CREDIT BANK OF MOSCOW

Consolidated Financial Statements
for the year ended 31 December 2009

Contents

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Independent Auditors' Report

To the Management of Credit Bank of Moscow (open joint-stock company).

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Credit Bank of Moscow (open joint-stock company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG
30 April 2010

	Notes	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)*
Interest income	4	9,584,791	5,370,076
Interest expense	4	(5,671,209)	(2,797,776)
Net interest income	4	**3,913,582**	**2,572,300**
Provision for impairment of loans	13	(2,465,362)	(474,918)
Net interest income after provision for impairment		**1,448,220**	**2,097,382**
Fee and commission income	5	1,191,323	931,277
Net gain (loss) on financial instruments at fair value through profit or loss		429,497	(228,304)
Net realized gain (loss) on available-for-sale assets		61,633	(141,013)
Foreign exchange gains, net		212,098	405,311
Other operating income		117,032	319,938
Non-interest income		**2,011,583**	**1,287,209**
Salaries and employment benefits	6	(1,064,102)	(1,075,783)
Administrative expenses	6	(868,148)	(710,497)
Provision for impairment of other assets and credit related commitments	7	(193,314)	(2,493)
Depreciation	14	(106,625)	(75,645)
Fee and commission expense		(84,653)	(71,887)
State deposit insurance scheme contributions		(82,651)	(51,591)
Other operating expenses		(88,923)	(98,136)
Non-interest expense		**(2,488,416)**	**(2,086,032)**
Income before income taxes		**971,387**	**1,298,559**
Income tax	8	(191,425)	(284,814)
Net income		**779,962**	**1,013,745**
Other comprehensive income			
Revaluation reserve for available-for-sale securities		469,456	(62,214)
Revaluation of buildings		625,531	-
Income tax related to other comprehensive income		(218,998)	12,443
Other comprehensive income (loss) for the period, net of tax		**875,989**	**(49,771)**
Comprehensive income for the period		**1,655,951**	**963,974**

Chairman of the Board — Alexander N.Nikolashin

Chief Accountant — Svetlana V.Sass

* Refer to Note 34 Disclosure of prior period errors
The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)*	31 December 2007 RUR'000 (restated)*
ASSETS				
Cash and due from the Central Bank of the Russian Federation	9	6,457,166	6,156,493	4,759,256
Due from credit institutions	10	3,531,280	4,555,729	5,259,549
Financial instruments at fair value through profit or loss	11	12,472,290	-	3,674,360
Available-for-sale securities	12	3,235,045	7,582,347	-
Loans to customers	13	58,290,515	39,839,113	26,630,128
Property and equipment	14	2,616,418	1,886,608	1,554,955
Other assets	15	456,286	427,881	321,368
Total assets		**87,059,000**	**60,448,171**	**42,199,616**
LIABILITIES AND EQUITY				
Deposits by the Central Bank of the Russian Federation	16	6,129,195	10,104,195	-
Deposits by credit institutions	17	11,052,903	13,305,859	12,267,088
Deposits by customers	18	45,624,691	23,684,669	17,217,491
Debt securities issued	19	12,385,902	6,327,313	6,947,910
Deferred tax liability	8	250,262	233,798	168,534
Current tax liability	8	153,797	2,281	62,746
Other liabilities	20	418,804	402,561	112,326
Total liabilities		**76,015,554**	**54,060,676**	**36,776,095**
Equity				
Share capital	21	7,138,088	4,138,088	4,138,088
Additional paid-in capital		162,686	162,686	162,686
Revaluation surplus for buildings		500,424	-	-
Revaluation reserve for available-for-sale securities		325,794	(49,771)	-
Retained earnings		2,916,454	2,136,492	1,122,747
Total equity		**11,043,446**	**6,387,495**	**5,423,521**
Total liabilities and equity		**87,059,000**	**60,448,171**	**42,199,616**

Commitments and Contingencies 22-24

* Refer to Note 34 Disclosure of prior period errors
The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	779,962	1,013,745
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for impairment of loans	2,465,362	474,918
Depreciation and amortization	107,767	75,733
Deferred tax (benefit) expense	(202,534)	77,707
Revaluation of financial instruments at fair value through profit or loss	(490,759)	80,789
Provision for impairment of other assets and credit related commitments	193,314	2,493
Gain on sale of premises	-	(256,066)
Accrued interest income	(153,493)	(278,422)
Accrued interest expense	161,032	184,637
Impairment of available-for-sale securities	175,722	-
Other	110,310	50,712
Operating cash flow before changes in operating assets and liabilities	**3,146,683**	**1,426,246**
(Increase) decrease in operating assets		
Obligatory reserve deposits with the Central Bank of the Russian Federation	(344,171)	434,742
Due from credit institutions	(628,446)	(285,272)
Financial instruments at fair value through profit or loss	(12,212,968)	1,952,168
Loans to customers	(20,348,382)	(11,381,945)
Other assets	(76,677)	(42,053)
Increase (decrease) in operating liabilities		
Deposits by credit institutions and the Central Bank of the Russian Federation	(6,259,994)	9,192,164
Deposits by customers	21,375,353	5,565,211
Debt securities issued	5,874,355	(611,089)
Other liabilities	(178,074)	238,575
Net cash (used in) from operations	**(9,652,321)**	**6,488,747**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of available-for-sale securities	4,920,606	(5,706,634)
Net purchase of property and equipment and intangible assets	(110,004)	(387,633)
Net cash from (used in) investing activities	**4,810,602**	**(6,094,267)**

