

Credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual amount of these commitments represents the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, all the Bank's import letters of credit are fully collateralised with cash deposits or collateral pledged to the Bank and accordingly the Bank normally assumes minimal risk. Outstanding credit related commitments are as follows:

	<u>2006</u> <u>RUR 000's</u>	<u>2005</u> <u>RUR 000's</u>
Undrawn credit lines	2,341	1,551
Guarantees issued to third parties	3,080	28,585
Total credit related commitments	<u>5,421</u>	<u>30,136</u>

Management evaluated the likelihood of impairment in respect of other credit related commitments and concluded that no allowance for impairment loss was necessary as at 31 December 2006 (2005: nil). The total outstanding contractual amount of guarantees, letters of credit, and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Derivatives

As at 31 December 2006 and 31 December 2005 the Bank had no outstanding derivative contracts.

Assets pledged

As at 31 December 2006 there were no assets pledged to secure liabilities of the Bank (2005 - nil).

Leased Fixed Assets

During the year Bank leased fixed assets from third parties. Details of lease payments lease payable are set out below:

	<u>2006</u> <u>RUR 000's</u>	<u>2005</u> <u>RUR 000's</u>
Operating lease:		
Payable within one year	57,380	49,688
Payable within two to five years	48,844	59,002
Payable over five years	2,475	3,717
Total future operating lease payments	<u>108,699</u>	<u>112,407</u>

Operating lease includes a number of contracts expiring in 2007, but which can be prolonged, and this will result in substantial lease payable within two to five years.

27. Fair Value of Financial Instruments

As no readily available market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument.

The Bank estimates the fair value of its financial assets and liabilities to be approximately equal to the carrying value of these assets and liabilities.

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28. Related Parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". A holding of 5% or more by one party in another is considered by management to be one of the possible indicators that the parties are related. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The list of those companies and individuals considered by management to be related parties as at 31 December 2006 is set out below:

Significant shareholders

	Activities
Igor Kim	
Sergei Vlasov	
Andrey Bekarev	
Evgeniya Schouplova	
Alexandr Taranov	
OOO Renaissance Capital Finance	Investments
OOO Sibacademinvest	Investments
Vladimir Kozhevnikov*	
ZAO DLK*	Financial intermediary
OOO Vklad*	Financial intermediary
Partnership Stolichnoye Paevoe Obschestvo*	Consultancy

Subsidiary companies

OOO VEB Finance	Financial Intermediary
OOO First Collection Bureau	Financial intermediary

Associated companies

OOO Dal VTB	Financial Intermediary
OOO Vostochnoye Bureau of Credit Histories	Financial intermediary
ZAO Sibirskoye Credit Bureau	Financial intermediary

Companies under common control through shareholders

OAO URSA Bank	Banking
OAO Etalonbank	Banking
OOO Yuzhny Region	Banking

continued

28. Related Parties (continued)

Companies under common control through shareholders (continued)

OA0 Zheldorbank	Banking
ZAO Mass Media Bank	Banking
OA0 Stolichnoye Kreditnoye Tovarischestvo*	Banking
OOO Blagoveschenskoye Credit Agency	Financial Intermediary
OOO Khabarovskoye Credit Agency	Financial Intermediary
OOO Primorskoye Credit Agency	Financial Intermediary
OOO Irkoutskoye Credit Agency	Financial Intermediary
OOO Zabaikal'skoye Credit Agency	Financial Intermediary
OOO Stroyinvest	Financial Intermediary

Members of the Board of Management

Sergey Vlasov (also a shareholder)

Elena Kalinina

Ludmila Proskurina

Natalia Popova

Dmitriy Akimkin*

Members of the Board of Directors

Yuriy Vavilov

Chairman of the Board of Directors

Sergey Vlasov (also a shareholder)

President of the Bank

Andrey Bekarev (also a shareholder)

Igor Kim (also a shareholder)

Mikhail Nenashev

Veronika Meschan

Alexey Grigoriev*

Oleg Viushin*

Vladimir Meleshin*

*) Parties that ceased to be related during the year

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28. Related Parties (continued)

During the reporting period the Bank entered into transactions with related parties, which included loan and deposit agreements, and provision of guarantees.

