Commercial Bank Rosenergobank (Closed Joint Stock Company)

Financial Statements for the Year Ended 31 December 2009 and Independent Auditor's Report

Contents

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Independent Auditor's Report

To the Shareholders and the Board of Directors of Commercial Bank Rosenergobank (Closed Joint Stock Company)

We have audited the accompanying financial statements of Commercial Bank Rosenergobank (Closed Joint Stock Company), which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of cash flows and statement of changes in equity 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 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 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 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 Commercial Bank Rosenergobank (Closed Joint Stock Company) as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Anton V. Efremov
Senior Partner

26 May 2010
Moscow, Russian Federation

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2009

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report is made with a view to distinguishing the respective responsibilities of management of Commercial Bank Rosenergobank (Closed Joint Stock Company) (the Bank) and those of the independent auditor in relation to the Bank's financial statements.

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2009, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

On behalf of the Bank's management the financial statements for the year ended 31 December 2009 were authorised for issue on 26 May 2010 by:

K.V. Shvarts Chairman of the Executive Board	A.G. Volkova Chief Accountant

Moscow

(in thousands of Russian Roubles)

	Note	2009	2008
Assets			
Cash and cash equivalents	5	1 196 897	213 835
Mandatory cash balances with the Central Bank of the Russian Federation		105 022	13 068
Financial assets at fair value through profit or loss	6	389 144	55 502
Due from other banks	7	1 843 660	72 271
Loans to customers	8	4 601 143	3 353 146
Financial assets available for sale	9	683 511	2 892
Investments in subsidiaries	10	600	517
Premises and equipment	11	209 558	126 178
Other assets	12	32 286	43 338
Total assets		**9 061 821**	**3 880 747**
Liabilities			
Due to other banks	13	768 837	97 134
Customer accounts	14	5 974 820	1 971 221
Debt securities issued	15	897 593	705 220
Other borrowed funds	16	505 589	244 149
Other liabilities	17	21 688	22 719
Current tax liabilities		2 966	5 974
Deferred tax liabilities	23	29 794	29 165
Total liabilities		**8 201 287**	**3 075 582**
Equity			
Share capital	18	461 382	461 382
Share premium	18	392 000	392 000
Revaluation reserve for premises and equipment	11	72 615	38 345
Fair value reserve for financial assets available for sale	9	404	-
Accumulated deficit		(65 867)	(86 562)
Total equity		**860 534**	**805 165**
Total liabilities and equity		**9 061 821**	**3 880 747**

K.V. Shvarts
Chairman of the Executive Board

A.G. Volkova
Chief Accountant

26 May 2010

(in thousands of Russian Roubles)

	Note	2009	2008
Interest income	20	789 916	634 338
Interest expense	20	(389 154)	(248 812)
Net interest income		**400 762**	**385 526**
Provision for impairment of loans to customers	8	(217 033)	38 801
Net interest income after provision for impairment of loans to customers		**183 729**	**424 327**
Gains less losses arising from financial assets at fair value through profit or loss		(3 951)	(142 553)
Gains less losses from dealing in foreign currency		77 862	44 191
Foreign exchange translation gains less losses		(62 213)	(31 035)
Gain on early redemption of securities issued		63 892	-
Fee and commission income	21	99 092	131 425
Fee and commission expense	21	(5 975)	(9 651)
Gain on borrowings at rates below market		-	10 028
Provision for impairment of investments in subsidiaries, other assets and credit related commitments	10, 12, 27	2 926	(9 919)
Other operating income		25 448	26 366
Operating income		**380 810**	**443 179**
Operating expenses	22	(352 424)	(417 438)
Profit before taxation		**28 386**	**25 741**
Income tax expense	23	(7 691)	(13 210)
Net profit		**20 695**	**12 531**
Other comprehensive income			
Gains less losses from revaluation of financial assets available for sale	9	505	-
Effect from revaluation of premises and equipment	11	42 838	47 931
Income tax relating to components of comprehensive income		(8 669)	(9 586)
Other comprehensive income after taxation		**34 674**	**38 345**
Total comprehensive income for the period		**55 369**	**50 876**

K.V. Shvarts
Chairman of the Executive Board

A.G. Volkova
Chief Accountant

26 May 2010

(in thousands of Russian Roubles)

	2009	2008
Cash flows from operating activities		
Interest received	797 553	623 183
Interest paid	(383 086)	(217 367)
Gains less losses arising from financial assets at fair value through profit or loss	(4 708)	(107 664)
Gains less losses from dealing in foreign currency	77 862	44 191
Fees and commissions received	99 092	124 964
Fees and commissions paid	(5 975)	(9 651)
Other operating income	89 340	26 372
Operating expenses paid	(333 850)	(401 372)
Income tax paid	(18 738)	(23 808)
Cash flows from operating activities before changes in operating assets and liabilities	**317 490**	**58 848**
Net (increase)/decrease in operating assets		
Mandatory cash balances with the Central Bank of the Russian Federation	(91 954)	61 643
Financial assets at fair value through profit or loss	(332 885)	915 181
Due from other banks	(1 771 169)	1 752 171
Loans to customers	(1 495 618)	(547 568)
Other assets	13 649	(25 790)
Net increase /(decrease) in operating liabilities		
Due to other banks	670 183	(1 157 104)
Customer accounts	4 018 089	(1 977 462)
Debt securities issued	146 376	575 156
Other liabilities	(8 384)	6 461
Net cash flows from operating activities	**1 465 777**	**(338 464)**
Cash flows from investing activities		
Purchase of financial assets available for sale (Note 9)	(1 183 078)	-
Proceeds from disposal of financial assets available for sale (Note 9)	513 994	18 134
Purchase of premises and equipment (Note 11)	(51 061)	(58 376)
Proceeds from disposal of premises and equipment	-	6
Net cash flows from investing activities	**(720 145)**	**(40 236)**
Cash flows from financing activities		
Origination of other borrowed funds	250 000	-
Net cash flows from financing activities	**250 000**	**-**
Effect of exchange rate changes on cash and cash equivalents	(12 600)	7 638
Net change in cash and cash equivalents	**983 032**	**(371 062)**
Cash and cash equivalents at the beginning of the year	213 835	584 897
Cash and cash equivalents at the end of the year (Note 5)	**1 196 867**	**213 835**

K.V. Shvarts
Chairman of the Executive Board

A.G. Volkova
Chief Accountant

26 May 2010

(in thousands of Russian Roubles)

	Share capital	Share premium	Fair value reserve for financial assets available for sale	Revaluation reserve for premises and equipment	Accumulated deficit	Total equity
Balance as at 1 January 2008	**461 382**	**392 000**	**-**	**-**	**(99 093)**	**754 289**
Comprehensive income for the year 2008	-	-		38 345	12 531	50 876
Balance as at 31 December 2008	**461 382**	**392 000**	**-**	**38 345**	**(86 562)**	**805 165**
Comprehensive income for the year 2009	-	-	404	34 270	20 695	55 369
Balance as at 31 December 2009	**461 382**	**392 000**	**404**	**72 615**	**(65 867)**	**860 534**

K.V. Shvarts
Chairman of the Executive Board

A.G. Volkova
Chief Accountant

26 May 2010

(in thousands of Russian Roubles)

1. Principal Activities of the Bank

Commercial Bank Rosenergobank (Closed Joint Stock Company) (the Bank) was founded in 1992 as a closed joint stock company under the laws of the Russian Federation.

In 2009 and 2008 the Bank operated under the following licenses:

- License of the Central Bank of the Russian Federation (the CBR) No. 2211 of 17 October 2002 for banking operations with funds of individuals in Russian roubles and foreign currency;
- License of the Central Bank of the Russian Federation No. 2211 of 13 May 2004 for banking operations with funds of legal entities and individuals in Russian roubles and foreign currency;
- licenses of the professional securities market participant with unlimited validity period:
  - No. 177-11119-100000 of 1 April 2008 for brokerage transactions;
  - No. 177-11123-010000 of 1 April 2008 for dealing transactions;
  - No. 177-11127-001000 of 1 April 2008 for securities management.

Principal activities of the Bank are corporate and retail banking services on the territory of the Russian Federation.

The Bank has 6 branches (2008: 6 branches) in the Russian Federation.

The Bank's head office is located at: 11/1 Goncharnaya Str., Moscow, 109240.

Legal and mailing address of the Bank is: 11/1 Goncharnaya Str., Moscow, 109240.

Subsidiary LLC REB Leasing is located at: 14/1 Energeticheskaya Str., Moscow, 111116.

Since September 2005 the Bank has been a member of the obligatory Deposit Insurance System managed by the state corporation Deposit Insurance Agency.

The average annual number of the Bank's employees in 2009 was 363 (2008: 392 employees).

Below is the information about the Bank's main shareholders.

Shareholder	2009 Ownership (%)	2008 Ownership (%)
LLC LOGOS	20.00	19.90
LLC RELIZ PRIVAT	-	19.63
LLC FINANSGARANT	19.51	19.51
LLC ISTOMIN & CO	-	16.98
LLC STROYPRIMA	20.00	15.40
Limited partnership Nordvik Investments	19.63	-
Shareholders with shareholdings less than 5 % of the Bank's share capital	20.86	8.58
Total	**100.0**	**100.0**

As at 31 December 2009, 5 853 627 of the Bank's shares or 59.12 % of the Bank's share capital (2008: 5 583 627 shares or 56.40 %) were under control of the members of the Board of Directors and Executive Board.

2. Operating Environment of the Bank

General

The economy of the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, in particular, inconvertibility of the national currency in most countries outside of Russia and relatively high inflation rates. The current Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes.

In the context of the international financial crisis commenced in the middle of 2008, substantial reduction of Russia's international reserves, the outflow of foreign capital from the country and declining oil prices, the rating agency Moody's revised its sovereign ratings and Fitch Ratings and Standard & Poor's downgraded their sovereign rating as follows: Moody's - "Baa1" with stable outlook on 12 December 2008, Fitch Ratings - "BBB" with negative outlook on 4 August 2009, Standard & Poor's - "BBB" with negative outlook on 8 December 2008.

(in thousands of Russian Roubles)

Encouraged by the prospects of gradual improvement in budget indicators as a result of stabilization of the trading environment of the Russian Federation, Standard & Poor's changed the outlook from negative to stable and reaffirmed the sovereign debt ratings of the Russian Federation: the foreign currency sovereign debt rating was reaffirmed at "BBB/A-3" and the local currency sovereign debt rating was reaffirmed at "BBB+/A-2" (21 December 2009).

Since 2003 the obligatory Deposit Insurance System has been functioning in the Russian Federation. According to the deposit insurance legislation, 100% is compensated to the depositor if the deposit amount does not exceed RUR 700 thousand. To calculate the compensation, foreign currency denominated deposits are restated at the exchange rate set by the CBR at the date of the insured event, and the amounts due to banks from depositors are deducted from the deposit amount.

Since 1 January 2009, the tax system was changed in favour of business: corporate income tax rate was cut from 24% to 20% and the tax prepayment procedure was cancelled. Income tax rates for small businesses using simplified taxation procedures were reduced from 15% to 5% of the profit amount.

During 2009 the refinancing rate was lowered from 12.5% to 8.75% per annum. Required reserve ratio for credit institutions' obligations was raised from 0.5% to 2.5%.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Inflation

Russia continues to experience relatively high levels of inflation. The inflation indices for the last five years are given in the table below:

Year ended	Inflation for the period
31 December 2009	8.8%
31 December 2008	13.3%
31 December 2007	11.9%
31 December 2006	9.0%
31 December 2005	10.9%

Currency transactions

Foreign currencies, in particular the US Dollar and EUR, play a significant role in the underlying economics of many business transactions in the Russian Federation.

The table below shows exchange rates of RUR relative to USD and EUR:

Date	USD	EUR
31 December 2009	30.2442	43.3883
31 December 2008	29.3804	41.4411
31 December 2007	24.5462	35.9332
31 December 2006	26.3311	34.6965
31 December 2005	28.7825	34.1850

Financial market transactions

The international financial crisis has resulted in, among other things, global liquidity crunch which led to contraction of the international and domestic capital market, lower liquidity levels across the Russian banking sector and very high uncertainty in the domestic and foreign equity markets. The uncertainties in the global financial market have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and other countries. Currently, it is impossible to fully assess the influence of the ongoing crisis or avoid its impact.

Since 2008 investors have been re-evaluating their exposure to risks, which results in reduced or closed limits on transactions conducted in the Russian Federation, which added to volatility. Such circumstances could affect the ability of the Bank to obtain new borrowings at terms and conditions similar to those applied to earlier transactions.

Borrowers and debtors of the Bank may also be affected by the repercussions of the financial crisis, which can in turn impact their ability to meet their financial obligations to the Bank. To the extent that information is available, management has adequately reflected revised estimates of expected future cash flows in their impairment assessments. These financial statements do not include the adjustments reflecting the impact on the financial statements of further deterioration in the liquidity on the financial markets and the increasing volatility in the currency and equity markets.

