

RUSSIAN NATIONAL COMMERCIAL BANK
(Open Joint Stock Company)

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

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Independent Auditor's Report

To the Shareholders and the Board of Directors of **RUSSIAN NATIONAL COMMERCIAL BANK**
(open joint stock company)

We have audited the accompanying financial statements of Russian National Commercial Bank (open joint stock company), which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Russian National Commercial Bank (open 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

30 June 2010

Moscow, Russian Federation



Statement of Management's Responsibilities for the Preparation and Approval of 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 and those of the independent auditor in relation to the financial statements of RUSSIAN NATIONAL COMMERCIAL BANK (open joint stock company) (the Bank).

Management of the Bank 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 ended 31 December 2009, in accordance with International Financial Reporting Standards (IFRS).


In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with the 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 30 June 2010 by:


I.V. Kravchenko
President




O.N. Safina
Chief Accountant

RUSSIAN NATIONAL COMMERCIAL BANK (open joint stock company)

30 June 2010

RUSSIAN NATIONAL COMMERCIAL BANK (open joint stock company)
Statement of Financial Position as at 31 December 2009
(in thousands of Russian Roubles)

	Note	2009	2008
Assets			
Cash and cash equivalents	5	87 183	114 326
Mandatory cash balances with the Bank of Russia		23 953	3 330
Financial assets at fair value through profit or loss	6	909 010	746 076
Due from other banks	7	1 107 702	134 417
Loans to customers	8	393 787	406 898
Financial assets available for sale	9	27 883	30 817
Investments held to maturity	10	10 050	-
Investment property	11	231 219	213 791
Premises and equipment	12	26 394	33 140
Other assets	13	363 449	197 101
Current tax assets		-	6 640
Total assets		3 180 630	1 886 536
Liabilities			
Due to other banks	14	1	232 358
Customer accounts	15	2 139 006	728 409
Other liabilities	16	38 220	37 253
Current tax liabilities		3 885	-
Deferred tax liabilities	22	45 598	34 136
Total liabilities		2 226 710	1 032 156
Equity			
Share capital	17	1 133 435	1 133 435
Revaluation reserve for financial assets available for sale		(5 313)	(5 313)
Revaluation reserve for premises and equipment		56 602	57 918
Accumulated deficit		(230 804)	(331 660)
Total equity		953 920	854 380
Total liabilities and equity		3 180 630	1 886 536

I.V. Kravchenko
President



O.N. Safina
Chief Accountant

30 June 2010

The notes set out on page 9 to 52 are an integral part of these financial statements.

RUSSIAN NATIONAL COMMERCIAL BANK (open joint stock company)
Statement of Comprehensive Income for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

	Note	2009	2008
Interest income	19	166 503	166 911
Interest expense	19	(28 695)	(44 795)
Net interest income		137 808	122 116
Provision for impairment of loans to customers	8	22 182	(32 794)
Net interest income after provision for impairment of loans to customers		159 990	89 322
Gains less losses arising from financial assets and liabilities at fair value through profit or loss		34 119	25 709
Gains less losses arising from financial assets available for sale		-	(1 243)
Gains less losses from dealing in foreign currency		79 245	35 198
Gains less losses from revaluation of foreign currency		(27 055)	417
Fee and commission income	20	282 396	264 581
Fee and commission expense	20	(2 931)	(2 354)
Gains from revaluation of investment property		17 428	104 641
Provision for impairment of financial assets available for sale	9	14	(3 426)
Provision for impairment of other assets	13	78	(68)
Other operating income		32 278	32 179
Operating income		575 562	544 956
Operating expenses	21	(440 487)	(385 492)
Profit before taxation		135 075	159 464
Income tax expense	22	(25 906)	(33 632)
Net profit		109 169	125 832
Other comprehensive income			
Gains less losses from revaluation of financial assets available for sale	9	-	(6 641)
Income tax relating to components of comprehensive income	22	-	1 328
Other comprehensive expense after taxation		-	(5 313)
Total comprehensive income for the period		109 169	120 519

I.V. Kravchenko
President



O.N. Safina
Chief Accountant

30 June 2010

The notes set out on page 9 to 52 are an integral part of these financial statements.

RUSSIAN NATIONAL COMMERCIAL BANK (open joint stock company)
Statement of Cash Flows for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

	2009	2008
Cash flows from operating activities		
Interest received	168 888	169 253
Interest paid	(30 110)	(47 475)
Gains less losses arising from financial assets at fair value through profit or loss	(21 961)	105 893
Gains less losses arising from dealing in foreign currencies	79 245	35 198
Fees and commissions received	282 396	264 581
Fees and commissions paid	(2 931)	(2 354)
Other operating income	32 278	32 064
Operating expenses	(430 224)	(387 413)
Income tax paid	(3 548)	(11 434)
Cash flows from operating activities before changes in operating assets and liabilities	74 033	158 313
Net (increase)/decrease in operating assets		
Mandatory cash balances with the Bank of Russia	(20 623)	28 177
Financial assets at fair value through profit or loss	(103 905)	148 728
Due from other banks	(995 871)	(64 050)
Loans to customers	35 883	99 985
Other assets	(161 913)	(157 963)
Net increase/(decrease) in operating liabilities		
Due to other banks	(234 494)	215 335
Customer accounts	1 400 417	(458 532)
Other liabilities	1 143	15 838
Net cash flows from operating activities	(5 330)	(14 169)
Cash flows from investment activities		
Purchase of financial assets available for sale (Note 9)	-	(22 624)
Proceeds from sale and redemption of financial assets available for sale	2 899	90 757
Purchase of investments held to maturity (Note 10)	(10 002)	-
Purchase of premises and equipment	(7 295)	(4 116)
Proceeds from sale of premises and equipment	240	767
Dividends received	-	15
Net cash flows from investing activities	(14 158)	64 799
Cash flows from financing activities		
Dividends paid (Note 23)	(9 570)	(9 618)
Net cash flows from financing activities	(9 570)	(9 618)
Effect of exchange rate changes on cash and cash equivalents	1 915	12 737
Net change in cash and cash equivalents	(27 143)	53 749
Cash and cash equivalents at the beginning of the year	114 326	60 577
Cash and cash equivalents at the end of the year (Note 5)	87 183	114 326

I.V. Kravchenko
President

30 June 2010



O.N. Safina
Chief Accountant

The notes set out on page 9 to 52 are an integral part of these financial statements.

RUSSIAN NATIONAL COMMERCIAL BANK (open joint stock company)
Statement of Changes in Equity for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

	Share capital	Revaluation reserve for premises and equipment	Fair value reserve for financial assets available for sale	Accumulated deficit	Total equity
Balance as at 1 January 2008	1 133 435	56 272	-	(449 508)	740 199
Depreciation of revaluation reserve for premises and equipment less taxation	-	(1 316)	-	1 645	329
Effect of change in income tax rate with respect to revaluation reserve for premises and equipment	-	2 962	-	-	2 962
Dividends declared for the year 2007 (Note 23)	-	-	-	(9 629)	(9 629)
Comprehensive income for the year 2008	-	-	(5 313)	125 832	120 519
Balance as at 31 December 2008	1 133 435	57 918	(5 313)	(331 660)	854 380
Depreciation of revaluation reserve for premises and equipment less taxation	-	(1 316)	-	1 316	-
Dividends declared for the year 2008 (Note 23)	-	-	-	(9 629)	(9 629)
Comprehensive income for the year 2009	-	-	-	109 169	109 169
Balance as at 31 December 2009	1 133 435	56 602	(5 313)	(230 804)	953 920

I.V. Kravchenko
President

30 June 2010



O.N. Safina
Chief Accountant

The notes set out on page 9 to 52 are an integral part of these financial statements.

1. Principal Activities of the Bank

RUSSIAN NATIONAL COMMERCIAL BANK (open joint stock company) (the Bank) was established by the decision of the founders and registered by the State Bank of the RSFSR on 25 January 1991 under No. 1354 as Russian National Commercial Bank (limited liability partnership). On 4 July 1997, the Bank was reorganized into an open joint stock company. The main state registration number of the Bank is 1027700381290, state registration date is 31 October 2002.

The Bank operates under General Banking License No. 1354 for conducting banking transactions in roubles and foreign currency issued by the Central Bank of the Russian Federation (Bank of Russia or CBR) on 6 February 2003. The Bank also holds licenses of the professional securities market participant.

The principal activities of the Bank are commercial and retail banking services on the territory of the Russian Federation.

The Bank has no branches.

The Bank's legal address is: 9/5 Krasnoproletarskaya str., Moscow, 127030.

Since 24 February 2005, the Bank has been a member of the obligatory deposit insurance system regulated by the state corporation Deposit Insurance Agency.

The average number of the Bank's employees for the year 2009 was 213 (2008: 203).

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

	2009	2008
Shareholder	Ownership (%)	Ownership (%)
OJSC Moscow Interrepublican Winery	46.3	46.3
Joint Stock Commercial Bank – Bank of Moscow (Open Joint Stock Company)	20.0	20.0
Shareholders with shareholdings less than 5% of the Bank's share capital	33.7	33.7
Total	100.0	100.0

As at 31 December 2009, the largest equity interests were held by:

- Valeris Kolodinskis (29.2%);
- Moscow Government (15.6%);
- I.V. Kravchenko (7.2%);
- D.V. Maslov (4.2%).