Details of transactions and balances with related parties are set out in the tables below (all balances are unsecured unless otherwise stated). Balances and transactions with shareholders are included as such below regardless of whether the shareholders concerned also belong to another category of related party.

31 December 2006									
	Share- holders	Mem- bers of BOD	Manage- ment (exclu- ding BOD)	Subsidi- aries	Assoc- iates	Other related parties	Total balances/tr ansactions with related parties	Parties that ceased to be related during the year	Total for the category
	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Balances									
Cash and cash equivalents	-	-	-	-	-	4,136	4,136	-	730,748
Due from other banks	-	-	-	-	-	30,000	30,000	-	1,057,409
Loans issued	-	-	2,000	82,000	-	-	84,000	-	6,001,848
Loan loss allowance	-	-	-	-	-	-	-	-	(359,536)
Other assets	-	-	130	-	-	1,824	1,954	-	329,079
Balances on correspondent accounts	645	-	174	211	32	122	1,184	-	592,842
Deposits	255,538	2	4,010	-	-	-	259,550	95,790	5,142,184
Due to other banks	-	-	-	-	-	60,001	60,001	87	864,493
Promissory notes issued	-	-	-	-	-	-	-	463,400	771,157
Other liabilities	-	-	-	-	-	5,463	5,463	25,302	191,970
Liabilities under finance lease	-	-	-	-	-	39,854	39,854	-	69,879
Guarantees issued	-	-	-	-	-	2,026	2,026	-	2,026
Balances on loans resold to URSA Bank	-	-	-	-	-	5,103,542	5,103,542	-	5,103,542
Balance on warranties on loans sold to URSA Bank	-	-	-	-	-	153,106	153,106	-	153,106
Transactions									
Interest income on loans issued	-	-	4	1,359	477	1,036	2,876	-	1,142,582
Interest expense	832	-	331	-	-	26,249	27,412	64,443	426,448
Rent expense	16,963	-	2,334	-	-	1,508	20,805	-	97,020
Commission received	3	-	-	14	17	14,596	14,630	-	796,017
Commission paid	-	-	-	12,892	10,702	1	23,595	-	39,478
Other income	721	-	6	-	2	86	815	1	2,311
Other expense	19,200	-	17,183	-	-	63,733	100,116	638	1,209,794
Results on disposal of loans	-	-	-	-	-	1,379,822	1,379,822	-	1,379,822
Loans sold to URSA Bank	-	-	-	-	-	7,160,997	7,160,997	-	7,160,997

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28. Related Parties (continued)

31 December 2005								
	Shareholders	Members of BOD	Management (excluding BOD)	Subsidiaries	Associates	Other related parties	Total balances/transactions with related parties	Total account category
	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's	RUR 000's
Balances								
Cash and cash equivalents	-	-	-	-	-	102,491	102,491	387,141
Loans issued	-	-	36	-	17,730	-	17,766	1,388,095
Loan loss allowance	-	-	-	-	(7,099)	-	(7,099)	(53,315)
Other assets	-	-	-	-	5	-	5	57,969
Balances on correspondent accounts	355	3	255	38	1,190	88	1,929	201,291
Deposits	-	-	1,151	-	-	-	1,151	797,276
Debt securities issued	6,500	-	-	-	-	-	6,500	92,446
Due to other banks	-	-	-	-	-	260,909	260,909	459,829
Other liabilities	493	-	-	-	410	4,562	5,465	64,326
Liabilities under finance lease	-	-	-	-	-	63,935	63,935	64,238
Guarantees issued	-	-	-	-	-	27,936	27,936	28,585
Balances on loans resold to URSA Bank	-	-	-	-	-	2,148,623	2,148,623	2,148,623
Balance on warranties on loans sold to URSA Bank	-	-	-	-	-	64,459	64,459	64,459
Transactions								
Interest income on loans issued	-	-	17	-	665	-	682	126,729
Interest expense	2,840	156	168	-	-	17,350	20,514	94,156
Rent expense	52	-	-	-	9	4,153	4,214	23,753
Commission received	-	-	1	3	19	571	594	220,790
Commission paid	-	-	-	-	20,357	9	20,366	23,015
Other income	-	-	-	-	152	-	152	10,055
Other expense	2,773	340	3,004	1,561	-	10,153	17,831	220,104
Results on disposal of loans	-	-	-	-	-	492,746	492,746	492,746
Loans sold to URSA Bank	-	-	-	-	-	2,419,340	2,419,340	2,419,340