3. Basis of Presentation

General principles

These financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), including all previously adopted standards and interpretations. The Bank maintains its accounting records in accordance with the applicable legislation of the Russian Federation. These financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS.

These separate financial statements are prepared by the Bank in accordance with the CBR Instruction No. 1363-У of 25.12.2005 for submission to the CBR.

Functional and presentation currency

The functional currency is the currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for the goods and services are denominated and settled), labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

The presentation currency is the currency in which financial statements are presented.

These financial statements are presented in Russian Roubles being the Bank's functional and presentation currency.

Estimates and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements preparation, and the reported amounts of revenues and expenses during the reporting period. Issues that require the management's estimates and are most significant for the financial statements are disclosed in Notes 4, 8, 11 and 27.

Going concern

These financial statements reflect the Bank management's assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the RF Government and other factors, including regulatory and political developments which are beyond the Bank's control. The Bank's management cannot predict what impact these factors can have on the Bank's financial position in future. The accompanying financial statements do not include the adjustments associated with this risk.

These financial statements were prepared on a going concern assumption.

For prompt management of liquidity risk the Bank regularly monitors external factors, which could influence the Bank's liquidity level, and forecasts cash flows. For the medium- and long-term liquidity risk management the Bank analyses maturity mismatches of assets and liabilities. To reduce its risk exposure the Bank sets liquidity gap limits. The set limits are periodically reviewed due to the changing external and internal environment.

To maintain the required liquidity level the Bank has a possibility to attract additional funds from the Central Bank of Russia and in the interbank lending market. Diversification of liquidity sources allows to minimise the Bank's dependence on any source and ensure full satisfaction of its liabilities. A sufficient current liquidity cushion accumulated by the Bank and the available sources of additional fund-raising allow the Bank to continue its operation as a going concern in the long term.

Changes in Accounting Policies

The accounting policies adopted are generally consistent with those of the previous financial year. Listed below are those amended standards and interpretations which are or in the future could be relevant to the Bank's operations:

- IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009).The new amendment is aimed at simplifying analysis and comparison of information in the financial statements. The revised standard impacts the format of data presentation in the Bank's financial statements but does not impact recognition and measurement of individual transactions and balances. The main changes are summarized below:
    - "balance sheet" becomes "a statement of financial position";
    - "statement of income" becomes "a statement of comprehensive income";
    - a statement of comprehensive income can be presented in two ways: as one statement of comprehensive income consisting of two parts, where the first part is actually an income statement, or as two statements (a separate income statement and a statement of comprehensive income);
    - minority interest is amended to non-controlling interest;
    - non-owner changes in equity earlier presented in the statement of changes in equity should be reported within other comprehensive income;
    - when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when the entity reclassifies items in the financial statements, at least three statements of financial position -as at the end of the current period, as at the end of the previous reporting period (coinciding with the beginning of the current reporting period) or as at the beginning of the earliest comparative period - are required.
    - separate disclosure of dividends in the statement of changes in equity or in the notes to financial statements is required.
- IAS 23 "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009). Description of borrowings costs has a reference to IAS 39.
- IAS 38 "Intangible assets" (effective for annual periods beginning on or after 1 July 2009). The standard is extended to describe the valuation techniques commonly used by entities when measuring the fair value of intangible assets that are not traded in active markets.
- Amendment to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 July 2009). IFRS 2 was amended to clarify that contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2.
- Amendment to IFRS 3 "Business Combinations" (effective for annual reporting periods beginning on or after 1 July 2009). The amendments clarify requirements for fair value measurement of acquisitions, goodwill and non-controlling interest.
- IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). The amendments clarify that the information should be disclosed for each reportable segment based on the information provided to the chief operating decision maker.
- IFRIC 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 July 2009). The amendments clarify the scope of this IFRIC.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 July 2009). The amendments clarify the scope of this IFRIC.

(in thousands of Russian Roubles)

Below are new interpretations which are or in the future could be relevant to the Bank's operations:

- IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009). This IFRIC clarifies when the reporting entity pays (accrues) dividends or makes other payments to the owners through non-cash assets.
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after 1 July 2009). This IFRIC standardizes the accounting treatment of assets received from customers.

IFRSs and IFRIC interpretations not yet effective

The Bank has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

- IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2010). The main amendment is the change in classification of the liability component of a convertible instrument as current or non-current.
- IAS 7 "Statement of Cash Flows" (effective for annual periods beginning on or after 1 January 2010). The revised Standard (paragraph 16) requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.
- IAS 17 "Leases" (effective for annual periods beginning on or after 1 January 2010). The classification of the land and building elements as finance or operating lease should be made separately for each element and should follow the general lease classification guidance. For classification of land all factors provided for other lease contracts should be considered.
- IAS 36 "Impairment of assets" (effective for annual periods beginning on or after 1 January 2010). According to the revised Standard, each cash-generating unit or group of units to which goodwill is allocated shall not be larger than an operating segment before aggregation.
- IAS 39 "Financial Instruments: Recognition and Measurement" (effective for annual periods beginning on or after 1 January 2010). The key areas of amendments included treatment of loan prepayment penalties as closely related embedded derivatives, scope exemption for business combination contracts and cash flow hedge accounting.
- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective for annual periods beginning on or after 1 January 2010). The scope of IFRS 5 has been clarified to make it clear that only the disclosures specified in IFRS 5 are applicable to non-current assets (or disposal groups) classified as held for sale, and to discontinued operations.
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010). This IFRIC provides guidance on treating settlement of a financial liability through the issue of an entity's own equity to the creditor.

Subsidiaries

Subsidiaries are those entities in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over financial and operating policies.

The financial statements of subsidiaries are not included in these non-consolidated financial statements of the parent company. In preparing the separate financial statements of the parent company investments in subsidiaries are recorded at cost in accordance with IAS 27 "Consolidated and Separate Financial Statements" within investments in subsidiaries.

The Bank's investments in the subsidiaries reflected at cost as at 31 December 2009 and as at 31 December 2008 in these financial statements are presented below:

			Ownership (%)	
Subsidiary	**Nature of business**	**Date of acquisition**	**2009**	**2008**
LLC REB Leasing	Leasing	23.08.2007	100%	100%

The Bank prepared the consolidated financial statements which are available at the address indicated in Note 1.

4. Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents are assets, which can be converted into cash within a day and consist of cash on hand, correspondent and current account balances. All short-term interbank placements are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Cash and cash equivalents do not include mandatory cash balances with the Central Bank of the Russian Federation.

Mandatory cash balances with the Central Bank of the Russian Federation

Mandatory cash balances with the Central Bank of the Russian Federation represent mandatory reserve deposits with the CBR, which are not available to finance the Bank's day-to-day operations. The mandatory reserve balance is excluded from cash and cash equivalents for the purposes of the statement of cash flows.

Financial assets

The Bank classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables (this category includes due from other banks and loans to customers);
- financial assets available for sale.

The Bank determines the classification of its financial assets at initial recognition. Classification of financial assets at initial recognition depends on the purpose for which they were acquired and their characteristics.

Initial recognition of financial assets

The Bank recognises financial assets in its statement of financial position when it becomes a party to the contractual obligation of the respective financial asset. Regular way purchases and sales of the financial assets are recognised using settlement date accounting.

All financial assets are initially recognised at fair value plus, transaction costs that are directly attributable to acquisition or issue of the financial asset in the case of a financial asset not at fair value through profit or loss.

Fair value measurement

The fair value of financial instruments traded on the active market as at the reporting date is determined based on the market or dealers' quotations including transaction costs.

If a quoted market price is not available, the fair value of financial assets recorded in the statement of financial position is estimated with reference to market prices for similar financial instruments or using various valuation techniques, including mathematical models. Where mathematical models are used, inputs are based on observable market data or judgement.

Judgement is based on the time value of money, credit risk level, volatility of the instrument, market risk level and other applicable factors.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset, or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; and
- the Bank either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. If the transferee has no practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the transfer, the entity has retained control.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value. In this case the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Reclassification of financial assets

The Bank shall not reclassify out of the fair value through profit or loss category a derivative financial instrument while it is held or issued or any financial instrument classified at initial recognition as at fair value through profit or loss.

Non-derivative trading financial assets at fair value through profit or loss may be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual if these assets are no longer held for the purpose of selling or repurchasing them in the near term.

Non-derivative trading financial assets at fair value through profit or loss may be reclassified into loans and receivables or investments held to maturity depending on the purposes for which these financial instruments are held, if the Bank has intention and the ability to hold these financial assets for the foreseeable future or until maturity.

Financial assets available for sale may be reclassified into loans and receivables if the entity has a positive intention and the ability to hold these financial assets for the foreseeable future or until maturity.

If financial assets are reclassified into loans and receivables or investments held to maturity, the fair value on the date of reclassification will become the new cost of these financial assets. Subsequently these assets are measured at amortised cost using the effective interest rate method.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading securities and other financial assets at fair value through profit or loss.

Trading securities represent securities acquired principally for the purpose of generating a profit from short-term fluctuations in price or trader's margin, or securities included in a portfolio where a pattern of short-term trading exists. The Bank classifies securities as trading securities when it intends to sell them within a short period of time after purchase. Trading securities are not reclassified out of this category except for rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term.

Trading securities are recognised at fair value. Interest earned on trading securities is reflected as interest income in the statement of comprehensive income. Dividends are recognised within other operating income in the statement of comprehensive income when the Bank's right to receive dividends is established and dividends are likely to be received. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in the statement of comprehensive income as gains less losses arising from financial assets at fair value through profit or loss in the period in which they arise.

Due from other banks

In the normal course of business, the Bank places funds for various periods of time with other banks. Amounts due from other banks with a fixed maturity term are not intended for immediate or short-term trading and are measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost calculated based on expected maturity. Amounts due from other banks are carried net of any allowance for impairment.

Loans to customers

Loans to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale;
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans to customers are initially recorded at cost, which is the fair value of the consideration given. Subsequently, they are carried at amortised cost using the effective interest method less provision for loan impairment.

Loans to customers are recorded when cash is advanced to borrowers.

Loans originated at interest rates different from market rates are remeasured at origination to their fair values, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. The difference between the fair value and the nominal value at origination is credited or charged to the statement of comprehensive income as gains/losses on origination of assets at rates above/below market. Subsequently, the carrying amount of such loans is adjusted for amortisation and the related gains/losses are recorded within the statement of comprehensive income using the effective interest method.

The Bank does not acquire loans from third parties.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets not included into any of the above categories.

Financial assets available for sale are initially recognised at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial asset. Financial assets available for sale are subsequently remeasured to fair value based on quoted bid prices. Certain financial assets available for sale for which there is no available independent quotation have been fair valued by the Bank's management on the basis of results of recent sales of similar financial assets to unrelated third parties or determined on the basis of indicative quotations for purchase/sale of each type of securities published by information agencies or provided by professional securities market participants. If there is no active market and it is impossible to determine the fair value of equity securities using reliable methods, investments are allowed to be recognised at acquisition cost.

Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recognised in the statement of comprehensive income as other comprehensive income. When financial assets available for sale are disposed of, the related accumulated unrealised gains and losses previously recognised in the statement of comprehensive income are recycled to profit or loss as gains less losses arising from financial assets available for sale. Disposals of financial assets available fore sale are recorded on a FIFO basis.

Interest earned on debt securities available for sale is determined using the effective interest method and reflected in the statement of comprehensive income as interest income. Dividends received on equity investments available for sale are recorded in the statement of comprehensive income as other operating income when the Bank's right to receive dividends is established and dividends are likely to be received.

Impairment of financial assets

The Bank assesses on each closing date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired. Impairment losses are recognised in the statement of comprehensive income as they are incurred as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

(1) Impairment of due from other banks and loans to customers

For amounts due from other banks and loans to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant.

Objective evidence that due from other banks and loans to customers are impaired includes the following observable data in respect of individually significant financial assets:

- default in any payments due;
- significant financial difficulty of the borrower supported by financial information at the Bank's disposal;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- worsening national or local economic environment affecting the borrower;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.

Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics such as asset type, industry, geographical location, collateral type, payment status and other relevant factors. The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The main criterion used for determining objective evidence of loss from impairment of due from other banks and loans to customers representing collectively measured financial assets is availability of observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such information may include adverse changes in the payment status of borrowers in the group (for example, an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount), national or local economic conditions that correlate with defaults on the assets in the group (for example, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices in respect of mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of the provision account and the amount of the loss is recognised in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with credit risk characteristics similar to those in the group or on the basis of historical information on collections of past due debts. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account in the statement of comprehensive income.

Uncollectible assets are written off against the related allowance for impairment after all the necessary procedures to recover the asset in full or in part have been completed and the final amount of the loss has been determined. The carrying value of impaired financial assets is not reduced directly.

In accordance with the Russian legislation, in case of a write-off of the uncollectible loan and relating interest, the Bank shall take necessary and adequate steps, envisaged by law, custom of business turnover or agreement, to collect this outstanding loan.