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 Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes.

In the context of the world 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.

Encouraged by the prospects of gradual improvement in budget indicators as a result of stabilisation of 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).

RUSSIAN NATIONAL COMMERCIAL BANK (open joint stock company)
Notes to the Financial Statements for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

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%. 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 reduced from 13% to 8.75% per annum, the mandatory reserve requirements for credit institutions' liabilities were increased 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 of RF, 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:

Year ended	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 world 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 the revised estimates of expected future cash flows in their impairment assessments. These financial statements do not include the adjustments reflecting the impact on the Bank's financial position of further deterioration in the liquidity on the financial markets and the increased volatility in the currency and equity markets.

3. Basis of Presentation

General principles

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS). 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.

Functional and presentation currency

These financial statements are presented in Russian Roubles being the Bank's functional and presentation currency. All figures were rounded to the nearest thousand roubles.

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 best estimate and are most significant for the financial statements are disclosed in Notes 4, 8, 9, 13.

Going concern

These financial statements were prepared on a going concern assumption.

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 Bank's management cannot predict what impact these factors can have on the Bank's financial position in future.

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 to reflect the changes in external and internal environment.

To maintain the required liquidity level the Bank has a possibility to attract additional funds from the Central Bank of Russian Federation 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 operations as a going concern on a long term basis.

Changes in Accounting Policies

The accounting policies adopted are generally consistent with those of the previous financial year. Listed below are those new or amended standards or 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 summarised 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 are required - 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) and as at the beginning of the earliest comparative period;
- 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 27 “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after 1 July 2009). The amendments clarify requirements for measurement of goodwill and non-controlling interest.
- 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.
- 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.
- IFRS 3 “Business Combinations” (effective for annual reporting periods beginning on or after 1 July 2009). The amendments clarify requirements for measurement of acquisitions, goodwill and non-controlling interest.
- 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.

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 standardises 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.

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 and correspondent and current account balances of the Bank. All short-term interbank placements are included in due from other banks. Amounts, which relate to funds of restricted nature, are excluded from cash and cash equivalents.

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

Mandatory cash balances with the Bank of Russia

Mandatory cash balances with the Bank of Russia represent mandatory reserve deposits with the Bank of Russia, which are not available to finance the Bank’s day-to-day operations. The mandatory reserve balances are 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);
- investments held to maturity;
- 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 instruments

The Bank recognises financial assets and financial liabilities in its statement of financial position when it becomes a party to the contractual obligation of the financial instrument. 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, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset.

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 quoted market prices are not available, the fair value of financial assets and financial liabilities recorded in the statement of financial position is estimated using various valuation techniques, including mathematical models. Where mathematical models are used, inputs are based on observable market data, where possible. 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.

Reclassifications 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 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.

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.

If, as a result of a change in intention or ability of the Bank, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as available for sale and remeasured at fair value. Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recorded in the statement of comprehensive income within other comprehensive income.

The Bank shall not classify any financial assets as held to maturity if the Bank has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Whenever sales or reclassifications of more than an insignificant amount of held-to-maturity investments do not meet any of the conditions of the classification, any remaining held-to-maturity investments shall be reclassified as available for sale.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading securities 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 even when the Bank's intentions subsequently change.

Trading securities are recognised at fair value. Interest earned on trading securities is recorded as interest income in the statement of comprehensive income. Dividends are recognised as other operating 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 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.

Loans to customers

This category includes 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 impairment of loans to customers.

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

Investments held to maturity

This category of financial assets represents non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. The Bank's management determines the appropriate classification of financial assets at the time of purchase.

The Bank assesses its intention and ability to hold its held-to-maturity investments to maturity not only when those financial assets are initially recognised, but also at each subsequent reporting date.

Initially, investments held to maturity are recorded at fair value (which includes transaction costs) and are subsequently carried at amortised cost. Gains and losses on investments held to maturity are recognised in the statement of comprehensive income when such assets are impaired, as well as through the amortisation process.

If the Bank sells a significant portion of its portfolio of investments held to maturity before their maturity the remaining financial assets from this category shall be reclassified as financial assets available for sale.

Interest income on investments held to maturity is recognised in the statement of comprehensive income within interest income.

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 financial asset 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. When financial assets available for sale are disposed of, the related accumulated unrealised gains and losses previously recognised in other comprehensive income are reclassified into profit or loss within gains less losses arising from financial assets available for sale. Disposals of financial assets available for sale are recorded on a FIFO basis.

Interest earned on debt securities available for sale is determined using the effective interest method and recorded in the statement of comprehensive income as interest income.

Promissory notes purchased

Promissory notes purchased are included in financial assets at fair value through profit or loss, financial assets available for sale, investments held to maturity, due from other banks or loans to customers, depending on their economic substance and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Impairment of financial assets

The Bank assesses on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is 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 asset (a 'loss event') and that loss event (or events) has an impact on 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.

Impairment of financial assets

The Bank assesses on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is 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 asset (a 'loss event') and that loss event (or events) has an impact on 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.

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 observable data about the following events 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 impaired 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 prices for real estate 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 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.

Impairment of investments held to maturity

The Bank assesses on an individual basis whether there is any objective evidence that the value of the investments held to maturity has been impaired. In case of such objective evidence of impairment loss the amount of loss is determined as a difference between the carrying value of the asset and the present value of the expected future cash flows. The carrying value of the asset is decreased and the loss is recognised in the statement of comprehensive income. If in the next year the amount of expected impairment losses decreases due to the event occurred after the recognition of impairment losses, the previously recognised amounts are recorded as income in the statement of comprehensive income.

Impairment of financial assets available for sale

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

The criterion used for determining objective evidence of impairment would include significant financial difficulty of the issuer supported by financial information at the Bank's disposal. To assess whether there is any indication of impairment the Bank analyses the issuer's activities taking into account the influence of economic factors, including consequences of changes in the technical, market, economic or legal environment in which the issuer operates, and also assesses other factors. Cumulative 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.

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 through 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 is measured by the Bank at its fair value, plus in the case of financial liability not at fair value through 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 statement of comprehensive income.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss if they are incurred for the purpose of selling or closing them in the near term. They normally contain trade financial liabilities or "short" positions in securities or obligations to return borrowed securities sold to third parties. Derivatives with negative fair value are also classified as financial liabilities at fair value through profit or loss unless they are designated as hedges. Obligations to return borrowed securities sold to third parties are recorded at fair value through profit or loss. Gains or losses on financial liabilities at fair value through profit or loss are recognised in the statement of comprehensive income.

Financial liabilities at fair value through profit or loss are recorded within other liabilities.

Financial liabilities measured at amortised cost

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

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

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals and corporate customers on settlement accounts and deposits.

Debt securities issued. Debt securities issued include certificates of deposit issued by the Bank and are recorded within other liabilities.

Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repo" agreements) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised, and the securities are not reclassified. The corresponding liability is presented within due to other banks or customer accounts.

Securities purchased under agreements to resell ("reverse repo" agreements) are recorded as due from other banks or loans to customers, as appropriate. The difference between the sale and repurchase price is treated as interest expense and accrued over the life of repo agreements using the effective interest rate method.

Premises and equipment

Premises and equipment are stated at cost, less accumulated depreciation and impairment provision. Premises and equipment acquired prior to 1 January 2003 are restated to the equivalent purchasing power of the Russian Rouble as at that date.

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 net selling price 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.

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.

Depreciation

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

- Buildings - 50 years;
- Furniture - 7 years;
- Office and computer equipment - 6 years;
- Motor vehicles - 5 years.

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.

Investment property

Investment property is the property held by the Bank to earn rental income or capital appreciation or both, but not for: (a) use during ordinary activities of the Bank; or (b) sale during ordinary activities.

Originally, the investment property is recognised at acquisition cost. Subsequently, investment property is remeasured at fair value that is based on its market value. The market value of the Bank's investment property is determined by an independent professional appraiser, with experience in valuation of

properties with similar location and category. Changes in the fair value of investment property are recorded in the statement of comprehensive income as a separate item. Moreover, rental income; direct operating expenses from income generating investment property and other direct operating expenses from non-income generating investment property will be recorded in the statement of comprehensive income within other income.

If the Bank elects to use the investment property for its own operating activities, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible asset is recognized if:

- the asset is expected to generate future economic benefits for the Bank;
- the cost of the asset can be measured reliably;
- the asset is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or liability or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets acquired separately are initially carried at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible asset represents the trade mark and has a limited useful life. Intangible asset is amortized during 10 years and also it is reviewed for impairment if any indication of impairment of an intangible asset exists. Terms and procedure of amortization of intangible asset with a limited useful life are analyzed at least every year at the end of each reporting year.

Intangible asset is recorded within other assets.

Finance lease - the Bank as a lessee

Leases where all the risks and rewards of ownership of the asset are substantially transferred from the lessor to the 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. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. 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 - the 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.

Share capital

Ordinary shares are classified as 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.

Dividends

Dividends are recognised as a liability and deducted from shareholders' equity at the reporting date only if they are declared before or on the reporting date. Information on dividends is disclosed in the subsequent

events note. Net profit of the reporting year reflected in the statutory financial statements is the basis for payment of dividends and other appropriations.