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Vostochny Express Bank
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28. Related Parties (continued)

Total remuneration paid to the Chairman of the Management Board during 2006 amounted to RUR 19,200 thousand (2005: RUR 2,291 thousand).

The salaries paid to the members of the Management Board during 2006 amounted to RUR 16,301 thousand (2005: RUR 4,247 thousand). There were no long term benefits, post-employment benefits, termination benefits or share based payments. No remuneration to other members of the Board of Directors was paid during 2006 and 2005.

On 19 December 2006 the Bank disposed its entire holding (80%) in OOO "First Collection Bureau". The holding (which had a nominal value of RUR 80 thousand) was sold to three major shareholders of the Bank for RUR 800 thousand.

Leased Fixed Assets

During the year the Bank leased certain fixed assets from related parties, namely equipment and vehicles. Details of lease payments are set out below:

	<u>2006</u> <u>RUR 000's</u>	<u>2005</u> <u>RUR 000's</u>
Operating lease:		
Payable within one year	4,798	4,215
Cost of leased fixed assets	49,919	13,599

Operating leases include a number of contracts expiring in 2007, but which can be prolonged, and this will result in substantial lease payable within two to five years.

29. Capital Adequacy

The Central Bank of the Russian Federation requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed based on Russian Accounting Legislation. As of 31 December 2006, the Bank's capital adequacy ratio calculated on this basis was 11.4%, exceeding the statutory minimum (2005: 20.8%)

The Bank's international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines issued in 1998, as of 31 December 2006 was 18.9% (2005: 27.1%). This ratio exceeded the minimum ratio of 8% recommended by Basle Accord.

The capital adequacy ratio in accordance with the 1998 Basle Accord guidelines based on the audited financial statements of the Bank as of 31 December 2006, was computed as follows:

	<u>2006</u> <u>RUR 000's</u>	<u>2005</u> <u>RUR 000's</u>
Tier 1 Capital		
Share capital	399,837	399,837
Share Premium	4,697	4,697
Accumulated profit	1,113,680	203,067
Total Tier 1 Capital	1,518,214	607,601
Total Capital	1,518,214	607,601
Risk weighted assets	8,039,083	2,243,402
Capital adequacy ratio	18.9	27.1

Capital is calculated as the total of restricted and unrestricted components of equity plus general provision for loan losses to the extent that this provision does not exceed 1.25% of assets calculated using the following risk weightings:

continued

Vostochny Express Bank
(formerly Dalvneshtorgbank)
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29. Capital Adequacy (continued)

Weighting	Description
0%	Cash, amounts with the Central Bank of Russian Federation and claims on the Government of the Russian Federation denominated in Roubles and funded in Roubles
20%	Due from OECD credit institutions
20%	Due from non-OECD credit institutions maturing within one year
100%	Loans to customers
100%	All other assets
	Off-balance sheet items
0%	Undrawn loan commitments maturing within one year
20%	Guarantees issued in favour of OECD credit institutions
50%	Undrawn loan commitments maturing in over one year and all standby letters of credit issued
100%	All other guarantees issued
1% - 5%	Foreign exchange contracts
0% - 0,5%	Interest rate contracts

30. Post Balance Sheet Events

At the end of March 2007 the Bank will issue 1,500,000 simple bonds with a par value of RUR 1,000 each. The approval of the transaction by the Central Bank of Russia was obtained in December 2006. The bonds are distributable through an open subscription with the maturity date being 1,092 days from the day of distribution. Early repayment is not allowed.