(2) Impairment of financial assets available for sale

The Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments available for sale is impaired.

In case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. This determination of what is significant and/or prolonged requires judgement. According to the Bank, a more than 20% decrease in the fair value of the financial asset below its cost is a significant decline and decrease in the financial asset's value for over 6 months is a prolonged decline. The Bank also assesses other factors such as volatility of price per share. Cumulative impairment loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised through the profit and loss accounts, is transferred from other comprehensive income to the profit and loss accounts.

Impairment losses on equity instruments are not reversed through the profit and loss account: increases in the fair value after impairment are recognised directly in other comprehensive income.

In case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as for financial assets carried at amortised cost. Interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss. The interest income is recorded within interest income in the statement of comprehensive income.

If in the subsequent year the fair value of a debt instrument increases, and such increase can be objectively related to the event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed and the related income is recognised in the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or financial liabilities carried at amortised cost.

Initially, a financial liability shall be measured by the Bank at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost include due to other banks, customer accounts, debt securities issued and other borrowed funds.

Due to other banks. Due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers in respect of settlement accounts and deposits.

Debt securities issued. Debt securities issued include promissory notes, bonds and deposit certificates issued by the Bank. If the Bank purchases its own debt securities issued, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other operating income as gain from retirement of debt.

Other borrowed funds. Other borrowed funds include subordinated loans received by the Bank, which are recorded from the moment the funds are advanced to the Bank.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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.

Premises and equipment

Premises and equipment are stated at cost or at revalued amount, as described below, less accumulated depreciation and impairment provision.

At each reporting date the Bank assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Bank estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell or its value in use. Where the carrying amount of premises and equipment is greater than their estimated recoverable amount, it is written down to their recoverable amount and the difference is charged as impairment loss to the statement of comprehensive income.

The Bank's buildings and land are revalued on a regular basis. The frequency of revaluations depends on changes in the fair value of the assets subjected to revaluation. After initial recognition at cost, buildings and land are carried at a revalued amount, which is the fair value of the items at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed regularly to avoid significant differences between the fair value of the revalued asset and its carrying amount.

After revaluation of buildings, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is recorded in the statement of comprehensive income as other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised through profit or loss. A decrease arising as a result of a revaluation should be recognised as income or expense in the statement of comprehensive income, except that revaluation deficit is directly offset against the previous surplus from revaluation of the same asset recorded within other comprehensive income.

The revaluation reserve for premises and equipment is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset. Each year the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from revaluation reserve for premises and equipment to retained earnings.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and recorded as operating expenses in the statement of comprehensive income.

Repairs and maintenance are charged to the statement of comprehensive income when the expense is incurred.

Construction in progress is carried at cost less impairment provision.

As soon as construction is completed, assets are reclassified as premises and equipment at their carrying value at the date of reclassification. Construction in progress is not depreciated until the asset is available for use.

Depreciation

Depreciation of premises and equipment commences from the date the assets are ready for use. Depreciation is charged on a straight line basis over the estimated useful lives of the assets:

- Buildings and premises - 40 years;
- Motor vehicles - 5 years;
- Computers and office equipment - 5 years;
- Leasehold improvements - over the lease term.

Land has an indefinite useful life and is not depreciated.

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Finance lease - the Bank as lessee

Leases where all the risks and rewards of ownership of the asset are substantially transferred from lessor to lessee are classified as finance leases.

The Bank recognises finance leases as assets and liabilities in the statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property, or at the present value of the minimum lease payments, if this amount is less than the fair value of the asset. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the Bank's borrowing rate shall be used. Initial direct costs incurred are included as part of the asset. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating lease - Bank as lessee

Leases of property under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognised as expenses on a straight-line basis over the lease term and included into operating expenses in the statement of comprehensive income.

Operating lease - the Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised as other operating income in the statement of comprehensive income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term.

Share capital

The share capital contributed before 1 January 2003 was restated for the effects of inflation. The share capital contributed after the above date is stated at original cost. Non-cash contributions in the share capital are recorded at fair value of contributed assets at the date the contribution is made. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction in equity from the proceeds.

Share premium

Share premium represents the excess of contributions over the nominal value of the shares issued.

Contingent assets and liabilities

Contingent assets are not recognised in the statement of financial position but disclosed in the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the statement of financial position but disclosed in the financial statements unless the possibility of any outflow in settlement is remote.

Credit related commitments

The Bank enters into credit related commitments, including guarantees and commitments to extend credits. Guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans and guarantees. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Credit related commitments are initially recognised at their fair value. Subsequently, they are analysed at each reporting date and adjusted to reflect the current best estimate. The best estimate of the expenditure required to settle the present obligation is the amount that the Bank would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time.

Taxation

The income tax charge/recovery comprises current tax and deferred tax and is recorded in the statement of comprehensive income. Income tax expense is recorded in the financial statements in accordance with the applicable legislation of the Russian Federation. Current tax is calculated on the basis of the estimated taxable profit for the year, using the tax rates enacted during the reporting period.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current or prior periods. Tax amounts are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carryforwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial statement purposes.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carryforwards will be utilised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax assets for deductible temporary differences and tax loss carryforwards are recorded to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Judgement is required to determine the amount of deferred tax assets that may be recognised in financial statements based on probable periods and amounts of future taxable profits and future tax planning strategies.

Russia also has various other taxes, which are assessed on the Bank's activities. These taxes are recorded within operating expenses in the statement of comprehensive income.

Income and expense recognition

Interest income and expense are recorded in the statement of comprehensive income for all debt instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all commissions and fees paid or received by the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income includes coupons earned on fixed-income financial assets and accrued discount and premium on promissory notes and other discounted debt instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(in thousands of Russian Roubles)

Fees, commissions and other income and expense items are recorded on an accrual basis after the service is provided. Loan origination fees for loans that are not yet provided, but are probable of being drawn down, are recognised within other assets and are subsequently taken into account in calculation of effective yield on the loan. Fees and commissions arising from negotiating a transaction for a third party, such as the acquisition of loans, shares and other securities or the purchase or sale of businesses, are recorded on completion of the transaction in the statement of comprehensive income. Investment portfolio and other advisory service fees are recognised based on the applicable service contracts.

Employee benefits and social insurance contributions

The Bank pays unified social tax (UST) on the territory of the Russian Federation. UST contributions are recorded on an accrual basis. UST comprises contributions to the Russian Federation state pension, social insurance, and obligatory medical insurance funds in respect of the Bank's employees. The Bank does not have pension arrangements separate from the state pension system of the Russian Federation. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leaves and paid sick leaves, bonuses and non-monetary benefits are accrued as the Bank's employees render the related service.

Foreign currency

Foreign currency transactions are translated into the functional currency at the CBR exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the CBR exchange rate ruling at the reporting date. Foreign exchange gains and losses resulting from translation of transactions in foreign currency are recorded in the statement of comprehensive income within foreign exchange translation gains less losses. Non-monetary items denominated in foreign currency and carried at cost are restated at the exchange rate of the CBR in effect at the transaction date. Non-monetary items denominated in foreign currency and carried at fair value are restated at the exchange rate in effect at the date the fair value is determined.

Gains and losses from purchase and sale of foreign currency are determined as a difference between the selling price and the carrying value at the date of transaction.

Fiduciary activities

Assets held by the Bank in its own name, but for the account of third parties under depository, agency, trust management and other similar agreements are not reported in the Bank's statement of financial position. Commissions received from such operations are shown within fee and commission income in the statement of comprehensive income.

5. Cash and Cash Equivalents

	2009	2008
Cash on hand	267 591	48 251
Balances with the CBR (other than mandatory reserve deposits)	773 195	139 211
Correspondent accounts and 'overnight' deposits with banks of:		
- the Russian Federation	21 742	7 733
- other countries	134 369	18 640
Total cash and cash equivalents	**1 196 897**	**213 835**

As at 31 December 2009 cash and cash equivalents include accrued interest on correspondent accounts with other banks in the amount of RUR 30 thousand (2008: none). These amounts are excluded from cash and cash equivalents for the purpose of the statement of cash flows.

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss reflected in the statement of financial position as at 31 December 2009 and 31 December 2008 include trading securities.

	2009	2008
Corporate debt securities		
- Corporate bonds	389 144	55 502
Total financial assets at fair value through profit or loss	**389 144**	**55 502**

(in thousands of Russian Roubles)

As at 31 December 2009, corporate bonds are represented by Rouble-denominated securities issued by OJSC Zenit Bank, OJSC Acron, OJSC SPC Irkut, CJSC Sukhoi Civil Aircraft Company, OJSC North-West Telecom. These bonds in the Bank's portfolio have maturity dates from September 2010 to March 2017, coupon rates ranging from 7.85% to 14.05% per annum and yield to maturity ranging from 8.3466% to 14.5227% per annum. As at 31 December 2008, corporate bonds are represented by Rouble-denominated securities issued by OJSC JSCB Soyuz with maturity date in May 2011, coupon rate of 10.10% per annum and yield to maturity of 14.3838% per annum.

Below is the credit quality analysis of trading debt securities as at 31 December 2009 in accordance with the ratings of international agencies:

	Fitch	Moody's	Total
- Corporate bonds			
OJSC Zenit Bank	BBB+	-	100 779
CJSC Sukhoi Civil Aircraft Company	BB	-	100 418
OJSC SPC Irkut	-	Ba2	100 369
OJSC Acron	B+	-	50 833
OJSC North-West Telecom	AA-	-	36 745
Total trading debt securities at fair value through profit or loss			**389 144**

Below is the credit quality analysis of trading debt securities as at 31 December 2008 in accordance with the ratings of international agencies:

	Moody's	S&P	Amount	Total
- Corporate bonds	B-	Caa1	55 502	55 502

Debt securities are not collateralized.

Due to drastic deterioration of the situation on the world stock markets in 2008, certain financial assets at fair value through profit or loss were reclassified in December 2008, subject to the Bank's management decision on reclassification and in accordance with Amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets", from financial assets at fair value through profit or loss to financial assets available for sale. Reclassification was performed as at 31 December 2008 at the market value as at 31 December 2008.

The information on reclassification is given in Note 9.

7. Due from Other Banks

	2009	2008
Deposits with CBR	1 750 258	-
Loans and deposits with other banks	-	72 271
Promissory notes of other banks	93 402	-
Total due from other banks	**1 843 660**	**72 271**

The credit quality analysis of due from other banks as at 31 December 2009 and 31 December 2008 has revealed that all balances of due from other banks in the total amount of RUR 1 843 660 thousand (2008: RUR 72 271 thousand) are current with a low level of credit risk.

Due from other banks are not collateralised.

As at 31 December 2009, the Bank had cash balances above 10% of the Bank's capital with 2 counterparty banks (2008: none). As at 31 December 2009, the aggregate amount of these funds is RUR 1 843 660 thousand or 100% of total due from other banks.

(in thousands of Russian Roubles)

8. Loans to Customers

	2009	2008
Corporate loans	3 755 104	2 195 110
Loans to individual entrepreneurs, small and medium business	923 304	976 872
Consumer loans to individuals	231 736	326 078
Loans to state and municipal authorities	60 000	-
Mortgage loans to individuals	13 884	31 765
Less: provision for impairment of loans to customers	(382 885)	(176 679)
Total loans to customers	**4 601 143**	**3 353 146**

As at 31 December 2009, accrued interest income on impaired loans to customers amounted to RUR 25 892 thousand (2008: RUR 11 128 thousand).

Movements in the provision for impairment of loans to customers for 2009 and 2008 are as follows:

	Corporate loans	Loans to individual entrepreneurs, small and medium business	Consumer loans to individuals	Mortgage loans to individuals	Total
Provision for impairment of loans to customers as at 1 January 2008	**171 628**	**42 913**	**939**	**-**	**215 480**
Provision/(recovery of provision) for impairment during 2008	(145 770)	98 007	8 644	318	(38 801)
Provision for impairment of loans to customers as at 31 December 2008	**25 858**	**140 920**	**9 583**	**318**	**176 679**
Provision/ (recovery of provision) for impairment during 2009	90 333	97 896	28 983	(179)	217 033
Loans to customers written off during the year as uncollectible	-	(10 233)	(594)	-	(10 827)
Provision for impairment of loans to customers as at 31 December 2009	**116 191**	**228 583**	**37 972**	**139**	**382 885**

Economic sector concentrations within the Bank's loan portfolio are as follows:

	2009		2008	
	Amount	%	Amount	%
Trading and intermediary activities	1 770 194	35.52	1 102 357	31.23
Trade in construction equipment	873 237	17.52	369 965	10.48
Construction	532 568	10.69	568 754	16.11
Trade in construction materials	506 145	10.16	188 000	5.33
Services	407 708	8.18	141 475	4.01
Individuals	245 620	4.93	357 843	10.14
Financial services	173 661	3.48	232 667	6.59
Manufacturing industry	105 883	2.12	128 864	3.65
Trade in food products	97 743	1.96	180 000	5.10
State and municipal authorities	60 000	1.20	-	-
Agriculture	9 398	0.19	55 287	1.57
Trade in computers and computer parts	-	0.00	56 980	1.61
Other	201 871	4.05	147 633	4.18
Total loans to customers (gross)	**4 984 028**	**100.00**	**3 529 825**	**100.00**

(in thousands of Russian Roubles)

As at 31 December 2009, the Bank issued loans to 18 borrowers (2008: 12 borrowers) with the total amount exceeding 10% of the Bank's capital. The aggregate amount of these loans was RUR 3 439 981 thousand or 69.0% of total amount of loans to customers (2008: RUR 1 998 198 thousand or 56.6% of total amount of loans to customers).