Dividends are accrued upon their approval by the General Meeting of Shareholders and recorded in the financial statements as distribution of profit.

Credit related commitments

The Bank enters into credit related commitments, including commitments to extend credits. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. 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. 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

Income tax expense 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.

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 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. Judgment 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 exactly 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. This 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 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.

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Fees, commissions and other income and expense items are recorded on an accrual basis after the service is provided.

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 state pension, social insurance, and obligatory medical insurance funds in respect of the Bank's employees. These expenses are recognised as incurred and included in staff costs. The Bank does not have pension arrangements separate from the state pension system. Wages, salaries, contributions to the 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 gains less losses from revaluation of foreign currency. Non-monetary items denominated in foreign currency and carried at cost are restated at the exchange rate of 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 on purchase and sale of foreign currency are determined as a difference between the selling price and the carrying value at the date of the transaction.

5. Cash and Cash Equivalents

	2009	2008
Cash on hand	22 687	27 021
Cash balances with the Bank of Russia (other than mandatory cash balances)	3 709	11 026
Correspondent accounts with other banks:		
- the Russian Federation	21 900	16 743
- other countries	30 093	24 792
Cash for settlements at Stock Exchange	8 794	34 744
Total cash and cash equivalents	87 183	114 326

Cash for settlements at Stock Exchange represent cash that is not limited in use and is intended for participation in the trade sessions and settlements at the Moscow Interbank Currency Exchange.

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss as at 31 December 2009 and 31 December 2008 included trading securities.

	2009	2008
Government and municipal debt securities		
- Municipal bonds	63 803	102 344
- Russian Federation bonds (OFZ)	5 512	37 412
Corporate debt securities		
- Corporate bonds	627 742	396 795
- Promissory notes	113 097	28 814
- Corporate eurobonds	98 856	180 711
Total financial assets at fair value through profit or loss	909 010	746 076

Municipal bonds are Rouble-denominated securities issued by subjects of the Russian Federation and local administrations and freely tradable on the MICEX. As at 31 December 2009, municipal bonds in the Bank's portfolio have maturity dates from May 2010 to December 2013 (2008: from May 2009 to November 2012),

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and coupon rates ranging from 8.2% to 19.1% (2008: from 6.0% to 12.0%), yield to maturity from 9.1% to 12.0% (2008: from 7.7% to 39.5%).

Russian Federation bonds (OFZ) are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 31 December 2009, OFZ bonds in the Bank's portfolio have maturity dates November 2021 (2008: from January 2010 to February 2036), and coupon rates ranging 8.5% (2008: from 6.9% to 8.5%), yield to maturity 8.7% (2008: from 8.6% to 9.9%).

Corporate bonds are represented by Rouble-denominated securities issued by large Russian companies and credit institutions. As at 31 December 2009, corporate bonds in the Bank's portfolio have maturity dates from June 2010 to July 2016 (2008: from February 2009 to October 2015), and coupon rates ranging from 0.5% to 18.0% (2008: from 7.0% to 18.0%), yield to maturity from 4.2% to 100.7% (2008: from 1.3% to 193.4%)

Promissory notes in the Bank's portfolio are represented by Rouble-denominated securities issued by large credit institution with maturity dates from March to October 2010 (2008: June 2009) and yield to maturity 11% (2008: 10%).

Corporate Eurobonds are represented by Rouble- and US dollar-denominated securities issued by Russian companies and credit institutions. As at 31 December 2009, corporate Eurobonds in the Bank's portfolio have maturity dates from October 2011 to June 2013 (2008: from September to December 2009), coupon rates ranging from 6.6% to 8.4% (2008: from 7,3% to 10,5%).

As trading securities are stated at fair value determined on the basis of observable market quotations, the Bank does not analyse or monitor the impairment indicators.

The table below presents the credit quality analysis by issuer of trading debt securities as at 31 December 2009 in accordance with available ratings of the international rating agencies:

	S&P	Moody's	Fitch	Amount
Government and municipal debt securities				
- Russian Federation bonds (OFZ)	BBB	Baa1	BBB	5 512
- Municipal bonds				
Volgograd region	BB-	-	-	1 001
Irkutsk region	B	-	-	4 898
Kazan	-	-	B+	10 149
Karelia	-	-	BB-	23 079
Krasnoyarsky kray	BB+	-	BB+	5 223
Moscow	BBB	Baa1	BBB	6 035
Nizhny Novgorod region	-	Ba2	BB-	7 329
Yakutia (Sakha)	BB-	-	BB	6 089
Total municipal bonds				63 803
Corporate debt securities				
- Corporate bonds				
VTB 24 CJSC	BBB	Baa1	BBB	12 549
Foreign trade Bank OJSC	BBB	Baa1	BBB	26 358
Bank Zenith OJSC	-	Ba3	B+	20 339
CB "Moscow Mortgage Agency" OJSC	-	Ba2	-	83 537
MDM Bank OJSC	B+	Ba2	BB-	65 371
TransKreditBank OJSC	BB	Ba1	-	21 999
Mortgage Housing Credit Agency OJSC	BBB	Baa1	-	8 524
VTB-Leasing Finance LTD	BBB	-	-	13 052
Gazprom oil OJSC	BBB-	Baa3	-	23 613
Mobile TeleSystems OJSC	BB	Ba2	BB+	11 872
Moscow United Energy Company OJSC	BB+	-	BB+	14 358
Mosenergo OJSC	BB-	-	-	10 169
LUKOIL oil company OJSC	BBB-	Baa2	BBB-	12 518
Novolipetsk Steel OJSC	BBB-	Ba1	BB+	10 451
Russian railways OJSC	BBB	Baa1	BBB	5 199
Severstal OJSC	BB-	Ba3	B+	21 905
AFK "System"	BB	B1	BB-	5 611
Territorial Generating Company №2	-	-	B	33 014
Federal Grid Company of Unified Energy System OJSC	BBB	Baa2	-	5 030
- Other corporate bonds without ratings	-	-	-	222 273

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Total corporate bonds				627 742
- Corporate eurobonds				
Foreign trade Bank OJSC	BBB	Baa1	BBB	15 581
Bank of Moscow OJSC	-	Baa1	BBB-	31 893
Vimpel-Communications OJSC	BB+	Ba2	-	35 688
Gazprombank OJSC	BB	Baa3	-	15 694
Total corporate eurobonds				98 856
- Promissory notes				
Foreign trade Bank OJSC	BBB	Baa1	BBB	48 573
Gazprombank OJSC	BB	Baa3	-	18 426
Russian agricultural bank OJSC	-	Baa1	BBB	46 098
Total promissory notes				113 097
Total debt securities at fair value through profit or loss				909 010

The table below presents the credit quality analysis by issuer of trading debt securities as at 31 December 2008 in accordance with available ratings of the international rating agencies:

	S&P	Moody's	Fitch	Amount
Government and municipal debt securities				
- Russian Federation bonds (OFZ)	BBB+	Baa2	BBB+	37 412
- Municipal bonds				
Volgograd region	BB-	-	-	3 761
Irkutsk region	B+	-	-	15 026
Karelia	-	-	BB-	20 392
Moscow	BBB	Baa2	BBB+	12 162
Nizhny Novgorod region	-	Ba2	BB-	9 048
Novosibirsk region	-	-	BB-	15 348
Tomsk region	B+	-	-	4 835
Yakutia (Sakha)	BB-	-	BB	11 754
Yaroslavl region	-	-	BB-	10 018
Total municipal bonds				102 344
Corporate debt securities				
- Corporate bonds				146 089
VTB 24 OJSC	BBB	A1	BBB+	2 957
Bank for Foreign Trade OJSC	BBB	A1	BBB+	6 030
Bank Zenith OJSC	-	Ba3	B+	19 251
CB "Moscow Mortgage Agency" OJSC	-	Ba2	-	31 163
Nomos-Bank OJSC	-	Ba3	B+	19 263
CB Kedr CJSC	-	B2	-	20 421
TransKreditBank OJSC	BB	Ba1	-	2 890
Mortgage Housing Credit Agency OJSC	BBB	A3	-	7 393
Wimm-Bill-Dunn Food Stuffs OJSC	BB-	Ba3	-	20 492
Gazprom OJSC	BBB	A3	BBB	10 082
Moscow Region Investment Trust Company OJSC	SD	-	-	1 383
Federal Grid Company of Unified Energy System OJSC	BBB	Baa2	-	4 764
- Other corporate bonds without ratings	-	-	-	250 706
Total corporate bonds				396 795
- Corporate eurobonds				
Bank of Moscow	-	A3	BBB	105 985
Gazprom OJSC	BBB	A3	BBB	60 403
Megafon OJSC	BB+	Ba2	-	14 323
Total corporate eurobonds				180 711
- Promissory notes				
BANK OF KHANTY - MANSIYSK OJSC	BB-	-	-	28 814
Total debt securities at fair value through profit or loss				746 076

7. Due from Other Banks

	2009	2008
Loans and deposits with other banks	1 043 668	117 821
Reverse repo agreements with other banks	64 034	16 596
Total due from other banks	1 107 702	134 417

As at 31 December 2009 the Bank had account balances with four counterparties (2008: 1 counterparty) with the amount of each borrower exceeding 10% of the Bank's capital. The aggregate amount was RUR 1 043 365 thousand or 94.2% of the total amount of due from other banks (2008: RUR 117 527 thousand or 87.4%).