* Refer to Note 34 Disclosure of prior period errors
The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Note	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock		3,000,000	-
Net cash from financing activities		**3,000,000**	**-**
Effect of exchange rates changes on cash and cash equivalents		116,107	448,406
Change in cash and cash equivalents		**(1,725,612)**	**842,886**
Cash and cash equivalents, beginning of the period		10,355,387	9,512,501
Cash and cash equivalents, end of the period	27	**8,629,775**	**10,355,387**

* Refer to Note 34 Disclosure of prior period errors
The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Common stock	**Additional paid-in capital**	**Revaluation surplus for buildings**	**Revaluation reserve for available-for-sale assets**	**Retained earnings**	**Total equity**
	RUR'000	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**
31 December 2007 (Restated)*	**4,138,088**	**162,686**	**-**	**-**	**1,122,747**	**5,423,521**
Total comprehensive income for the period	-	-	-	(49,771)	1,013,745	963,974
31 December 2008 (Restated)*	**4,138,088**	**162,686**	**-**	**(49,771)**	**2,136,492**	**6,387,495**
Total comprehensive income for the period	-	-	500,424	375,565	779,962	1,655,951
Shares issued	3,000,000	-	-	-	-	3,000,000
31 December 2009	**7,138,088**	**162,686**	**500,424**	**325,794**	**2,916,454**	**11,043,446**

* Refer to Note 34 Disclosure of prior period errors
The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

1 Background

Principal activities

These consolidated financial statements include the financial statements of CREDIT BANK OF MOSCOW (the Bank) and its subsidiaries (together referred to as the Group).

CREDIT BANK OF MOSCOW was formed on 5 August 1992 as an open joint stock company, then re-registered as a closed joint stock company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganized as an open joint stock company. The Bank's registered legal address is 2 (bldg. 1) Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central Bank of the Russian Federation, granted on 20 January 2000. In December 2004 the Bank was admitted to the Central Bank of Russia program for individual deposit insurance. The Bank is among the 45 largest banks in Russia by assets and runs its business in Moscow and the Moscow region with a branch network comprising 41 branches, ATMs and payment terminals totaling 240 and 820 items, respectively.

The principal subsidiaries of the Group are as follows:

				Degree of control, %	
Name	**Date of incorporation**	**Country of incorporation**	**Principal Activities**	**31 December 2009**	**31 December 2008**
CBOM Finance p.l.c.	17 Aug 2006	Ireland	Raising finance	100%	100%
MKB-Invest	4 June 2007	Russia	Operations with securities	100%	100%
MKB-Leasing	20 Sep 2005	Russia	Finance leasing	100%	100%
M-leasing	28 May 2007	Russia	Finance leasing	-	100%
MK-leasing	07 May 2008	Russia	Finance leasing	-	100%

The Bank does not have any direct or indirect shareholdings in the subsidiaries noted above. However CBOM Finance p.l.c. was established under terms that impose strict limits on the decision-making powers of its management. MKB-Invest, MKB-Leasing are controlled by the Group through option agreements. On 31 December 2009 the Group disposed of its investments in M-leasing and MK-leasing due to the cancellation of option agreements with them.

Shareholders

The Group is wholly-owned by Concern Rossium (the Shareholder Group). The sole shareholder of Concern Rossium is Roman I. Avdeev, who is also the President and member of the Supervisory Board of the Bank. The members of the Supervisory Board are as follows:

Supervisory Board

Sandy Vaci	Chairman
Richard Damien Glasspool	Member
Roman I. Avdeev	Member
Alexander N. Nikolashin	Member
Irina N. Nartova	Member

Related party transactions are detailed in note 26.

Russian business environment

The Russian Federation is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management' s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value, and, beginning in 2009, buildings are stated at revalued amounts.

Functional and presentation currency

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

Financial information presented in RUR is rounded to the nearest thousand.

Use of estimates and judgments

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

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

- loan impairment estimates - note 13
- building revaluation estimates - note 14.

3 Significant accounting policies

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

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Special purpose entities

The Bank established a special purpose entity (SPE) for trading and investment purposes. The Bank does not have any direct or indirect shareholdings in this entity. However, the SPE is established under terms that impose strict limits on the decision-making powers of the SPE's management over the operations of the SPE. In addition, the benefits related to their operations and net assets are presently attributable to the Bank via a number of agreements.

Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognized in the consolidated statement of comprehensive income.

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation are made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Group considers cash and nostro accounts with the Central Bank of the Russian Federation, due from credit institutions with maturity of less than one month to be cash and cash equivalents. The minimum reserve deposit with the Central Bank of the Russian Federation is not considered to be a cash equivalent due to restrictions on its withdrawability.