Below is the credit quality analysis of loans as at 31 December 2009:

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision
Corporate loans				
Unimpaired loans				
Current loans (not past due)	1 030 260	-	1 030 260	0.00
Less than 1 month overdue	105 441	-	105 441	0.00
Individually impaired loans				
Current loans (not past due)	2 619 403	116 191	2 503 212	4.44
Total corporate loans	**3 755 104**	**116 191**	**3 638 913**	**3.09**
Loans to individual entrepreneurs, small and medium business				
Unimpaired loans				
Current loans (not past due)	83 501	-	83 501	0.00
Collectively impaired loans				
Current loans (not past due)	644 416	52 032	592 384	8.07
Less than 1 month overdue	10 868	5 730	5 138	52.72
3 to 6 months overdue	33 965	20 267	13 698	59.67
6 to 12 months overdue	108 478	108 478	-	100.00
More than 1 year overdue	42 076	42 076	-	100.00
Total loans to individual entrepreneurs, small and medium business	**923 304**	**228 583**	**694 721**	**24.76**
Consumer loans to individuals				
Collectively impaired loans				
Current loans (not past due)	193 591	11 088	182 503	5.73
Less than 1 month overdue	13 875	3 066	10 809	22.10
1 to 6 months overdue	8 332	7 880	452	94.58
6 to 12 months overdue	15 012	15 012	-	100.00
More than 1 year overdue	926	926	-	100.00
Total consumer loans to individuals	**231 736**	**37 972**	**193 764**	**16.39**
Loans to state and municipal authorities				
Unimpaired loans				
Current loans (not past due)	60 000	-	60 000	0.00
Total loans to state and municipal authorities	**60 000**	**-**	**60 000**	**0.00**

(in thousands of Russian Roubles)

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision
Mortgage loans to individuals				
Collectively impaired loans				
Current loans (not past due)	13 884	139	13 745	1.00
Total mortgage loans to individuals	**13 884**	**139**	**13 745**	**1.00**
Total loans to customers	**4 984 028**	**382 885**	**4 601 143**	**7.68**

Below is the credit quality analysis of loans as at 31 December 2008:

(in thousands of Russian Roubles)

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision
Corporate loans				
Unimpaired loans				
Current loans (not past due)	1 416 134	-	1 416 134	0.00
Individually impaired loans				
Current loans (not past due)	778 976	25 858	753 118	3.32
Total corporate loans	**2 195 110**	**25 858**	**2 169 252**	**1.18**
Loans to individual entrepreneurs, small and medium business				
Individually impaired loans				
Current loans (not past due)	19 332	96	19 236	0.50
Collectively impaired loans				
Current loans (not past due)	778 530	22 437	756 093	2.88
Less than 1 month overdue	45 190	8 719	36 471	19.29
1 to 3 months overdue	92 148	67 996	24 152	73.79
6 to 12 months overdue	454	454	-	100.00
More than 1 year overdue	41 218	41 218	-	100.00
Total loans to individual entrepreneurs, small and medium business	**976 872**	**140 920**	**835 952**	**14.43**
Consumer loans to individuals				
Collectively impaired loans				
Current loans (not past due)	312 307	6 645	305 662	2.13
Less than 1 month overdue	8 788	877	7 911	9.98
1 to 3 months overdue	3 251	329	2 922	10.12
6 to 12 months overdue	470	470	-	100.00
More than 1 year overdue	1 262	1 262	-	100.00
Total consumer loans to individuals	**326 078**	**9 583**	**316 495**	**2.94**
Mortgage loans to individuals				
Collectively impaired loans				
Current loans (not past due)	31 765	318	31 447	1.00
Total mortgage loans to individuals	**31 765**	**318**	**31 447**	**1.00**
Total loans to customers	**3 529 825**	**176 679**	**3 353 146**	**5.01**

Current and unimpaired loans represent loans issued to borrowers with high level of liquidity and profitability.

Individually impaired loans include loans which show certain signs of impairment, which are material in value and individually assessed by the Bank.

(in thousands of Russian Roubles)

Collectively impaired loans include loans grouped in homogeneous pools of borrowers, sharing common characteristics in respect of risk exposure and collectively assessed by the Bank.

Past due unimpaired loans are the loans whose fair value covers overdue payments of interest and principal. The amounts recognised as past due and unimpaired represent the entire balance of such loans rather than the overdue amounts of individual payments.

As at 31 December 2009, current loans include loans in the amount of RUR 563 681 thousand (2008: RUR none), that would otherwise be past due whose terms have been renegotiated.

Below is the information on the collateral held as security as at 31 December 2009:

	Corporate loans	Loans to individual entrepreneurs, small and medium business	Consumer loans to individuals	Mortgage loans to individuals	Total
Sureties	1 467 972	2 838 294	659 190	40 936	5 006 392
Immovable property	412 337	776 437	237 935	25 150	1 451 859
Own securities	447 727	156 021	22 199	-	625 947
Goods for sale	325 389	120 577	18 947	-	464 913
Motor vehicles	57 632	198 346	63 302	257	319 537
Equipment	75 182	85 233	14 831	-	175 246
Non-marketable securities	-	5 814	-	-	5 814
Marketable securities	-	-	900	-	900
Other assets	-	745	75	-	820
Total collateral	**2 786 239**	**4 181 467**	**1017 379**	**66 343**	**8 051 428**

Below is the information on the collateral held as security as at 31 December 2008:

	Corporate loans	Loans to individual entrepreneurs, small and medium business	Consumer loans to individuals	Mortgage loans to individuals	Total
Sureties	864 930	3 051 069	871 552	109 549	4 897 100
Immovable property	298 473	1 049 823	277 131	60 800	1 686 227
Motor vehicles	60 821	190 806	68 304	257	320 188
Goods for sale	1 200	123 346	45 817	2 104	172 467
Equipment	52 437	77 068	24 724		154 229
Non-marketable securities	-	5 814	-	-	5 814
Marketable securities	-	-	900	-	900
Other assets	-	2 570	254	-	2 824
Total collateral	**1 277 861**	**4 500 496**	**1 288 682**	**172 710**	**7 239 749**

As at 31 December 2009, loans to customers in the amount of RUR 2 246 959 thousand or 45.1% of total loans to customers are not secured (2008: RUR 2 098 215 thousand or 59.4% of total loans to customers).

(in thousands of Russian Roubles)

Below is the information on the collateral held as security of past due unimpaired loans and individually impaired loans as at 31 December 2009:

	Corporate loans
Past due unimpaired loans	
Immovable property	257 319
Sureties	465 000
Total collateral for past due unimpaired loans	**722 319**
Individually impaired loans	
Goods for sale	324 189
Total collateral for individually impaired loans	**324 189**

The table below provides information on the collateral held as security of individually impaired loans as at 31 December 2008:

	Corporate loans	Loans to individual entrepreneurs, small and medium business	Total
Individually impaired loans			
Immovable property	298 473	17 063	315 536
Motor vehicles		7 312	7 312
Sureties	757 000	60 625	817 625
Total collateral for individually impaired loans	**1 055 473**	**85 000**	**1 140 473**

The collateral value of the security may differ from its fair value.

9. Financial Assets Available for Sale

	2009	2008
Corporate debt securities		
- Promissory notes	673 019	-
Corporate equity securities		
- Corporate shares	10 492	2 892
Total financial assets available for sale	**683 511**	**2 892**

As at 31 December 2009, corporate debt securities in the Bank's portfolio are represented by RUR-denominated promissory notes issued by Russian banks. These promissory notes have maturity dates from January to June 2010 and yield to maturity from 2.03% to 12.80%.

Corporate shares are represented by shares of OJSC Sberbank (Savings Bank of the Russian Federation).

(in thousands of Russian Roubles)

Below is the credit quality analysis of debt securities included within financial assets available for sale as at 31 December 2009 in accordance with the ratings of international agencies:

	Fitch	Moody's	S&P	Total
Corporate debt securities				
- Promissory notes				
OJSC Binbank	Withdrawn	B2	B-	94 011
CJSC GLOBEXBANK	BB	-	BB-	48 560
OJSC MDM Bank	BB-	Ba1	B+	95 884
OJSC MOSCOW CREDIT BANK	B	B1	-	191 448
OJSC Promsvyazbank	B+	Ba2	B	49 308
OJSC UralSib	-	-	-	97 204
OJSC Khanty-Mansiysk Bank	-	Ba3	B+	96 604
Total debt securities available for sale				**673 019**

Below is the information on movements in the portfolio of financial assets available for sale:

	2009	2008
Carrying value as at 1 January	**2 892**	**19 004**
Gains less losses on revaluation at fair value	7 600	-
Reclassification from financial assets at fair value through profit or loss	-	2 892
Acquisition of financial assets available for sale	1 183 078	-
Disposal of financial assets available for sale	(513 994)	(18 134)
Accrued interest income	8 117	-
Interest received	(4 182)	(870)
Carrying value as at 31 December	**683 511**	**2 892**

Other comprehensive income of the Bank includes income from changes in the fair value of securities designated as securities available for sale on their acquisition in the amount of RUR 505 thousand (2008: expense in the amount of RUR 7 095 thousand).

Due to drastic deterioration of the situation on the world financial markets in 2008, certain financial assets at fair value through profit or loss were reclassified in December 2008, subject to the Bank's management decision on reclassification and in accordance with Amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets", from financial assets at fair value through profit or loss to financial assets available for sale. Reclassification was performed as at 31 December 2008 at the market value as at 31 December 2008.

Expenses from changes in the fair value of reclassified assets in the amount of RUR 7 095 thousand are recorded in the statement of income for the year ended 31 December 2008 as gains less losses arising from financial assets at fair value through profit or loss.

Increase in the fair value of assets that would have been recognized as other comprehensive income in the statement of comprehensive income for the year 2009, if no reclassification had been performed, totalled RUR 7 600 thousand.

10. Investments in Subsidiaries

	2009	2008
Investments in subsidiaries	600	600
Less: provision of impairment of investments in subsidiaries	-	(83)
Total investments in subsidiaries	**600**	**517**

Investments in subsidiaries comprise investments in the share capital of LLC REB Leasing in the amount of RUR 600 thousand (2008: RUR 600 thousand) making up 100 % of the subsidiary's share capital.

(in thousands of Russian Roubles)

Below is the analysis of movements in the provision for impairment of investments in subsidiaries:

	2009	2008
Provision for impairment of investments in subsidiaries as at 1 January	**83**	**32**
(Recovery of provision)/provision for impairment of investments in subsidiaries during the year	(83)	51
Provision for impairment of investments in subsidiaries as at 31 December	**-**	**83**

11. Premises and Equipment

	Land	Buildings	Motor vehicles	Office and computer equipment	Furniture	Leasehold improve-ments	Construc-tion in progress	Total
Net book value as at 31 December 2008	**150**	**94 050**	**2 257**	**20 267**	**1 811**	**7 643**	**-**	**126 178**
Cost								
Balance as at 1 January 2009	150	94 050	4 860	38 674	3 465	8 306	-	149 505
Transfers between categories	-	-	-	29	-	(5 021)	4 992	-
Additions	2 703	44 289	-	3 463	606	-	-	51 061
Disposals	-	-	-	(68)	-	-	-	(68)
Accumulated depreciation eliminated on revaluation	-	(2 100)	-		-	-	-	(2 100)
Revaluation	28 547	14 291	-	-	-	-	-	42 838
Balance as at 31 December 2009	**31 400**	**150 530**	**4 860**	**42 098**	**4 071**	**3 285**	**4 992**	**241 236**
Accumulated depreciation								
Balance as at 1 January 2009	-	-	2 603	18 407	1 654	663	-	23 327
Depreciation charge	-	2 100	973	6 488	898	31	-	10 490
Disposals	-	-	-	(39)	-	-	-	(39)
Transfers between categories	-	-	-	24	-	(24)	-	-
Accumulated depreciation eliminated on revaluation	-	(2 100)	-	-	-	-	-	(2 100)
Balance as at 31 December 2009	**-**	**-**	**3 576**	**24 880**	**2 552**	**670**	**-**	**31 678**
Net book value as at 31 December 2009	**31 400**	**150 530**	**1 284**	**17 218**	**1 519**	**2 615**	**4 992**	**209 558**

(in thousands of Russian Roubles)

	Land	Buildings	Motor vehicles	Office and computer equipment	Furniture	Leasehold improvements	Total
Net book value as at 31 December 2007	**-**	**-**	**3 404**	**19 082**	**1 916**	**2 536**	**26 938**
Cost							
Balance as at 1 January 2008	-	-	6 031	29 913	3 083	3 153	42 180
Additions	150	46 510	-	6 181	382	5 153	58 376
Additions under finance lease contracts	-	-	-	2 580	-	-	2 580
Disposals	-	-	(1 171)	-	-	-	(1 171)
Accumulated depreciation eliminated against gross carrying amount of the asset on revaluation	-	(391)	-	-	-	-	(391)
Revaluation	-	47 931	-	-	-	-	47 931
Balance as at 31 December 2008	**150**	**94 050**	**4 860**	**38 674**	**3 465**	**8 306**	**149 505**
Accumulated depreciation							
Balance as at 1 January 2008	-	-	2 627	10 831	1 167	617	15 242
Depreciation charge	-	391	1 089	7 576	487	46	9 589
Disposals	-	-	(1 113)	-	-	-	(1 113)
Accumulated depreciation eliminated on revaluation	-	(391)	-	-	-	-	(391)
Balance as at 31 December 2008	**-**	**-**	**2 603**	**18 407**	**1 654**	**663**	**23 327**
Net book value as at 31 December 2008	**150**	**94 050**	**2 257**	**20 267**	**1 811**	**7 643**	**126 178**

Construction in progress represents investments in construction and renovation of the premises. As soon as this work is completed these assets are recorded within the appropriate category of premises and equipment.