As at 31 December 2009 Due from Other Banks amounted to RUR 64 034 thousand (2008: RUR 16 596 thousand) were actually collateralized by securities through repurchase agreement at fair value RUR 64 053 thousand (2008: RUR 16 535 thousand).

As at 31 December 2009 and 31 December 2008 the credit quality analysis of due from other banks revealed that due from other banks amounted to RUR 1 107 702 thousand (2008: RUR 134 417 thousand) are current with similar characteristics of low credit risk.

8. Loans to Customers

	2009	2008
Corporate loans	328 047	441 788
Consumer loans to individuals	90 043	7 132
Loans to individual entrepreneurs, small and medium business	4 430	8 893
Less: provision for impairment of loans to customers	(28 733)	(50 915)
Total loans to customers	393 787	406 898

As at 31 December 2009, the accrued interest income on impaired loans amounted to RUR 81 thousand (2008: RUR 49 thousand).

The table below presents movements in the provision for impairment of loans to customers as at 31 December 2009 and 31 December 2008:

	Corporate loans	Consumer loans to individuals	Loans to individual entrepreneurs, small and medium business	Total
Provision for impairment of loans to customers as at 1 January 2008	17 627	-	494	18 121
Provision for loan impairment during the year	30 959	71	1 764	32 794
Provision for impairment of loans to customers as at 31 December 2008	48 586	71	2 258	50 915
(Recovery of provision)/provision for loan impairment during the year	(29 911)	8 749	(1 020)	(22 182)
Provision for impairment of loans to customers as at 31 December 2009	18 675	8 820	1 238	28 733

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The table below presents economic sector concentrations within the Bank's loan portfolio:

	2009		2008	
	Amount	%	Amount	%
Production of alcoholic beverages	198 882	47.1	199 325	43.5
Real estate services	97 500	23.1	121 500	26.5
Individuals	90 043	21.3	7 132	1.6
Financial services	36 095	8.5	129 856	28.4
Total loans to customers (gross)	422 520	100.0	457 813	100.0

As at 31 December 2009, the Bank issued loans to 2 borrowers (2008: 3 borrowers) with the loan amount of each borrower exceeding 10% of the Bank's capital. The aggregate amount of these loans was RUR 266 500 thousand or 63.1% of the total amount of loans to customers (2008: RUR 412 407 thousand or 90.1% of the total amount of loans to customers).

The credit quality analysis of loans to customers as at 31 December 2009 is as follows:

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision
Corporate loans				
<i>Loans, impaired on an individual basis</i>				
Current loans	328 047	18 675	309 372	5.7%
Total corporate loans	328 047	18 675	309 372	5.7%
Consumer loans to individuals				
<i>Unimpaired loans</i>				
Current loans	136	-	136	0.0%
<i>Loans, impaired on an individual basis</i>				
Current loans	89 907	8 820	81 087	9.8%
Total consumer loans to individuals	90 043	8 820	81 223	9.8%
Loans to individual entrepreneurs, small and medium business				
<i>Loans, impaired on an individual basis</i>				
Current loans	3 940	748	3 192	19.0%
Loans, more than 1 year overdue	490	490	-	100.0%
Total loans to individual entrepreneurs, small and medium business	4 430	1 238	3 192	28.0%
Total loans to customers	422 520	28 733	393 787	6.8%

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The credit quality analysis of loans to customers as at 31 December 2008 is as follows:

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision
Corporate loans				
<i>Loans, impaired on an individual basis</i>				
Current loans	441 788	48 586	393 202	11.0%
Total corporate loans	441 788	48 586	393 202	11.0%
Consumer loans to individuals				
<i>Loans, impaired on an individual basis</i>				
Current loans	7 132	71	7 061	1.0%
Total consumer loans to individuals	7 132	71	7 061	1.0%
Loans to individual entrepreneurs, small and medium business				
<i>Loans, impaired on an individual basis</i>				
Current loans	8 399	1 764	6 635	21.0%
Loans, more than 1 year overdue	494	494	-	100.0%
Total loans to individual entrepreneurs, small and medium business	8 893	2 258	6 635	25.4%
Total loans to customers	457 813	50 915	406 898	11.1%

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

Loans, impaired on an individual basis include loans which show certain signs of impairment, are material in value.

Due to small number of borrowers, inessential amounted loans are also added to loans, impaired on an individual basis.

The table below presents information on the collateral held as security as at 31 December 2009:

	Corporate loans	Consumer loans to individuals	Loans to individual entrepreneurs, small and medium business	Total
Rights of claim	473 598	-	-	473 598
Real estate claims	272 851	-	-	272 851
Sureties	254 931	15 796	661	271 388
Goods for sale	82 658	-	-	82 658
Construction equipment	59 112	-	-	59 112
Transport	-	-	6 724	6 724
Bank guarantee	-	890	-	890
Equipment	-	-	665	665
Total collateral	1 143 150	16 686	8 050	1 167 886

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The table below presents information on the collateral held as security as at 31 December 2008:

	Corporate loans	Consumer loans to individuals	Loans to individual entrepreneurs, small and medium business	Total
Sureties	325 165	58 622	661	384 448
Real estate claims	272 851	-	-	272 851
Rights of claim	247 750	-	-	247 750
Construction equipment	125 146	-	-	125 146
Goods for sale	83 237	-	-	83 237
Transport	-	-	7 792	7 792
Bank guarantee	-	890	-	890
Equipment	-	-	665	665
Total collateral	1 054 149	59 512	9 118	1 122 779

Discounts were used for calculation of the collateral value, depending on its type. The fair value of the collateral may differ from the carrying amount.

As at 31 December 2009, loans to customers in the amount of RUR 80 198 thousand or 19.0% of total loans are not secured (2008: none).

9. Financial Assets Available for Sale

	2009	2008
Government debt securities		
- Eurobonds of Russian Federation	33	96
Corporate debt securities		
- Corporate bonds	3 970	3 986
Corporate equity securities		
- Shares in share capitals of other organizations	18 638	18 638
- Units of investment funds	9 896	12 775
- Corporate shares	298	288
Less: provision for impairment of financial assets available for sale	(4 952)	(4 966)
Total financial assets available for sale	27 883	30 817

As at 31 December 2009 and 31 December 2008 the Bank's portfolio composed of Eurobonds of Russian Federation, which are USD-denominated government debt liabilities. They carry an annual coupon of 8.3% with maturity in March 2010.

As at 31 December 2009 and 31 December 2008 corporate bonds are represented by Rouble-denominated securities issued by Volzhskaya Textile Company OJSC with the maturity date until December 2008 and a coupon rate of 14.00%. The securities issued by Volzhskaya Textile Company OJSC are overdue, 100% provision is created.

Shares in share capitals of other organizations are represented by shares in share capital of "Pension reserve" LLC.

Units of investment funds are represented by Rouble-denominated units in "Kuznitsky most", "Trading Floor - MICEX Index", "Red Square- company shares with government interest".

Corporate shares are represented by shares denominated in Russian roubles, Lithuanian litas, euros: Vilnius Stock Exchange JSC, Siberian Interbank Currency Exchange, JV "Stock Exchange Congress" CJSC, SWIFT Company, RusServiceBusiness JSC, JS Bank "Caucasian Bank".

Due to the absence of available market quotes and inability to determine fair value on the regular basis, corporate equity securities are recorded at cost and tested for impairment.

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

	S&P	Moody's	Fitch	Cymma	Without rate	Total
Government debt securities						
- Eurobonds of Russian Federation	BBB	Baa1	BBB	33	-	33
Corporate debt securities						
- Corporate bonds						
Volzhskaya Textile Company OJSC	-	-	-	-	3 970	3 970
Total debt securities available for sale (gross)						4 003

Below is the credit quality analysis of issuers of debt securities available for sale as at 31 December 2008 in accordance with international agencies' ratings:

	S&P	Moody's	Fitch	Cymma	Without rate	Total
Government debt securities						
- Eurobonds of Russian Federation	BBB+	Baa2	BBB+	96	-	96
Corporate debt securities						
- Corporate bonds						
Volzhskaya Textile Company OJSC	-	-	-	-	3 986	3 986
Total debt securities available for sale (gross)						4 082

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

	2009	2008
Carrying value as at 1 January	35 783	111 360
Accrued interest income		6
Interest received		4 117
Acquisitions	(23)	(3 859)
Disposals	-	22 624
Revaluation	(2 942)	(91 848)
Foreign exchange difference	-	(6 641)
Carrying value as at 31 December	11	30
	32 835	35 783

Movements in provision for impairment of financial assets available for sale during 2009 and 2008 are as follows:

	Corporate debt securities	Corporate equity securities	Total
Provision for impairment as at 1 January 2008	-	1 540	1 540
Provision/(recovery of provision) for impairment during the year 2008	3 986	(560)	3 426
Provision for impairment as at 31 December 2008	3 986	980	4 966
(Recovery of provision)/provision for impairment during the year 2009	(16)	2	(14)
Provision for impairment as at 31 December 2009	3 970	982	4 952

10. Investments Held To Maturity

2009

Municipal corporate debt securities	
- Municipal bonds	10 050
Total investments held to maturity	10 050

As at 31 December 2009, municipal bonds are represented by free traded Rouble-denominated debt securities issued by subjects of the Russian Federation and local administrations and freely tradable on the MICEX. These bonds have maturity in June 2014 and coupon rate 12.5% and yield to maturity 12.76%.