The Bank's land and buildings were appraised by the independent appraiser LLC Expert Centre Yug Company as at 31 December 2009 on the basis of the market value. The net book value of the land and buildings includes RUR 90 769 thousand (2008: RUR 47 931 thousand) representing surplus on revaluation of the Bank's buildings.

As at 31 December 2009, total deferred tax liability in the amount of RUR 18 154 thousand (2008: RUR 9 586 thousand) was calculated in respect of this revaluation of the land and buildings at fair value and charged to revaluation reserve for premises and equipment.

If the land and buildings were measured using the cost model, the net book value would include:

	2009	2008
Cost	90 408	46 510
Accumulated depreciation and impairment	(1 222)	(391)
Net book value	**89 186**	**46 119**

In December 2008, premises and equipment in the Bank's statement of financial position include long-term leased assets received by the Bank under finance lease contracts.

(in thousands of Russian Roubles)

The carrying value of premises and equipment received by the Bank under finance lease contracts was as follows:

	Office and computer equipment
	2008
Net book value as at 31 December	**2 142**
Recognition of finance lease in the balance sheet	2 580
Depreciation	(2 413)
Net book value as at 31 December	**2 309**

As at 31 December 2008, the carrying value of the lease obligation less accumulated depreciation in the amount of RUR 2 248 thousand totalled RUR 1 172 thousand. The annual lease payments equal RUR 2 123 thousand.

12. Other Assets

	2009	2008
Advance payments	18 147	3 649
Settlements on conversion transactions	11 171	30 732
Accounts receivable	6 053	11 023
Plastic card settlements	1 386	154
Receivables on transactions in securities	77	77
Commission for balances on settlement accounts below the required minimum	-	5 800
Other	2 854	1 945
Less: provision for impairment of other assets	(7 402)	(10 042)
Total other assets	**32 286**	**43 338**

Movements in the provision for impairment of other assets during 2009 and 2008 are as follows:

	Accounts receivable	Other	Total
Provision for impairment of other assets as at 1 January 2008	**190**	**100**	**290**
Provision/(recovery of provision) for impairment during 2008	9 852	(100)	9 752
Provision for impairment of other assets as at 31 December 2008	**10 042**	**-**	**10 042**
Provision/(recovery of provision) for impairment during 2009	(4 198)	1 601	(2 597)
Assets written off during 2009 as uncollectible	-	(43)	(43)
Provision for impairment of other assets as at 31 December 2009	**5 844**	**1 558**	**7 402**

The credit quality analysis of the financial assets classified as other assets as at 31 December 2009 is as follows:

	Current and unimpaired	Collectively impaired	Total
Settlements on conversion transactions	11 171	-	11 171
Accounts receivable	131	5 922	6 053
Plastic card settlements	1 386	-	1 386
Less: provision for impairment of other assets	-	(5 844)	(5 844)
Total financial assets classified as other assets	**12 688**	**78**	**12 766**

(in thousands of Russian Roubles)

Analysis of impairment of financial assets classified as other assets at 31 December 2009 is as follows:

	Current	Past due				Total
		Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	
Accounts receivable	947	19	49	4	4 903	5 922
Less: provision for impairment of other assets	(934)	-	(3)	(4)	(4 903)	(5 844)
Total financial assets classified as other assets	**13**	**19**	**46**	**-**	**-**	**78**

The credit quality analysis of the financial assets classified as other assets as at 31 December 2008 is as follows:

	Current and unimpaired	Collectively impaired	Total
Settlements on conversion transactions	30 732	-	30 732
Accounts receivable	981	10 042	11 023
Plastic card settlements	154	-	154
Less: provision for impairment of other assets	-	(10 042)	(10 042)
Total financial assets classified as other assets	**31 867**	**-**	**31 867**

Analysis of impairment of financial assets classified as other assets at 31 December 2008 is as follows:

	Current	Past due		Total
		From 6 to 12 months	More than 1 year	
Receivables on intra-company transactions	-	4 771	5 271	10 042
Less: provision for impairment of other assets	-	(4 771)	(5 271)	(10 042)
Total financial assets classified as other assets	**-**	**-**	**-**	**-**

The Bank has no collateral for impaired assets classified as other assets.

13. Due to Other Banks

	2009	2008
Loans received from CBR	601 644	-
Loans and deposits of other banks	167 193	97 134
Total due to other banks	**768 837**	**97 134**

As at 31 December 2009, the Bank had cash balances above 10% of the Bank's capital with 2 counterparty banks (2008: none). The aggregate amount of these funds was RUR 768 837 thousand or 100% of total due to other banks.

The Bank did not provide financial assets as collateral for its obligations.

14. Customer Accounts

	2009	2008
State and municipal authorities		
– Current/settlement accounts	10 035	31
Legal entities		
– Current/settlement accounts	1 073 948	550 779
– Term deposits	398 892	99 995
Individuals		
– Current/demand accounts	124 609	98 669
– Term deposits	4 367 336	1 221 747
Total customer accounts	**5 974 820**	**1 971 221**

(in thousands of Russian Roubles)

According to the Russian Civil Code, the Bank is obliged to repay deposits to individual depositors at short notice. If a fixed-term deposit is withdrawn by the depositor ahead of term, interest is payable at the rate paid by the Bank on demand deposits unless otherwise specified by the contract.

Economic sector concentrations within customer accounts are as follows:

	2009		2008	
	Amount	%	Amount	%
Individuals	4 491 945	75.18	1 320 416	66.98
Trade	516 798	8.65	207 320	10.52
Financial services	432 037	7.23	60 497	3.07
Services	243 172	4.07	167 138	8.48
Construction	155 555	2.60	115 254	5.85
Industry	53 003	0.89	23 247	1.18
Other	82 310	1.38	77 349	3.92
Total customer accounts	**5 974 820**	**100.00**	**1 971 221**	**100.00**

As at 31 December 2009, the Bank had cash balances above 10% of its capital of 1 customer (2008: 2 customers). The aggregate amount of these funds was RUR 277 967 thousand or 4.65 % of total customer accounts (2008: RUR 193 003 thousand or 9.79% of total customer accounts).

15. Debt Securities Issued

As at 31 December 2009, debt securities issued included discount promissory notes in the amount of RUR 897 593 thousand (2008: RUR 705 220 thousand) with maturity dates from January 2010 to August 2010 (2008: from January 2009 to August 2010).

As at 31 December 2009, the Bank had debt securities issued to 3 customers over 10% of the Bank's capital (2008: none). The total amount of these securities is RUR 409 239 thousand or 45.59% of total debt securities issued.

16. Other Borrowed Funds

Other borrowed funds of the Bank included subordinated loans in the amount of RUR 505 589 thousand (2008: RUR 244 149 thousand). Subordinated loans were raised from private commercial companies with the term more than 5 years and interest rate of 5%. According to the signed agreements, loans cannot be claimed for early repayment, and interest on subordinated loans is paid at the closing date of the agreement. Creditors of the Bank that issued subordinated loans are LLC STROYPRIMA, LLC Atlantis-TM, CJSC Geo-Nadir and LLC Gekata-Consulting. Other borrowed funds are carried at amortized cost.

Under subordinated loan agreements, in case of the Bank's bankruptcy the claims of the creditor that issued the subordinated loan are satisfied after meeting the claims of all other creditors.

17. Other Liabilities

	Note	2009	2008
Payables to employees		11 917	14804
Accounts payable		5 028	3 343
Other taxes payable (other than income tax)		2 288	970
Finance lease liability	11	-	1 172
Provision for credit related commitments	27	-	246
Other		2 455	2 184
Total other liabilities		**21 688**	**22 719**

(in thousands of Russian Roubles)

18. Share Capital and Share Premium

Authorised, issued and fully paid share capital comprises:

	2009			2008		
	Number of shares	Nominal value	Inflation adjusted amount	Number of shares	Nominal value	Inflation adjusted amount
Ordinary shares	9 900 000	99 000	461 382	9 900 000	99 000	461 382
Total share capital	**9 900 000**	**99 000**	**461 382**	**9 900 000**	**99 000**	**461 382**

The nominal value of each ordinary share is RUR 10. Each share gives the right of one vote.

There were no additional issues in 2009 and 2008.

The share premium represents the excess of the equity contributions over the nominal value of the shares issued. As at 31 December 2009, the share premium totalled RUR 392 000 thousand (2008: RUR 392 000 thousand) (inflation-adjusted).

19. Retained Earnings according to Russian Accounting Standards

According to the Russian legislation, only accumulated retained earnings reflected in the Bank's statutory financial statements may be distributed among the shareholders. As at 31 December 2009, the Bank's retained earnings amounted to RUR 179 149 thousand (2008: RUR 129 156 thousand), including the profit of the reporting year in the amount of RUR 49 993 thousand (2008: RUR 42 151 thousand).

20. Interest Income and Expense

	2009	2008
Interest income		
Loans to customers	754 460	518 799
Due from other banks	24 260	53 847
Financial assets available for sale	8 117	-
Financial assets at fair value through profit or loss	2 399	59 454
Correspondent accounts with other banks	680	2 238
Total interest income	**789 916**	**634 338**
Interest expense		
Term deposits of individuals	303 828	110 260
Debt securities issued	56 423	36 851
Other borrowed funds	11 384	9 283
Term deposits of legal entities	9 151	35 942
Due to other banks	7 557	54 289
Current/settlement accounts	811	1 572
Finance lease	-	615
Total interest expense	**389 154**	**248 812**
Net interest income	**400 762**	**385 526**

(in thousands of Russian Roubles)

21. Fee and Commission Income and Expense

	2009	2008
Fee and commission income		
Commission on cash and settlement transactions	47 658	74 771
Commission on guarantees issued	27 403	5 057
Commission for currency control agent's functions	9 956	3 147
Commission for foreign currency transactions	7 990	8 724
Commission for opening of accounts	4 675	31 104
Commission for plastic card transactions	60	3 175
Other	1 350	5 447
Total fee and commission income	**99 092**	**131 425**
Fee and commission expense		
Commission on cash and settlement transactions	2 795	3 768
Commission for foreign currency transactions	1 001	1 870
Commission for plastic card transactions	667	1 732
Commission on cash collection	-	808
Commission paid to counterparty banks for transactions in securities	-	512
Other	1 512	961
Total fee and commission expense	**5 975**	**9 651**
Net fee and commission income	**93 117**	**121 774**

22. Operating Expenses

	Note	2009	2008
Staff costs		163 883	216 641
Rent expenses		46 783	47 294
Administrative expenses		36 612	43 601
Advertising and marketing		36 153	27 064
Professional services (security, communications and other)		32 169	32 716
Taxes (other than income tax)		18 854	25 583
Depreciation of premises and equipment	11	10 490	9 589
Other		7 480	14 950
Total operating expenses		**352 424**	**417 438**

23. Income Tax

Income tax expense comprises the following:

	2009	2008
Current income tax expense	15 731	31 703
Deferred taxation movement due to origination and reversal of temporary differences	629	(2 562)
Effect of change in income tax rate	-	(6 345)
Less: deferred taxation charged directly to other comprehensive income	(8 669)	(9 586)
Income tax expense for the year	**7 691**	**13 210**

The current tax rate applicable to the majority of the Bank's profit is 20% (2008: 24%).

(in thousands of Russian Roubles)

Reconciliation between the theoretical and the actual taxation charge is provided below.

	2009	2008
IFRS profit before taxation	**28 386**	**25 741**
Theoretical tax charge at the applicable statutory rate (2009: 20%; 2008: 24%)	5 677	6 178
Income on government securities taxed at the rate of 15%	(23)	(3 645)
Effect of change in income tax rate recognised in the statement of comprehensive income	-	(6 345)
Non-deductible expenses less non-taxable income	2 037	17 022
Income tax expense for the year	7 691	13 210

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial statement purposes and for the Bank profits tax purposes.

	2009	Movement	2008
Tax effect of deductible temporary differences			
Loans to customers	2 332	2 332	-
Financial assets available for sale	794	794	-
Debt securities issued	737	737	-
Revaluation of financial assets at fair value through profit or loss	152	115	37
Other	5 855	(929)	6 784
Gross deferred tax assets	**9 870**	**3 049**	**6 821**
Tax effect of taxable temporary differences			
Provision for impairment of loans to customers	21 314	(4 304)	25 618
Revaluation of premises and equipment	18 154	8 568	9 586
Revaluation of financial assets available for sale	101	101	-
Other	95	(687)	782
Gross deferred tax liabilities	**39 664**	**3 678**	**35 986**
Total net deferred tax liability	**(29 794)**	**(629)**	**(29 165)**

	2008	Movement	Effect of change in income tax rate	2007
Tax effect of deductible temporary differences				
Revaluation of financial assets at fair value through profit or loss	37	37	-	-
Provision for impairment of other assets and credit related commitments	-	(84)	(17)	101
Other	6 784	96	(1 338)	8 026
Gross deferred tax assets	**6 821**	**49**	**(1 355)**	**8 127**
Tax effect of taxable temporary differences				
Provision for impairment of loans to customers	25 618	(12 349)	(7 594)	45 561
Revaluation of premises and equipment	9 586	9 586	-	-
Premises and equipment	-	(487)	(97)	584
Other	782	737	(9)	54
Gross deferred tax liabilities	**35 986**	**(2 513)**	**(7 700)**	**46 199**
Total net deferred tax liability	**(29 165)**	**2 562**	**6 345**	**(38 072)**

Net deferred tax liabilities represent income tax amounts payable in future periods in respect of taxable temporary differences.

(in thousands of Russian Roubles)

As at 31 December 2009, the total deferred tax liability in the amount of RUR 18 154 thousand (2008: RUR 9 586 thousand) was calculated in respect of surplus on revaluation of the buildings at fair value and recorded within revaluation reserve for premises and equipment (Note 11).

24. Components of Comprehensive Income

	2009	2008
Financial assets available for sale		
Revaluation at fair value of financial assets available for sale (Note 9)	505	-
Gains less losses from revaluation of financial assets available for sale	**505**	**-**
Revaluation of premises and equipment		
Revaluation of premises and equipment (Note 11)	42 838	47 931
Effect from revaluation of premises and equipment	**42 838**	**47 931**
Financial assets available for sale	(101)	-
Revaluation of premises and equipment	(8 568)	(9 586)
Income tax relating to components of comprehensive income	**(8 669)**	**(9 586)**
Other comprehensive income after taxation	**34 674**	**38 345**

25. Risk Management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal 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 controls the credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or a group of related borrowers. Such risks are monitored on a regular basis and limits are reviewed at least annually. Limits on the level of credit risk by products, borrowers and groups of borrowers are approved by the Credit Committee and Executive Board of the Bank.

The exposure to any one borrower including banks and broker companies is further restricted by sub-limits covering on-and off-balance sheet exposures. Actual exposures are monitored against limits daily.

Exposure to credit risk is managed through regular analysis of the ability of the existing and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also mitigated by the Bank by obtaining collateral in the form of property and securities, and corporate and personal guarantees.

The Bank's maximum exposure to credit risk is primarily reflected in the carrying value of financial assets in the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credits, the maximum exposure to credit risk is equal to liabilities as indicated in Note 27.

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.

The Bank performs the loan maturity analysis and subsequent monitoring of overdue balances. Therefore, the management provides information on overdue maturities and other information on credit risk, as described in Notes 7 and 8.

(in thousands of Russian Roubles)

The Bank is exposed to early redemption risk as a result of lending at fixed or variable interest rates. The financial result and the Bank's equity for the current year and at the reporting date would not greatly depend on the rate fluctuations in case of early redemption because such loans are carried at amortised cost, whereas the amount to be early redeemed corresponds or nearly corresponds to the amortised cost of loans to customers.

Market risk. The Bank takes on exposure to market risk arising from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Board of Directors sets acceptable risk limits and monitors them on a daily basis. However, the use of this approach does not prevent losses beyond these limits in the event of more significant market movements.

The objective of market risk management is to keep the exposure to market risk within the acceptable limits assuring optimal yields for the risk accepted.

The market risk is assessed by the Bank in accordance with the requirements of CBR Regulation No. 313-P of 14 November 2007 "On procedure of market risk calculation by credit institutions".

Geographical risk.

The geographical concentration of the Bank's assets and liabilities as at 31 December 2009 is set out below:

	Russia	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	1 062 528	134 369	-	1 196 897
Mandatory cash balances with the Central Bank of the Russian Federation	105 022	-	-	105 022
Financial assets at fair value through profit or loss	389 144	-	-	389 144
Due from other banks	1 843 660	-	-	1 843 660
Loans to customers	4 601 143	-	-	4 601 143
Financial assets available for sale	683 511	-	-	683 511
Investments in subsidiaries	600	-	-	600
Premises and equipment	209 558	-	-	209 558
Other assets	32 286	-	-	32 286
Total assets	**8 927 452**	**134 369**	**-**	**9 061 821**
Liabilities				
Due to other banks	768 837	-	-	768 837
Customer accounts	5 876 089	9 458	89 273	5 974 820
Debt securities issued	773 051	-	124 542	897 593
Other borrowed funds	505 589	-	-	505 589
Other liabilities	21 667	17	4	21 688
Current tax liabilities	2 966	-	-	2 966
Deferred tax liabilities	29 794	-	-	29 794
Total liabilities	**7 977 993**	**9 475**	**213 819**	**8 201 287**
Net balance sheet position	**949 459**	**124 894**	**(213 819)**	**860 534**
Credit related commitments	**295 680**	**-**	**-**	**295 680**

* OECD - The Organisation for Economic Co-operation and Development.

(in thousands of Russian Roubles)

The geographical concentration of the Bank's assets and liabilities as at 31 December 2008 is set out below:

	Russia	OECD	Other countries	Total
Assets				
Cash and cash equivalents	195 195	18 640	-	213 835
Mandatory cash balances with the Central Bank of the Russian Federation	13 068	-	-	13 068
Financial assets at fair value through profit or loss	55 502	-	-	55 502
Due from other banks	72 271	-	-	72 271
Loans to customers	3 338 591	14 555	-	3 353 146
Financial assets available for sale	2 892	-	-	2 892
Investments in subsidiaries	517	-	-	517
Premises and equipment	126 178	-	-	126 178
Other assets	43 338	-	-	43 338
Total assets	**3 847 552**	**33 195**	**-**	**3 880 747**
Liabilities				
Due to other banks	97 134	-	-	97 134
Customer accounts	1 950 787	9 278	11 156	1 971 221
Debt securities issued	705 220	-	-	705 220
Other borrowed funds	244 149	-	-	244 149
Other liabilities	22 719	-	-	22 719
Current tax liabilities	5 974	-	-	5 974
Deferred tax liabilities	29 165	-	-	29 165
Total liabilities	**3 055 148**	**9 278**	**11 156**	**3 075 582**
Net balance sheet position	**792 404**	**23 917**	**(11 156)**	**805 165**
Credit related commitments	**170 315**	**-**	**-**	**170 315**

(in thousands of Russian Roubles)

Currency risk. The Bank takes on exposure to effects of fluctuations in the foreign currency exchange rates on its financial position and cash flows. The Asset and Liability Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2009.

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	932 687	87 661	175 746	803	1 196 897
Mandatory cash balances with the Central Bank of the Russian Federation	105 022	-	-	-	105 022
Financial assets at fair value through profit or loss	389 144	-	-	-	389 144
Due from other banks	1 843 660	-	-	-	1 843 660
Loans to customers	3 112 983	910 608	577 552	-	4 601 143
Financial assets available for sale	683 511	-	-	-	683 511
Investments in subsidiaries	600	-	-	-	600
Premises and equipment	209 558	-	-	-	209 558
Other assets	31 586	258	442	-	32 286
Total assets	**7 308 751**	**998 527**	**753 740**	**803**	**9 061 821**
Liabilities					
Due to other banks	768 837	-	-	-	768 837
Customer accounts	4 677 786	545 086	751 947	1	5 974 820
Debt securities issued	340 827	510 757	46 009	-	897 593
Other borrowed funds	505 589	-	-	-	505 589
Other liabilities	21 674	-	14	-	21 688
Current tax liabilities	2 966	-	-	-	2 966
Deferred tax liabilities	29 794	-	-	-	29 794
Total liabilities	**6 347 473**	**1 055 843**	**797 970**	**1**	**8 201 287**
Net balance sheet position	**961 278**	**(57 316)**	**(44 230)**	**802**	**860 534**
Credit related commitments	**295 679**	**1**	**-**	**-**	**295680**

(in thousands of Russian Roubles)

As at 31 December 2008, the Bank had the following positions in currencies:

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	180 508	13 270	19 176	881	213 835
Mandatory cash balances with the Central Bank of the Russian Federation	13 068	-	-	-	13 068
Financial assets at fair value through profit or loss	55 502	-	-	-	55 502
Due from other banks	72 271	-	-	-	72 271
Loans to customers	3 210 830	136 833	5 483	-	3 353 146
Financial assets available for sale	2 892	-	-	-	2 892
Investments in subsidiaries	517	-	-	-	517
Premises and equipment	126 178	-	-	-	126 178
Other assets	43 338	-	-	-	43 338
Total assets	**3 705 104**	**150 103**	**24 659**	**881**	**3 880 747**
Liabilities					
Due to other banks	97 134	-	-	-	97 134
Customer accounts	1 535 926	256 550	178 737	8	1 971 221
Debt securities issued	556 034	146 698	2 488	-	705 220
Other borrowed funds	244 149	-	-	-	244 149
Other liabilities	22 719	-	-	-	22 719
Current tax liabilities	5 974	-	-	-	5 974
Deferred tax liabilities	29 165	-	-	-	29 165
Total liabilities	**2 491 101**	**403 248**	**181 225**	**8**	**3 075 582**
Net balance sheet position	**1 214 003**	**(253 145)**	**(156 566)**	**873**	**805 165**
Credit related commitments	**167 512**	**2 803**	**-**	**-**	**170 315**

The Bank extended loans denominated in foreign currencies. Depending on the revenue stream of the borrower, the appreciation of the currencies against the Russian Rouble may adversely affect the borrowers' repayment ability and therefore increases the likelihood of future loan losses.

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at the reporting date if all other conditions remain unchanged. Reasonably expected exchange rate changes for each currency were projected on the basis of maximal exchange rate fluctuations for December 2009.

	2009	
	Effect on profit before taxation	Effect on comprehensive income
USD appreciation by 6%	(3 439)	(2 751)
USD depreciation by 6%	3 439	2 751
EUR appreciation by 7%	(3 096)	(2 477)
EUR depreciation by 7%	3 096	2 477

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at 31 December 2008 if all other conditions remain unchanged. Reasonably expected exchange rate changes for each currency were projected on the basis of maximal exchange rate fluctuations for December 2008.

	2008	
	Effect on profit before taxation	Effect on comprehensive income
USD appreciation by 7%	(17 720)	(13 467)
USD depreciation by 7%	17 720	13 467
EUR appreciation by 18%	(28 182)	(21 418)
EUR depreciation by 18%	28 182	21 418

(in thousands of Russian Roubles)

The risk was calculated only for cash balances in currencies other than the Bank's functional currency.

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Bank is exposed to risk via daily calls from customers on its available cash resources from customer accounts, maturing deposits, loan draw downs, guarantees and other calls on cash settled derivative financial instruments. The Bank does not accumulate cash resources to meet calls on all liabilities mentioned above, as based on the existing practice, it is possible to forecast with a sufficient degree of certainty the required level of cash funds necessary to meet the above obligations. The liquidity risk is managed by Treasury Department of the Bank.

The Bank is keen on maintaining stable financing predominantly consisting of due to other banks, deposits of legal entities/deposits of individuals, debt securities and also on investing funds in diversified liquid asset portfolios to be able to meet unexpected liquidity needs quickly and unhampered.