Below is the information on changes in the portfolio of investments held to maturity:

	Note	2009
Carrying value as at 1 January		-
Acquisition		10 002
Accrued interest income	19	48
Carrying value as at 31 December		10 050

Below is the credit quality analysis of issuers of investments held to maturity as at 31 December 2009 in accordance with ratings of international agencies:

	S&P	Amount
Government and municipal debt securities		
- Municipal bonds		
Tverskaya oblast	B+	10 050
Total investments held to maturity		10 050

11. Investment Property

The table below presents information on changes in the fair value of investment property:

	2008	2007
Cost at 1 January	213 791	109 150
Change in fair value during the year	17 428	104 641
Cost at 31 December	231 219	213 791

Investment property includes buildings in Moscow located at 33/1 Bolshaya Nikitskaya Street and 12/1 Bolshaya Molchanovka Street leased to earn rental income. Before 2006 these buildings were recorded as premises and equipment of the Bank and from the first of January 2006 were reclassified as investment property.

The fair value of the Bank's investment property as at 31 December 2009 was determined by independent valuation firm NEO Centre LLC and is based on the market value. Gain on revaluation of investment property in the amount of RUR 17 428 thousand is included in the statement of comprehensive income for the year ended 31 December 2009 as "Gains from revaluation of investment property".

During 2009, the direct operating expenses relating to investment property that generates a rental income amounted to RUR 2 404 thousand (2008: RUR 2 630 thousand). The rental income for 2009 amounted to RUR 30 883 thousand (2008: RUR 24 113 thousand).

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12. Premises and Equipment

	Buildings and structures	Furniture	Computers and office equipment	Motor vehicles	Total
Net book value as at 31 December 2008	806	4 290	6 943	21 101	33 140
Cost					
Balance as at 1 January 2009	816	8 818	27 273	37 138	74 045
Additions	-	32	735	146	913
Purchases under lease contracts	-	-	-	2 448	2 448
Disposals	-	(1 234)	(6 704)	(2 331)	(10 269)
Balance as at 31 December 2009	816	7 616	21 304	37 401	67 137
Accumulated depreciation					
Balance as at 1 January 2009	10	4 528	20 330	16 037	40 905
Depreciation charge	16	882	1 738	5 482	8 118
Depreciation of premises and equipment acquired under lease contracts	-	-	-	1 922	1 922
Disposals	-	(1 234)	(6 637)	(2 331)	(10 202)
Balance as at 31 December 2009	26	4 176	15 431	21 110	40 743
Net book value as at 31 December 2009	790	3 440	5 873	16 291	26 394
	Buildings and structures	Furniture	Computers and office equipment	Motor vehicles	Total
Net book value as at 31 December 2007	-	5 173	8 025	17 570	30 768
Cost					
Balance as at 1 January 2008	-	8 818	26 657	30 992	66 467
Additions	816	-	790	2 510	4 116
Purchases under lease contracts	-	-	-	7 469	7 469
Disposals	-	-	(174)	(3 833)	(4 007)
Balance as at 31 December 2008	816	8 818	27 273	37 138	74 045
Accumulated depreciation					
Balance as at 1 January 2008	-	3 645	18 632	13 422	35 699
Depreciation charge	10	883	1 795	4 455	7 143
Depreciation of premises and equipment acquired under lease contracts	-	-	-	1 407	1 407
Disposals	-	-	(97)	(3 247)	(3 344)
Balance as at 31 December 2008	10	4 528	20 330	16 037	40 905
Net book value as at 31 December 2008	806	4 290	6 943	21 101	33 140

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Premises and equipment in the Bank's balance sheet include long-term lease premises and equipment received by the Bank under finance lease contracts.

As at 31 December 2009, the carrying value of the motor vehicles received by the Bank under finance lease contracts amounted to RUR 9 919 thousand (2008: RUR 12 149 thousand).

As at 31 December 2008, the carrying value of the finance lease short-term liabilities amounted to RUR 3 407 thousand (2008 : RUR 7 100 thousand, including short-term liabilities amounting to RUR 4 957 thousand, long-term liabilities amounting to RUR 2 143 thousand) (Note 16).

13. Other Assets

	2009	2008
Settlements related to conversion transactions	303 791	140 357
Receivables	52 512	47 819
Deferred expenses	6 503	6 633
Advance payments	-	1 792
Prepaid taxes (other than income tax)	514	654
Intangible assets	7	9
Other	175	101
Less: provision for impairment of other assets	(53)	(264)
Total other assets	363 449	197 101

Settlements related to conversion transactions represent amounts deposited with National Clearing Centre CJSC.

The table below presents movements in the provision for impairment of other assets during 2009 and 2008:

	Receivables	Advance payments	Other	Total
Provision for impairment of other assets as at 1 January 2008	-	165	31	196
Provision/(recovery of provision) for impairment of other assets during the year	115	(108)	61	68
Provision for impairment as at 31 December 2008	115	57	92	264
Recovery of provision for impairment of other assets during the year	(21)	(57)	-	(78)
Other assets written off during the year	(50)	-	(83)	(133)
Provision for impairment as at 31 December 2009	44	-	9	53

The table below presents the credit quality analysis of other financial assets as at 31 December 2009:

	Current and not impaired	Individually impaired	Total
Settlements related to conversion transactions	303 791	-	303 791
Receivables	52 439	73	52 512
Less: provision for impairment of other financial assets	-	(44)	(44)
Total other financial assets	356 230	29	356 259

Current and not impaired other financial assets represent assets with low level of credit risk.

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The table below presents analysis of impaired other financial assets as at 31 December 2009:

	Outstanding	Past due over 1 year	Total
Receivables	34	39	73
Less: provision for impairment of other financial assets	(5)	(39)	(44)
Total impaired other financial assets	29	-	29

The table below presents the credit quality analysis of other financial assets as at 31 December 2008:

	Current and not impaired	Individually impaired	Total
Settlements related to conversion transactions	140 357	-	140 357
Receivables	47 601	218	47 819
Less: provision for impairment of other financial assets	-	(115)	(115)
Total other financial assets	187 958	103	188 061

The table below presents analysis of impaired other financial assets as at 31 December 2008:

	Past due over 1 year
Receivables	218
Less: provision for impairment of other financial assets	(115)
Total impaired other financial assets	103

Receivables are not collateralized.

14. Due to Other Banks

	2009	2008
Correspondent accounts	1	146 902
Direct repo agreements with CBR	-	85 456
Total due to other banks	1	232 358

As at 31 December 2009, the Bank had no counterparties with cash balances above 10% of its capital (2008: two counterparties). The aggregate amount of these balances as at 31 December 2008 was RUR 232 358 thousand.

15. Customer Accounts

	2009	2008
Legal entities		
- Current/settlement accounts	850 637	323 555
- Term deposits	1 014 355	183 169
Individuals		
- Current/demand accounts	44 533	30 388
- Term deposits	229 481	191 297
Total customer accounts	2 139 006	728 409

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.

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Economic sector concentrations within customer accounts are as follows:

	2009		2008	
	Amount	%	Amount	%
Financial services	983 921	46,0	240 440	33,0
Lease of immovable property	758 877	35,5	74 211	10,2
Individuals	274 014	12,8	221 685	30,4
Trade	37 017	1,7	22 418	3,1
Industry	23 906	1,1	51 656	7,1
Transport services	10 682	0,5	23 377	3,2
Service sector	1 585	0,1	56 005	7,7
Other	49 004	2,3	38 617	5,3
Total customer accounts	2 139 006	100,0	728 409	100,0

As at 31 December the Bank had 4 customers (2008: 1 customer) with total balances over 10% of the Bank's capital. The aggregate amount of these customer accounts was RUR 1 164 511 thousand or 54.4% of total customer accounts (2008: RUR 167 469 thousand or 23% of total customer accounts).

16. Other Liabilities

	Note	2009	2008
Taxes other than income tax		22 082	21 464
Payables		6 584	6 146
Finance lease liabilities	12	3 407	7 100
Contracts with currency		2 933	-
Payables to employees		2 280	2 085
Dividends payable	23	112	53
Debt securities issued		2	2
Other		820	403
Total other liabilities		38 220	37 253

Other taxes include value added tax in the amount of RUR 20 829 thousand (2008: RUR 20 680 thousand).

Payables to employees include unused vacation obligations.

As at 31 December 2009, other liabilities of the Bank included certificates of deposit in the amount of RUR 2 thousand (2008: RUR 2 thousand). The above certificates of deposit matured in 1994 but were not claimed for payment on their maturity.

The table below presents information on the contracts with foreign currency as at 31 December 2009:

	Contractual amount	Fair value
Contracts with foreign currency		
- sale of USD	668 397	(7 742)
- purchase of USD	408 297	4 809
Total financial liabilities at fair value through profit or loss		(2 933)

17. Share Capital

Authorised, issued and fully paid share capital comprises:

	2009			2008		
	Number of shares	Nominal value	Inflation adjusted value	Number of shares	Nominal value	Inflation adjusted value
Ordinary shares	32 097 200	320 972	1 133 435	32 097 200	320 972	1 133 435
Total share capital	32 097 200	320 972	1 133 435	32 097 200	320 972	1 133 435

All ordinary shares have a nominal value of RUR 10 per share and carry one vote.