To manage its liquidity, the Bank is required to analyse the level of liquid assets needed to settle the liabilities on their maturity by providing access to various sources of financing, drawing up plans to solve the problems with financing and exercising control over compliance of liquidity ratios with the laws and regulations. The Bank calculates the liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios include:

- Quick ratio (H2) calculated as a ratio of highly liquid assets and liabilities on demand. As at 31 December 2009, this ratio was 88.3% (2008: 31.3%). The minimum admissible value of H2 is set at 15%.
- Current liquidity ratio (H3) calculated as a ratio of liquid assets and liabilities maturing within 30 calendar days. As at 31 December 2009, this ratio was 142.5% (2008: 52.3 %). The minimum admissible value of H3 is set at 50%.
- Long-term liquidity ratio (H4) calculated as a ratio of assets maturing in more than 1 year to equity and liabilities maturing in more than 1 year. As at 31 December 2009, this ratio was 29.4% (2008: 74.7 %). The maximum admissible value of H3 is set at 120%.

The Treasury Department receives information about financial assets and liabilities. 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, bank deposits and other interbank facilities to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The table below shows the liabilities as at 31 December 2009 by their remaining contractual maturity. The amounts in the table represent contractual undiscounted cash flows including the total liabilities. These undiscounted cash flows differ from the amounts recognized in the statement of financial position as they are based on discounted cash flows.

In those cases when the amount to be paid is not fixed, the amount in the table is determined on the basis of conditions prevailing at the reporting date. Foreign currency payments are translated using the spot exchange rates effective at the reporting date.

The table below shows the maturity analysis of financial liabilities as at 31 December 2009:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	607 192	147	16 939	199 635	823 913
Customer accounts	1 696 007	1 950 813	2 630 160	65 901	6 342 881
Debt securities issued	585 470	153 884	-	189 192	928 546
Other borrowed funds	-	-	-	952 115	952 115
Total potential future payments under financial liabilities	**2 888 669**	**2 104 844**	**2 647 099**	**1 406 843**	**9 047 455**

(in thousands of Russian Roubles)

The table below shows the maturity analysis of financial liabilities as at 31 December 2008:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	70 947	1 266	1 266	31 076	104 555
Customer accounts	769 063	861 163	308 189	99 218	2 037 633
Debt securities issued	125 003	103 519	383 182	183 788	795 492
Other borrowed funds	-	-	-	321 296	321 296
Total potential future payments under financial liabilities	**965 013**	**965 948**	**692 637**	**635 378**	**3 258 976**

Customer accounts are reflected in the above analysis by the term to maturity. However, in accordance with the Civil Code of the Russian Federation, the individuals have the right to withdraw funds from accounts before maturity in which case they lose the accrued interest.

The Bank does not use the above undiscounted amounts in the maturity analysis to monitor the liquidity profile. Instead, the Bank monitors the expected maturity limits presented in the table below as at 31 December 2009:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	1 196 897	-	-	-	-	1 196 897
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	105 022	105 022
Financial assets at fair value through profit or loss	389 144	-	-	-	-	389 144
Due from other banks	1 750 258	93 402	-	-	-	1 843 660
Loans to customers	339 977	1 860 224	1 552 462	848 480	-	4 601 143
Financial assets available for sale	48 642	624 377	-	-	10 492	683 511
Investments in subsidiaries	-	-	-	-	600	600
Premises and equipment	-	-	-	-	209 558	209 558
Other assets	18 455	7 461	5 252	1 118	-	32 286
Total assets	**3 743 373**	**2 585 464**	**1 557 714**	**849 598**	**325 672**	**9 061 821**
Liabilities						
Due to other banks	601 644	43	172	166 978	-	768 837
Customer accounts	1 693 144	1 859 799	2 370 922	50 955	-	5 974 820
Debt securities issued	585 410	149 164	-	163 019	-	897 593
Other borrowed funds	-	-	-	505 589	-	505 589
Other liabilities	21 384	118	148	38	-	21 688
Current tax liabilities	-	2 966	-	-	-	2 966
Deferred tax liabilities	-	-	-	-	29 794	29 794
Total liabilities	**2 901 582**	**2 012 090**	**2 371 242**	**886 579**	**29 794**	**8 201 287**
Net liquidity gap as at 31 December 2009	**841 791**	**573 374**	**(813 528)**	**(36 981)**	**295 878**	**860 534**
Cumulative liquidity gap as at 31 December 2009	**841 791**	**1 415 165**	**601 637**	**564 656**	**860 534**	

(in thousands of Russian Roubles)

The table below shows the expected maturity analysis as at 31 December 2008:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	213 835	-	-	-	-	213 835
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	13 068	13 068
Financial assets at fair value through profit or loss	55 502	-	-	-	-	55 502
Due from other banks	72 271	-	-	-	-	72 271
Loans to customers	216 440	857 210	1 127 786	1 151 710	-	3 353 146
Financial assets available for sale	-	-	-	-	2 892	2 892
Investments in subsidiaries	-	-	-	-	517	517
Premises and equipment	-	-	-	-	126 178	126 178
Other assets	41 095	664	592	987	-	43 338
Total assets	**599 143**	**857 874**	**1 128 378**	**1 152 697**	**142 655**	**3 880 747**
Liabilities						
Due to other banks	70 073	-	-	27 061	-	97 134
Customer accounts	730 694	858 125	286 687	95 715	-	1 971 221
Debt securities issued	124 987	99 896	337 826	142 511	-	705 220
Other borrowed funds	-	-	-	244 149	-	244 149
Other liabilities	21 763	674	220	62	-	22 719
Current tax liabilities	-	5 974	-	-	-	5 974
Deferred tax liabilities	-	-	-	-	29 165	29 165
Total liabilities	**947 517**	**964 669**	**624 733**	**509 498**	**29 165**	**3 075 582**
Net liquidity gap as at 31 December 2008	**(348 374)**	**(106 795)**	**503 645**	**643 199**	**113 490**	**805 165**
Cumulative liquidity gap as at 31 December 2008	**(348 374)**	**(455 169)**	**48 476**	**691 675**	**805 165**	
Credit related commitments	**2 245**	**7 203**	**15 397**	**145 470**	**-**	**170 315**

As the above analysis is based on expected maturity, the entire portfolio of financial assets at fair value through profit or loss is categorised as "on demand and less than 1 month" in accordance with the portfolio liquidity assessment by the management.

In the opinion of the Bank's management, the matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental for successful management of the Bank. It is unusual for the 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.

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

Liquidity requirements in respect of guarantees are considerably lower than the amount of the related commitment because the Bank does not generally expect a third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credits does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(in thousands of Russian Roubles)

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

The Bank is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short-term basis. Also, interest rates fixed contractually on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Bank's Risk Department sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored on a permanent basis. In the absence of any available hedging instruments, the Bank normally seeks to match its interest rate positions.

The table below summarises the Bank's exposure to interest rate risks as at 31 December 2009. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	440 004	-	-	-	756 893	1 196 897
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	105 022	105 022
Financial assets at fair value through profit or loss	389 144	-	-	-	-	389 144
Due from other banks	1 750 258	93 402	-	-	-	1 843 660
Loans to customers	339 977	1 860 224	1 552 462	848 480	-	4 601 143
Financial assets available for sale	48 642	624 377	-	-	10 492	683 511
Investments in subsidiaries	-	-	-	-	600	600
Premises and equipment	-	-	-	-	209 558	209 558
Other assets	-	-	-	-	32 286	32 286
Total assets	**2 968 025**	**2 578 003**	**1 552 462**	**848 480**	**1 114 851**	**9 061 821**
Liabilities						
Due to other banks	601 644	43	172	166 978	-	768 837
Customer accounts	484 552	1 859 799	2 370 922	50 955	1 208 592	5 974 820
Debt securities issued	329 077	144 628	-	163 019	260 869	897 593
Other borrowed funds	-	-	-	505 589	-	505 589
Other liabilities	-	-	-	-	21 688	21 688
Current tax liabilities	-	-	-	-	2 966	2 966
Deferred tax liabilities	-	-	-	-	29 794	29 794
Total liabilities	**1 415 273**	**2 004 470**	**2 371 094**	**886 541**	**1 523 909**	**8 201 287**
Net liquidity gap as at 31 December 2009	**1 552 752**	**573 533**	**(818 632)**	**(38 061)**	**(409 058)**	**860 534**
Cumulative liquidity gap as at 31 December 2009	**1 552 752**	**2 126 285**	**1 307 653**	**1 269 592**	**860 534**	

(in thousands of Russian Roubles)

The table below summarises the Bank's exposure to interest rate risks as at 31 December 2008.

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	20 434	-	-	-	193 401	213 835
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	13 068	13 068
Financial assets at fair value through profit or loss	55 502	-	-	-	-	55 502
Due from other banks	72 271	-	-	-	-	72 271
Loans to customers	216 440	857 210	1 127 786	1 151 710	-	3 353 146
Financial assets available for sale	-	-	-	-	2 892	2 892
Investments in subsidiaries	-	-	-	-	517	517
Premises and equipment	-	-	-	-	126 178	126 178
Other assets	-	-	-	-	43 338	43 338
Total assets	**364 647**	**857 210**	**1 127 786**	**1 151 710**	**379 394**	**3 880 747**
Liabilities						
Due to other banks	70 073	-	-	27 061	-	97 134
Customer accounts	730 694	858 125	286 687	95 715	-	1 971 221
Debt securities issued	125 274	100 055	337 602	142 289	-	705 220
Other borrowed funds	-	-	-	244 149	-	244 149
Other liabilities	-	-	-	1 172	21 547	22 719
Current tax liabilities	-	-	-	-	5 974	5 974
Deferred tax liabilities	-	-	-	-	29 165	29 165
Total liabilities	**926 041**	**958 180**	**624 289**	**510 386**	**56 686**	**3 075 582**
Net liquidity gap as at 31 December 2008	**(561 394)**	**(100 970)**	**503 497**	**641 324**	**322 708**	**805 165**
Cumulative liquidity gap as at 31 December 2008	**(561 394)**	**(662 364)**	**(158 867)**	**482 457**	**805 165**	

As at 31 December 2009 and 31 December 2008, change in interest rate would not have had a material effect on the Bank's profit as all liabilities and financial instruments presented above have fixed interest rates.

The Bank performs monitoring of financial instrument interest rates. The table below shows the interest rates on the basis of reports that were analysed by the Bank's key managers as at 31 December 2009 and 31 December 2008:

			2009			2008
	RUR	**USD**	**EUR**	**RUR**	**USD**	**EUR**
Assets						
Cash and cash equivalents	3.53%	0.75%	0.99%	17.3%	0.0%	1.0%
Financial assets at fair value through profit or loss	7.74%	-	-	10.1%	-	-
Due from other banks	4.52%	-	-	19.7%	-	-
Loans to customers	19.6%	15.8%	15.8%	19.2%	17.7%	16.5%
Financial assets available for sale	4.7%	-	-	0.0%	-	-
	-	-	-			
Liabilities	-	-	-			
Due to other banks	12.1%	-	-	15.3%	-	-
Customer accounts	-	-	-			
- current and settlement accounts	-	-	-	-	-	
- term deposits	16.7%	10.9%	11.5%	12.2%	9.7%	9.7%
Debt securities issued	9.6%	6.7%	-	8.3%	13.3%	3.8%
Other borrowed funds	5%	-	-	5.0%	-	-

(in thousands of Russian Roubles)

Other price risks

The Bank takes on exposure to the risk of changes in share prices. The Bank's Treasury Department controls and authorises transactions with equity instruments.

The table below shows the movements in the financial result and comprehensive income resulting from possible changes in share prices as at 31 December 2009, provided all other variables remain unchanged.

	Effect on other comprehensive income	Effect on comprehensive income
Financial assets available for sale		
Price decrease by 10%	(1 049)	(839)
Price increase by 10%	1 049	839

The table below shows the movements in the financial result and comprehensive income resulting from possible changes in share prices as at 31 December 2008, provided all other variables remain unchanged.

	Effect on other comprehensive income	Effect on comprehensive income
Financial assets available for sale		
Price decrease by 10%	(289)	(231)
Price increase by 10%	289	231

26. Capital Management

The Bank's capital management has the following objectives: to observe the capital requirements established by the Central Bank of the Russian Federation, including the requirements of the deposit insurance system, assurance of the Bank's ability to continue its operations as a going concern and maintenance of the capital base at the level required for sustaining the capital adequacy ratio at 10% as required by the CBR. The control over compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is exercised on the basis of forecast and actual data, as well as monthly reports containing corresponding calculations that are verified and signed by Chairman of the Executive Board and Chief Accountant of the Bank. Other capital management objectives are assessed on a daily basis.

The table below shows the regulatory capital structure based on the Bank's reports prepared in accordance with the requirements of the Russian legislation:

	2009	2008
Core capital	619 616	577 412
Additional capital	535 541	241 414
Total regulatory capital	**1 155 157**	**818 826**

As at 31 December 2009, the Bank's capital adequacy ratio calculated on the basis of existing capital requirements established by the CBR was 20.4% (2008: 22.0%). The minimum admissible value is set by the CBR at 10.0%.