18. Retained Earnings according to Russian Accounting Standards

According to the Russian legislation only accumulated retained earnings recorded in the Bank's statutory financial statements may be distributed as dividends among the shareholders. As at 31 December 2009, the Bank's retained earnings amounted to RUR 362 629 thousand (2008: RUR 311 295 thousand).

19. Interest Income and Expense

	Note	2009	2008
Interest income			
Financial assets at fair value through profit or loss		99 319	108 659
Loans to customers		56 799	46 237
Due from other banks		10 331	7 898
Investments held to maturity	10	48	-
Financial assets available for sale	9	6	4 117
Total interest income		166 503	166 911
Interest expense			
Deposits of individuals		13 198	19 774
Deposits of legal entities		10 853	16 978
Term deposits of banks		2 269	6 843
Other		2 375	1 200
Total interest expense		28 695	44 795
Net interest income		137 808	122 116

20. Fee and Commission Income and Expense

	2009	2008
Fee and commission income		
Commission on cash collection	271 336	254 363
Commission on settlement transactions	2 804	2 573
Commission on cash transactions	1 041	1 061
Commission on foreign currency transactions	761	1 286
Other	6 454	5 298
Total fee and commission income	282 396	264 581
Fee and commission expense		
Commission on securities transactions	841	958
Commission on foreign currency transactions	693	273
Commission on settlement transactions	594	408
Commission on cash transfer services	550	590
Commission on transactions with plastic cards	241	92
Other	12	33
Total fee and commission expense	2 931	2 354
Net fee and commission income	279 465	262 227

21. Operating Expenses

	Note	2009	2008
Staff costs		172 591	148 757
Professional services (security, communications, etc.)		91 131	80 744
Rent		74 608	64 224
Taxes other than income tax		40 275	33 639
Administrative expenses		34 785	32 356
Other expenses related to premises and equipment		14 878	14 876
Depreciation of premises and equipment	12	10 040	8 550
Other		2 179	2 346
Total operating expenses		440 487	385 492

22. Income Tax

Income tax expense comprises the following:

	2009	2008
Current income tax expense	14 115	9 347
Effect of change in income tax rate	-	(2 412)
Effect of deferred taxation movement due to origination and reversal of temporary differences	11 462	22 078
Effect of change in income tax rate attributable to other comprehensive income	-	2 962
Effect of deferred taxation in respect of revaluation reserve of financial assets available for sale accounted within other comprehensive income	-	1 328
Effect of deferred taxation in respect of revaluation reserve of premises and equipment, charged directly to equity	329	329
Income tax expense for the year	25 906	33 632

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

The table below presents reconciliation between the theoretical and the actual taxation charge.

	2009	2008
IFRS profit before taxation	135 075	159 464
Theoretical tax charge at the applicable statutory rate (2009: 20%; 2008: 24%)	27 015	38 271
Use of prior year tax losses	-	(7 055)
Income on government securities taxed at 15%	(518)	(1 375)
Income on securities taxed at 9%	(1 044)	(1 403)
Non-deductible expenses less non-taxable income	453	5 744
Effect of change in income tax rate	-	(550)
Income tax expense for the year	25 906	33 632

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. Deferred tax liabilities has the rate of 20% (2008: 20%).

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	2009	Movement	2008
Tax effect of deductible temporary differences			
Revaluation of financial assets available for sale	1 328	-	1 328
Financial assets at fair value through profit or loss	191	(328)	519
Other	1 411	(630)	2 041
Gross deferred tax assets	2 930	(958)	3 888
Tax effect of taxable temporary differences			
Provision for impairment of assets	8 681	7 862	819
Premises and equipment	1 285	(514)	1 799
Revaluation of premises and equipment	14 149	(329)	14 478
Revaluation of investment property	24 413	3 485	20 928
Gross deferred tax liabilities	48 528	10 504	38 024
Total net deferred tax liability	(45 598)	(11 462)	(34 136)

	2008	Movement	Effect of change in income tax rate	2007
Tax effect of deductible temporary differences				
Revaluation of financial assets available for sale	1 328	1 328	-	-
Revaluation of financial assets at fair value through profit or loss	519	(1 499)	(404)	2 422
Provision for impairment of loans to customers and financial assets available for sale	-	(181)	(36)	217
Other	2 041	688	(271)	1 624
Gross deferred tax assets	3 888	336	(711)	4 263
Tax effect of taxable temporary differences				
Provision for impairment of assets	819	819	-	-
Revaluation of premises and equipment	14 478	(329)	(2 962)	17 769
Revaluation of investment property	20 928	20 928	-	-
Premises and equipment	1 799	996	(161)	964
Gross deferred tax liabilities	38 024	22 414	(3 123)	18 733
Total net deferred tax liability	(34 136)	(22 078)	2 412	(14 470)

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

As at 31 December 2009, the total deferred tax liability in the amount of RUR 14 149 thousand (2008: RUR 14 478 thousand) was calculated in respect of positive revaluation of buildings at fair value and recorded within the Bank's capital in accordance with IAS 16.

As at 31 December 2009 deferred tax assets in the amount of RUR 1 328 thousand (2008: RUR 1 328 thousand) was calculated in respect of revaluation of financial assets available for sale. Revaluation of financial assets available for sale is accounted within other comprehensive income. Deferred tax attributable to revaluation of financial assets available for sale is accounted as changes in equity is translated to profit or loss at the moment of disposal of financial assets available for sale.

23. Dividends

	2009	2008
Dividends payable as at 1 January	53	42
Dividends declared during the year	9 629	9 629
Dividends paid during the year	(9 570)	(9 618)
Dividends payable as at 31 December	112	53

All dividends are declared and paid in Russian Roubles.

24. 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 risks 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 group of related borrowers as well as by industry segments. 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 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 borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral in the form of property and securities and corporate and personal guarantees.

Maximum level of credit risk of the Bank is usual reflected in the value of financial assets shown in the statement of financial position. Possible offsetting of assets and liabilities is not material for reducing possible credit risk. For credit related commitments maximum level of credit risk is equal to the total amount of liabilities shown in the Note 26.

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

Credit risk for off-balance sheet financial instruments is defined as a probability 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 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, currency and equity instruments, all of which are exposed to general and specific market movements. The Credit Committee sets acceptable risk limits. The Treasury Department monitors limits on a daily basis. However, the use of such approach does not prevent losses beyond these limits in the event of more significant market movements.

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

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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	57 092	29 996	95	87 183
Mandatory cash balances with the Bank of Russia	23 953			23 953
Financial assets at fair value through profit or loss	810 154	98 856	-	909 010
Due from other banks	714 509	393 193	-	1 107 702
Loans to customers	368 746	-	25 041	393 787
Financial assets available for sale	27 764	119	-	27 883
Investments held to maturity	10 050	-	-	10 050
Investment property	231 219	-	-	231 219
Premises and equipment	26 394	-	-	26 394
Other assets	363 295	154	-	363 449
Total assets	2 633 176	522 318	25 136	3 180 630
Liabilities				
Due to other banks	1	-	-	1
Customer accounts	2 084 279	947	53 780	2 139 006
Other liabilities	38 168	52	-	38 220
Current tax liabilities	3 885	-	-	3 885
Deferred tax liabilities	45 598	-	-	45 598
Total liabilities	2 171 931	999	53 780	2 226 710
Net balance sheet position	461 245	521 319	(28 644)	953 920

Geographical analysis 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	89 495	24 731	100	114 326
Mandatory cash balances with the Bank of Russia	3 330			3 330
Financial assets at fair value through profit or loss	579 688	166 388	-	746 076
Due from other banks	16 893	117 524	-	134 417
Loans to customers	384 863	-	22 035	406 898
Financial assets available for sale	30 817	-	-	30 817
Investment property	213 791	-	-	213 791
Premises and equipment	33 140	-	-	33 140
Other assets	197 017	84	-	197 101
Current tax assets	6 640	-	-	6 640
Total assets	1 555 674	308 727	22 135	1 886 536
Liabilities				
Due to other banks	232 358	-	-	232 358
Customer accounts	647 530	943	79 936	728 409
Other liabilities	37 253	-	-	37 253
Deferred tax liabilities	34 136	-	-	34 136
Total liabilities	951 277	943	79 936	1 032 156
Net balance sheet position	604 397	307 784	(57 801)	854 380
Credit related commitments	5 871	-	-	5 871

* OECD- Organization for economic co-operation and development

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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 Credit committee gets limits on conversion deals and «stop-loss» limits. The Treasury Department controls limits of open currency position in compliance with CBR regulation on the daily basis.

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2009. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by major currency.

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	38 729	13 091	35 039	324	87 183
Mandatory cash balances with the Bank of Russia	23 953	-	-	-	23 953
Financial assets at fair value through profit or loss	810 154	98 856	-	-	909 010
Due from other banks	714 207	393 495	-	-	1 107 702
Loans to customers	393 787	-	-	-	393 787
Financial assets available for sale	27 731	152	-	-	27 883
Investments held to maturity	10 050	-	-	-	10 050
Investment property	231 219	-	-	-	231 219
Premises and equipment	26 394	-	-	-	26 394
Other assets	60 875	298 018	4 556	-	363 449
Total assets	2 337 099	803 612	39 595	324	3 180 630
Liabilities					
Due to other banks	-	1	-	-	1
Customer accounts	1 549 255	549 870	39 741	140	2 139 006
Other liabilities	35 227	2 976	17	-	38 220
Current tax liabilities	3 885	-	-	-	3 885
Deferred tax liabilities	45 598	-	-	-	45 598
Total liabilities	1 633 965	552 847	39 758	140	2 226 710
Net balance sheet position	703 134	250 765	(163)	184	953 920
Net off-balance sheet position	260 100	(260 100)	-	-	-
Net balance and off-balance sheet position	963 234	(9 335)	(163)	184	953 920

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

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	64 724	24 690	24 628	284	114 326
Mandatory cash balances with the Bank of Russia	3 330	-	-	-	3 330
Financial assets at fair value through profit or loss	664 045	82 031	-	-	746 076
Due from other banks	16 597	117 819	1	-	134 417
Loans to customers	379 686	22 035	5 177	-	406 898
Financial assets available for sale	30 721	96	-	-	30 817
Investment property	213 791				213 791
Premises and equipment	33 140				33 140
Other assets	197 017	84	-	-	197 101
Current tax assets	6 640				6 640
Total assets	1 609 691	246 755	29 806	284	1 886 536
Liabilities					
Due to other banks	85 456	146 902	-	-	232 358
Customer accounts	549 521	155 984	22 763	141	728 409
Other liabilities	37 253	-	-	-	37 253
Deferred tax liabilities	34 136	-	-	-	34 136
Total liabilities	706 366	302 886	22 763	141	1 032 156
Net balance sheet position	903 325	(56 131)	7 043	143	854 380
Credit related commitments	5 871	-	-	-	5 871

The Bank issued loans 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%	(569)	(446)
USD depreciation by 6%	569	446
EUR appreciation by 7%	(11)	(9)
EUR depreciation by 7%	11	9
Appreciation of other currencies by 5%	9	7
Depreciation of other currencies by 5%	(9)	(7)

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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.

		2008
	Effect on profit before taxation	Effect on comprehensive income
USD appreciation by 7%	(3 422)	(2 594)
USD depreciation by 7%	3 422	2 594
EUR appreciation by 18%	1 277	971
EUR depreciation by 18%	(1 277)	(971)
Appreciation of other currencies by 5%	7	5
Depreciation of other currencies by 5%	(7)	(5)

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 current accounts, maturing deposits, loan draw downs, guarantees and other calls on cash settled derivatives. 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 Bank's approach to liquidity management is to ensure sufficient liquidity to meet its liabilities when due (both under normal and unexpected conditions) without incurring unacceptable losses and risking damage to the Bank's reputation. The liquidity risk is managed Treasury Department of the Bank. To assess the liquidity risk, the Bank analyses the incoming payments and write offs on which basis the liquidity is balanced by maturity and cash flow dates. The assessment is based on management of assets and liabilities and planning of the expected margin income from asset- and liability-related transactions.

The Bank is keen on maintaining stable financing predominantly consisting of 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 the balance sheet liquidity ratios with the laws and regulations. The Bank calculates the liquidity ratios on a daily basis in accordance with the requirements of the Bank of Russia. 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 58,6% (2008: 42.7%). Minimum ratio is established by the Bank of Russia at the level of 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 96.5% (2008: 81.6%). Minimum ratio is established by the Bank of Russia at the level of 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 33.3% (2008: 27.4%). Maximum ratio is established by the Bank of Russia at the level of 120%.

The Treasury of the Bank receives information about financial assets and liabilities. The Treasury of the Bank 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 by the Treasury.

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. These undiscounted cash flows differ from the amounts recorded in the statement of financial position as the carrying amounts are based on discounted cash flows. The derivative financial instruments settled on a net basis are shown as net amounts payable.

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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 exchange rate of the Bank of Russia 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	1	-	-	-	1
Customer accounts	1 982 632	162 031	1 796	136	2 146 595
Finance lease liabilities	522	2 248	937	-	3 707
Total potential future payments under financial liabilities	1 983 155	164 279	2 733	136	2 150 303

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	232 610	-	-	-	232 610
Customer accounts	495 845	237 026	2 054	-	734 925
Finance lease liabilities	631	2 904	2 456	2 300	8 291
Total potential future payments under financial liabilities	729 086	239 930	4 510	2 300	975 826

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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	Over 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	87 183	-	-	-	-	87 183
Mandatory cash balances with the Bank of Russia	-	-	-	-	23 953	23 953
Financial assets at fair value through profit or loss	909 010	-	-	-	-	909 010
Due from other banks	1 107 501	201	-	-	-	1 107 702
Loans to customers	5 338	25 563	92 248	270 638	-	393 787
Financial assets available for sale	27 850	33	-	-	-	27 883
Investments held to maturity	-	-	-	10 050	-	10 050
Investment property	-	-	-	-	231 219	231 219
Premises and equipment	-	-	-	-	26 394	26 394
Other assets	357 586	1 897	929	3 030	7	363 449
Total assets	2 494 468	27 694	93 177	283 718	281 573	3 180 630
Liabilities						
Due to other banks	1	-	-	-	-	1
Customer accounts	1 977 369	159 747	1 754	136	-	2 139 006
Other liabilities	34 622	2 137	1 449	-	12	38 220
Current tax liabilities	-	3 885	-	-	-	3 885
Deferred tax liabilities	-	-	-	-	45 598	45 598
Total liabilities	2 011 992	165 769	3 203	136	45 610	2 226 710
Net interest rate gap						
as at 31 December 2008	482 476	(138 075)	89 974	283 582	235 963	953 920
Cumulative interest rate gap						
as at 31 December 2008	482 476	344 401	434 375	717 957	953 920	

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.

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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	Over 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	114 326	-	-	-	-	114 326
Mandatory cash balances with the Bank of Russia	-	-	-	-	3 330	3 330
Financial assets at fair value through profit or loss	746 076	-	-	-	-	746 076
Due from other banks	134 417	-	-	-	-	134 417
Loans to customers	-	5 999	121 868	279 031	-	406 898
Financial assets available for sale	-	-	-	96	30 721	30 817
Investment property	-	-	-	-	213 791	213 791
Premises and equipment	-	-	-	-	33 140	33 140
Other assets	188 868	1 407	1 305	4 601	920	197 101
Current tax assets	-	6 640	-	-	-	6 640
Total assets	1 183 687	14 046	123 173	283 728	281 902	1 886 536
Liabilities						
Due to other banks	232 358	-	-	-	-	232 358
Customer accounts	493 807	232 578	2 024	-	-	728 409
Other liabilities	7 101	23 840	4 169	2 143	-	37 253
Deferred tax liabilities	-	-	-	-	34 136	34 136
Total liabilities	733 266	256 418	6 193	2 143	34 136	1 032 156
Net liquidity gap as at 31 December 2008	450 421	(242 372)	116 980	281 585	247 766	854 380
Cumulative liquidity gap as at 31 December 2008	450 421	208 049	325 029	606 614	854 380	

As the above analysis as at 31 December 2009 and 31 December 2008 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.

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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.

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 Board of Directors 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 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	Over 1 year	Non- interest bearing	Total
Assets						
Cash and cash equivalents	87 183	-	-	-	-	87 183
Mandatory cash balances with the Bank of Russia					23 953	23 953
Financial assets at fair value through profit or loss	909 010	-	-	-	-	909 010
Due from other banks	1 107 501	201	-	-	-	1 107 702
Loans to customers	5 338	25 563	92 248	270 638	-	393 787
Financial assets available for sale	-	33	-	-	27 850	27 883
Investments held to maturity	-	-	-	10 050	-	10 050
Investment property	-	-	-	-	231 219	231 219
Premises and equipment	-	-	-	-	26 394	26 394
Other assets	-	-	-	-	363 449	363 449
Итого активов	2 109 032	25 797	92 248	280 688	672 865	3 180 630
Liabilities						
Due to other banks	-	-	-	-	1	1
Customer accounts	1 932 836	159 747	1 754	136	44 533	2 139 006
Other liabilities	458	2 122	827	-	34 813	38 220
Current tax liabilities	-	-	-	-	3 885	3 885
Deferred tax liabilities	-	-	-	-	45 598	45 598
Total liabilities	1 933 294	161 869	2 581	136	128 830	2 226 710
Net interest rate gap						
as at 31 December 2008	175 738	(136 072)	89 667	280 552	544 035	953 920
Cumulative interest rate gap						
as at 31 December 2008	175 738	39 666	129 333	409 885	953 920	