27. Contingent Liabilities

Legal issues. 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 condition or the results of future operations of the Bank. Based on its own estimates and internal and external professional advice, the Bank's management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

(in thousands of Russian Roubles)

Tax legislation. Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional or federal authorities. Recent events in the Russian Federation have shown that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments and it is possible that transactions and accounting methods that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the tax authorities in respect of taxes for three calendar years preceding the year of the review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2009, the Bank's management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency and customs positions will be sustained by controlling bodies.

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

	2009	2008
Less than 1 year	29 365	26 519
From 1 to 5 years	31 120	37 537
Total operating lease commitments	**60 485**	**64 056**

In 2009 the Bank did not sublease the leased immovable property to third parties.

In 2009 lease expenses recognised by the Bank amounted to RUR 46 783 thousand (2008: RUR 47 294 thousand).

Credit related commitments. The main objective of these instruments is to provide funds to customers when necessary. The total outstanding contractual amount of guarantees and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. However, as there is a potential risk, a provision for credit related commitments in respect of issued guarantees is made in the statement of financial position within other liabilities depending on the customer's financial position. With respect to commitments to extend credit and undrawn credit lines, the Bank is less exposed to the risk of loss since in case of impairment of loans issued, the Bank will not repay the remaining amounts. Therefore, a provision for these credit related commitments is equal to zero.

Credit related commitments of the Bank are as follows:

	2009	2008
Undrawn credit lines	287 195	166 513
Guarantees issued	8 485	4 048
Less: provision for credit related commitments	-	(246)
Total credit related commitments	**295 680**	**170 315**

Movements in the provision for credit related commitments are as follows:

	2009	2008
Provision for credit related commitments as at 1 January	246	130
Provision/(recovery of provision) for credit related commitments during the year	(246)	116
Provision for credit related commitments as at 31 December	**-**	**246**

Fiduciary assets. These assets are not included in the statement of financial position as they are not assets of the Bank. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

	2009	2008
Promissory notes of third party issuers	6 498	6 605
Total fiduciary assets	**6 498**	**6 605**

(in thousands of Russian Roubles)

28. Fair Value of Financial Instruments

The fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced sale or liquidation. Quoted financial instruments in active markets provide the best evidence of fair value. As no readily available market exists for the major part of the Bank's financial instruments, their fair value is based on current economic conditions and the specific risks attributable to the instrument. The estimates presented below are not necessarily indicative of the amounts the Bank could realise in a market exchange from the sale of its full holdings of a particular instrument.

Below is the estimated fair value of the Bank's financial instruments as at 31 December 2009 and 31 December 2008.

	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	1 196 897	1 196 897	213 835	213 835
Financial assets at fair value through profit or loss	389 144	389 144	55 502	55 502
Due from other banks	1 843 660	1 843 660	72 271	72 271
Loans to customers	4 601 143	4 601 143	3 353 146	3 353 146
Financial assets available for sale	683 511	683 511	2 892	2 892
Financial liabilities				
Due to other banks	768 837	768 837	97 134	97 134
Customer accounts	5 974 820	5 974 820	1 971 221	1 971 221
Debt securities issued	897 593	897 593	705 220	704 652
Other borrowed funds	505 589	505 589	244 149	244 149

The Bank uses the following methods and assumptions to estimate the fair value of the following financial instruments:

Financial instruments carried at fair value. Cash and cash equivalents, financial assets and liabilities at fair value through profit or loss and financial assets available for sale are carried in the statement of financial position at their fair value. Certain financial assets available for sale for which there is no available independent quotation have been fair valued by the Bank on the basis of results of recent sales of equity holdings in investees to unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation techniques.

Due from other banks. The fair value of floating rate instruments is their carrying amount. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. The management believes that the fair values of due from other banks as at 31 December 2009 and 31 December 2008 do not materially differ from respective carrying amounts. This is primarily due to their short-term nature and the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Loans to customers. Loans to customers are reported net of impairment provisions. The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. The management believes that the fair values of loans to customers as at 31 December 2009 and 31 December 2008 do not materially differ from the respective carrying amounts. This is primarily due to the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Due to other banks. The fair value of due to other banks maturing in less than 1 month approximates the carrying amount due to their relatively short-term maturity. The fair value of due to other banks maturing in more than 1 month is the present value of the estimated future cash flows discounted at the respective year-end market rates. The Bank believes that fair values of due to other banks as at 31 December 2009 and 31 December 2008 do not materially differ from their respective carrying amounts. This is due to the relatively short-term maturity of these liabilities.

(in thousands of Russian Roubles)

Customer accounts. The estimated fair value of fixed interest bearing borrowings and other borrowed without a quoted market price is based on discounted cash flows using interest rates for debt instruments with similar maturity. The Bank believes that fair values of customer accounts as at 31 December 2009 and 31 December 2008 do not materially differ from respective carrying amounts. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Debt securities issued. The fair value of fixed interest bearing financial liabilities carried at amortised cost is determined by comparing the market interest rates at initial recognition of these instruments with current market rates on similar financial instruments. The estimated fair value of fixed interest bearing debt securities issued is based on discounted cash flows using interest rates for debt instruments with similar credit risk and remaining maturity. The fair value of debt securities actively traded on an exchange was based on their market quotations.

Other borrowed funds. The fair value of other fixed interest rate borrowings and other borrowed funds without quoted market price is based on discounted cash flows using interest rates for debt instruments with similar maturity.

29. Reconciliation of Categories of Financial Instruments to the Statement of Financial Position

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" the Bank classifies its financial assets in the following categories: 1) financial assets at fair value through profit or loss; 2) loans and receivables; 3) financial assets available for sale.

At the same time, in accordance with IFRS 7 "Financial Instruments: Disclosure" the Bank discloses different classes of financial instruments.

The table below shows reconciliation of classes of financial assets with the above measurement categories as at 31 December 2009:

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Total
Assets				
Cash and cash equivalents	1 196 897	-	-	1 196 897
Financial assets at fair value through profit or loss				
- Corporate debt securities	389 144	-	-	389 144
Due from other banks				
- Loans and deposits with other banks	-	1 750 258	-	1 750 258
- Promissory notes of other banks	-	93 402	-	93 402
Loans to customers				
- Corporate loans	-	3 638 913	-	3 638 913
- Loans to individual entrepreneurs, small and medium business	-	694 721	-	694 721
- Consumer loans to individuals	-	193 764	-	193 764
- Loans to government and municipal authorities	-	60 000	-	60 000
- Mortgage loans to individuals	-	13 745	-	13 745
Financial assets available for sale				
- Corporate debt securities	-	-	673 019	673 019
- Corporate equity securities	-	-	10 492	10 492
Investments in subsidiaries	-	-	600	517
Other financial assets				
- Accounts receivable	-	169	-	169
- Plastic card settlements	-	1 386	-	1 386
- Settlements on conversion transactions	-	11 171	-	11 171
Total financial assets	**1 586 041**	**6 457 529**	**684 111**	**8 727 681**
Non-financial assets				334 140
Total assets				**9 061 821**

(in thousands of Russian Roubles)

The table below shows reconciliation of classes of financial assets with the above measurement categories as at 31 December 2008:

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Total
Assets				
Cash and cash equivalents	213 835	-	-	213 835
Financial assets at fair value through profit or loss				
- Corporate debt securities	55 502	-	-	55 502
Due from other banks				
- Loans and deposits with other banks	-	72 271	-	72 271
Loans to customers				
- Corporate loans	-	2 169 252	-	2 169 252
- Loans to individual entrepreneurs, small and medium business	-	835 952	-	835 952
- Consumer loans to individuals	-	316 495	-	316 495
- Mortgage loans to individuals	-	31 447	-	31 447
Financial assets available for sale				
- Corporate equity securities	-	-	2 892	2 892
Investments in subsidiaries	-	-	517	517
Other financial assets				
- Accounts receivable	-	981	-	981
- Plastic card settlements	-	154	-	154
- Settlements on conversion transactions	-	30 732	-	30 732
Total financial assets	**269 337**	**3 457 284**	**3 409**	**3 730 030**
Non-financial assets	-	-	-	150 717
Total assets	-	-	-	**3 880 747**

All financial liabilities of the Bank are carried at amortised cost.

30. Related Party Transactions

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

In the normal course of business the Bank enters into transactions with its major shareholders, directors, subsidiaries and other related parties. These transactions include settlements, issuance of loans, deposit taking, issuance of guarantees, trade finance and foreign currency transactions. According to the Bank's policy the terms of related party transactions are equivalent to those that prevail in arm's length transactions.

(in thousands of Russian Roubles)

The outstanding balances at the year end for asset-related transactions with related parties in 2009 are as follows:

	Directors and key management personnel	Subsidiaries	Other related parties	Total
Loans to customers				
Loans to customers as at 1 January (gross)	21 571	132 302	6 463	160 336
Loans to customers issued during the year	11 016	15 597	272	26 885
Loans to customers repaid during the year	(18 372)	(57 738)	(6 561)	(82 671)
Loans to customers as at 31 December (gross)	**14 215**	**90 161**	**174**	**104 550**
Provision for impairment of loans to customers				
Provision for impairment of loans to customers as at 1 January	374	-	3 232	3 606
Recovery of provision for impairment of loans to customers during the year	3 307	-	(3 228)	79
Provision for impairment of loans to customers as at 31 December	**3 681**	**-**	**4**	**3 685**
Loans to customers as at 1 January (less provision for impairment)	**21 197**	**132 302**	**3 231**	**156 730**
Loans to customers as at 31 December (less provision for impairment)	**10 534**	**90 161**	**170**	**100 865**

(in thousands of Russian Roubles)

The outstanding balances at the year end for asset-related transactions with related parties in 2008 are as follows:

	Shareholders	Directors and key management personnel	Subsidiaries	Other related parties	Total
Loans to customers					
Loans to customers as at 1 January (gross)	131 980	37 735	34 032	152 071	355 818
Loans to customers issued during the year	-	50 108	151 383	4 565	206 056
Loans to customers repaid during the year	(131 980)	(66 272)	(53 113)	(150 173)	(401 538)
Loans to customers as at 31 December (gross)	**-**	**21 571**	**132 302**	**6 463**	**160 336**
Provision for impairment of loans to customers					
Provision for impairment of loans to customers as at 1 January	-	363	1 797	24 458	26 618
Recovery of provision for impairment of loans to customers during the year	-	11	(1 797)	(21 226)	(23 012)
Provision for impairment of loans to customers as at 31 December	**-**	**374**	**-**	**3 232**	**3 606**
Loans to customers as at 1 January (less provision for impairment)	**131 980**	**37 372**	**32 235**	**127 613**	**329 200**
Loans to customers as at 31 December (less provision for impairment)	**-**	**21 197**	**132 302**	**3 231**	**156 730**

(in thousands of Russian Roubles)

The outstanding balances at the year end for liability-related transactions with related parties in 2009 are as follows:

	Shareholders	Directors and key management personnel	Subsidiaries	Other related parties	Total
Customer accounts					
Customer accounts as at 1 January	1 075	4 732	1 143	4 163	11 113
Customer accounts received during the year	692 274	514 573	94 967	51 349	1 353 163
Customer accounts repaid during the year	(611 918)	(498 608)	(96 021)	(52 049)	(1 258 596)
Customer accounts as at 31 December	**81 431**	**20 697**	**89**	**3 463**	**105 680**

	Shareholders
Other borrowed funds	
Other borrowed funds as at 1 January	-
Other borrowed funds received during the year	250 000
Accrued interest income	479
Interest paid	-
Other borrowed funds as at 31 December	**250 479**

The outstanding balances at the year end for liability-related transactions with related parties in 2008 are as follows:

	Shareholders	Directors and key management personnel	Subsidiaries	Other related parties	Total
Customer accounts					
Customer accounts as at 1 January	2 012	6 764	2 730	4 529	16 035
Customer accounts received during the year	622 568	417 416	281 253	241 323	1 562 560
Customer accounts repaid during the year	(623 505)	(419 448)	(282 840)	(241 689)	(1 567 482)
Customer accounts as at 31 December	**1 075**	**4 732**	**1 143**	**4 163**	**11 113**

Below are income and expense items arising from related party transactions for the year 2009:

	Shareholders	Directors and key management personnel	Subsidiaries	Other related parties	Total
Interest income	-	2 585	18 615	27	21 227
Interest expense	(15)	(1 033)	-	(298)	(1 346)
Fee and commission income	20	5	12	18	55
Operating expenses	-	-	-	(4 272)	(4 272)

(in thousands of Russian Roubles)

Below are income and expense items arising from related party transactions for the year 2008:

	Shareholders	Directors and key management personnel	Subsidiaries	Other related parties	Total
Interest income	7 761	3 924	15 206	10 843	37 734
Interest expense	-	547	-	387	934
Fee and commission income	-	-	-	158	158

Remuneration and compensation to key management personnel in 2009 amounted to RUR 11 686 thousand (2008: RUR 24 876 thousand).

K.V. Shvarts
Chairman of the Executive Board

A.G. Volkova
Chief Accountant