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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	Over 1 year	Non- interest bearing	Total
Assets						
Cash and cash equivalents	114 326	-	-	-	-	114 326
Mandatory cash balances with the Bank of Russia	-	-	-	-	3 330	3 330
Financial assets at fair value through profit or loss	746 076	-	-	-	-	746 076
Due from other banks	-	16 601	-	-	117 816	134 417
Loans to customers	-	5 999	121 868	279 031	-	406 898
Financial assets available for sale	-	-	-	96	30 721	30 817
Investment property	-	-	-	-	213 791	213 791
Premises and equipment	-	-	-	-	33 140	33 140
Other assets	-	-	-	-	197 101	197 101
Current tax assets	-	-	-	-	6 640	6 640
Total assets	860 402	22 600	121 868	279 127	602 539	1 886 536
Liabilities						
Due to other banks	85 456	-	-	-	146 902	232 358
Customer accounts	493 807	232 578	2 024	-	-	728 409
Other liabilities	497	2 376	2 084	2 143	30 153	37 253
Deferred tax liabilities	-	-	-	-	34 136	34 136
Total liabilities	579 760	234 954	4 108	2 143	211 191	1 032 156
Net interest rate gap as at 31 December 2008	280 642	(212 354)	117 760	276 984	391 348	854 380
Cumulative interest rate gap as at 31 December 2008	280 642	68 288	186 048	463 032	854 380	

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						
Financial assets at fair value through profit or loss	12.8%	7.7%	-	8.7%	8.0%	-
Due from other banks	5.4%	0.1%	-	10.0%	-	-
Loans to customers	12.8%	10.0%	-	14.4%	10.0%	9.0%
Financial assets available for sale	-	8.3%	-	-	8.25%	-
Investments held to maturity	12.5%	-	-	-	-	-
Liabilities						
Due to other banks	-	-	-	9.8%	-	-
Customer accounts						
- current and settlement accounts	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
- term deposits of legal entities	6.5%	-	-	8.7%	-	-
- term deposits of individuals	7.9%	5.6%	4.4%	7.9%	6.3%	4.9%
Other liabilities	11.9%	-	-	11.3%	-	-

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

25. 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, in particular, deposit insurance system requirements; to ensure the Bank's ability to operate as a going concern and maintain capital base at the level required to sustain capital adequacy ratio at 10% required by the CBR. The control over compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is exercised daily in respect of the projected and actual data and on the basis of monthly reports with the corresponding calculations that are verified by the Bank's Executive Board. As a result during 2009 and 2008 the capital to assets ratio was sustained at the level not below 11%, being in compliance with financial stability requirements prescribed by the deposit insurance system.

The Bank's policy is aimed at sustaining the Group's capital required to maintain the confidence of creditors, investors and the market as a whole and to assure future development of the Bank. In accordance with the existing capital requirements set by the CBR the banks are required to maintain the risk-adjusted capital to asset ratio (capital adequacy ratio) at the level above the mandatory minimum level. 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	652 762	630 149
Additional capital	216 996	360 146
Total regulatory capital	869 758	990 295

During 2009 and 2008 the Bank complied with all capital requirements set by the CBR. As at 31 December 2009, the Bank's capital adequacy ratio (H1) was 40.5% (2008: 62.7%). The minimum admissible value is set by the CBR at 10%.

26. 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 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.

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 and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, the Bank may be assessed significant additional taxes, penalties and interest. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2009, the 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	11 231	18 305
Total operating lease commitments	11 231	18 305

Credit related commitments. The main objective of these instruments is to provide funds to customers when necessary. The total outstanding contractual amount of undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

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With respect to credit risk on undrawn credit lines, the Bank is less exposed to the risk of loss since in the case of impairment of loans issued the Bank will not pay the remaining amounts. Therefore, no provision for these credit related commitments is created.

As at 31 December 2008 credit related commitments include undrawn credit lines in the amount of RUR 5 871 thousand.

27. 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, the fair value shall be estimated based on current market conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a market exchange from the sale of its full holdings of a particular instrument.

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	87 183	87 183	114 326	114 326
Financial assets at fair value through profit or loss	909 010	909 010	746 076	746 076
Due from other banks	1 107 702	1 107 702	134 417	134 417
Loans to customers	393 787	393 787	406 898	406 898
Financial assets available for sale	27 883	27 883	30 817	30 817
Investments held to maturity	10 050	9 948	-	-
Financial liabilities				
Due to other banks	1	1	232 358	232 358
Customer accounts	2 139 006	2 139 006	728 409	728 409

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 are no available independent quotations have been fair valued by the Bank on the basis of results of recent sales of interests 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 the short-term nature of investments 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.

Investments held to maturity. The fair value of investments held to maturity is based on market quotations.

Due to other banks. The fair value of due to other banks maturing within one month approximates the carrying amount due to their relatively short-term maturity. For longer-term deposits, the estimated fair

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value is based on discounted cash flows using year-end market interest rates. The Bank believes that fair values of due to other banks do not materially differ from their carrying amounts as at 31 December 2009 and 31 December 2008. This is primarily due to the short-term nature of these liabilities.

Customer accounts. The estimated fair value of fixed interest bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using interest rates for debts 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.

28. Reconciliation of Categories of Financial Instruments to Balance Sheet

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; 4) investments held to maturity. IFRS 7 «Financial Instruments - disclosures» requires financial instruments to be presented by classes in financial statements.

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	Investments held to maturity	Total
Cash and cash equivalents	87 183	-	-	-	87 183
Financial assets at fair value through profit or loss					
- Government and municipal debt securities	69 315	-	-	-	69 315
- Corporate debt securities	839 695	-	-	-	839 695
Due from other banks					
- Loans and deposits with other banks	-	1 043 668	-	-	1 043 668
- Reverse repo agreements with other banks	-	64 034	-	-	64 034
Loans to customers					
- Corporate loans	-	309 372	-	-	309 372
- Consumer loans to individuals	-	81 223	-	-	81 223
- Loans to individual entrepreneurs, small and medium business	-	3 192	-	-	3 192
Financial assets available for sale					
- Government l debt securities	-	-	33	-	33
- Corporate equity securities	-	-	27 850	-	27 850
Investments held to maturity					
- Municipal debt securities	-	-	-	10 050	10 050
Other financial assets					
- Settlements related to conversion transactions	-	-	303 791	-	303 791
- Receivables	-	-	52 468	-	52 468
Total financial assets	996 193	1 501 489	384 142	10 050	2 891 874
Non-financial assets					288 756
Total assets					3 180 630

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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
Cash and cash equivalents	114 326	-	-	114 326
Financial assets at fair value through profit or loss				
- Government and municipal debt securities	139 756	-	-	139 756
- Corporate debt securities	606 320	-	-	606 320
Due from other banks				
- Loans and deposits with other banks	-	117 821	-	117 821
- Reverse repo agreements with other banks	-	16 596	-	16 596
Loans to customers				
- Corporate loans	-	393 202	-	393 202
- Loans to individual entrepreneurs, small and medium business	-	6 635	-	6 635
- Consumer loans to individuals	-	7 061	-	7 061
Financial assets available for sale				
- Government and municipal debt securities	-	-	96	96
- Corporate equity securities	-	-	30 721	30 721
Other financial assets				
- Settlements related to conversion transactions	-	140 357	-	140 357
- Receivables	-	47 704	-	47 704
Total financial assets	860 402	729 376	30 817	1 620 595
Non-financial assets				265 941
Total assets				1 886 536

29. 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 banking transactions with its major shareholders, directors, and key management personnel. These transactions include settlements, issuance of loans and guarantees, deposit taking 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.

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The table below presents the outstanding balances at the year end, asset-related transactions with related parties for 2009 and 2008:

	Shareholders	
	2009	2008
Due from other banks		
Due from other banks as at 1 January (gross)	15 929	7 322
Due from other banks issued during the year	8 100 096	496 591
Due from other banks repaid during the year	(8 031 905)	(487 984)
Due from other banks as at 31 December (gross)	84 120	15 929
Loans to customers		
Loans to customers as at 1 January (gross)	198 831	192 559
Loans to customers issued during the year	2 500	38 798
Loans to customers repaid during the year	(2 412)	(32 526)
Loans to customers as at 31 December (gross)	198 919	198 831
Provision for impairment of loans to customers		
Provision for impairment of loans to customers as at 1 January	24 290	17 171
(Recovery of provision)/provision for impairment of loans to customers during the year	(12 577)	7 119
Provision for impairment of loans to customers as at 31 December	11 713	24 290
Loans to customers as at 1 January (less provision for loan impairment)	174 541	175 388
Loans to customers as at 31 December (less provision for loan impairment)	187 206	174 541

The table below presents the outstanding balances at the year end, liability-related transactions with related parties for 2009 and 2008:

	Shareholders		Directors and key management personnel	
	2009	2008	2009	2008
Due to other banks				
Due to other banks as at 1 January	-	17 000	-	-
Due to other banks received during the year	3 759 155	-	-	-
Due to other banks repaid during the year	(3 434 181)	(17 000)	-	-
Due to other banks as at 31 December	324 974			
Customer accounts				
Customer accounts as at 1 January	2 969	1 492	11 661	1 330
Customer accounts received during the year	-	53 759	31 404	20 205
Customer accounts repaid during the year	(2 969)	(52 282)	(23 974)	(9 874)
Customer accounts as at 31 December	-	2 969	19 091	11 661

As at 31 December 2008 guarantees and sureties received from shareholders were RUR 39 084 thousands.

The table below presents income and expense items with related parties for the years 2009 and 2008:

	Shareholders		Directors and key management personnel	
	2009	2008	2009	2008
Interest income	12	295	126	-
Interest expense	247	-	971	153
Fee and commission income	15	164	126	-

In 2009 remuneration paid to key management personnel totalled RUR 11 974 thousand (2008: RUR 10 462 thousand).