Financial instruments

Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,

- upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported liabilities.

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

- the Group intends to sell immediately or in the near term

- the Group upon initial recognition designates as at fair value through profit or loss

- the Group upon initial recognition designates as available-for-sale or,

- the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss

- the Group designates as available-for-sale or,

- meet the definition of loans and receivables.

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

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

Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

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

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

- loans and receivables which are measured at amortized cost using the effective interest method

- held-to-maturity investments which are measured at amortized cost using the effective interest method and,

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in the consolidated statement of comprehensive income. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss

- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

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

Repurchase and reverse repurchase agreements

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

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

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses and, beginning in 2009, buildings are stated at revalued amounts as described below.

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

Revaluation

Buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of buildings being revalued. A revaluation increase on an item is recognised as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on an item is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised directly in equity.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

	Years
Buildings	50
Furniture and other property	6
Computers and office equipment	4
Vehicles	5

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

Intangible assets

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

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

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

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

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable’s original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

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

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

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

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in the consolidated statement of comprehensive income and can not be reversed.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Share capital

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income and expense recognition

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

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

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

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

Dividend income is recognised in the consolidated statement of comprehensive income on the date that the dividend is declared.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment.

Changes in accounting policies

IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). As at 1 January 2009, the Group adopted the revised version of IAS 1 and as a result the income statement is replaced by a statement of comprehensive income that also includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets and revaluation of buildings. The balance sheet is renamed to the statement of financial position and the cash flow statement is renamed to the statement of cash flows. According to the revised IAS 1, a statement of financial position at the beginning of the earliest comparative period is presented whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

Starting from 1 January 2009 the Group adopted IFRS 8 *Operating Segments,* which introduces the management approach to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the chief operating decision maker in order to assess each segment’s performance and to allocate resources to them.

Starting from 1 January 2009 the Group elected to adopt the revaluation model to account for buildings as allowed in IAS 16 *Property, Plant and Equipment*. Management believes that applying the new accounting policy provides more relevant information about the value of buildings and equity. Comparatives are not restated for this change in accounting policy.

Various Improvements to IFRSs are dealt with on a standard-by-standard basis.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial statements.

- IFRS 9 *Financial Instruments Part 1: Classification and Measurement* (effective from 1 January 2013, earlier adoption is permitted). IFRS 9 was issued will replace those parts of IAS 39) relating to the classification and measurement of financial assets. Key features are as follows:

  Financial assets are required to be classified into one of the two measurement categories: those to be measured subsequently at fair value, or those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses in other comprehensive income rather than in profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after 1 January 2010) clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

- Amendments to IFRS 5 *Non-current Assets held for Sale* and *Discontinued Operations* (effective for annual periods beginning on or after 1 July 2009) clarifies the classification of assets and liabilities on disposal of a subsidiary.

- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* (effective for annual periods beginning on or after 1 July 2009) clarify the separation criteria for embedded derivatives on reclassification of a hybrid instrument out of the fair value through profit or loss category.

Various Improvements to IFRSs which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2010.

4 Net interest income

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Interest income		
Loans to customers	8,033,840	4,856,799
Debt securities	1,422,654	386,443
Due from credit institutions and the Central Bank of the Russian Federation	128,297	126,834
	9,584,791	**5,370,076**
Interest expense		
Deposits by customers	(2,931,465)	(1,114,766)
Deposits by credit institutions and the Central Bank of the Russian Federation	(1,418,989)	(862,748)
Debt securities issued	(1,320,755)	(820,262)
	(5,671,209)	**(2,797,776)**
Net interest income	**3,913,582**	**2,572,300**

5 Fee and commission income

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Cash collection delivery	443,509	380,267
Guarantees and letters of credit	307,016	99,490
Settlements and wire transfers	271,577	301,302
Other cash operations	60,563	68,407
Plastic cards	59,686	55,350
Other	48,972	26,461
Fee and commission income	**1,191,323**	**931,277**

6 Salaries, employment benefits and administrative expenses

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Salaries	890,184	887,021
Social security costs	158,955	158,758
Other	14,963	30,004
Salaries and employment benefits	**1,064,102**	**1,075,783**

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Advertising and business development	222,868	156,075
Occupancy	210,415	214,622
Operating taxes	141,435	101,234
Security	117,170	99,505
Communications	52,775	43,651
Transport	30,612	34,216
Other	92,873	61,194
Administrative expenses	**868,148**	**710,497**

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to the statement of comprehensive income in the period the related compensation is earned by the employee. The Group does not have any stock option plans.

7 Provision for impairment of other assets and credit related commitments

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Provision for impairment of credit related commitments	148,985	9,611
Provision for (reversal of) impairment of other assets	44,329	(7,118)
	193,314	**2,493**

8 Income tax

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Current tax charge	393,959	207,107
Deferred taxation	(202,534)	77,707
Income tax expense	**191,425**	**284,814**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The income tax rate for the Bank is 20% (2008: 24%).

The effective income tax rate differs from the statutory income tax rate. A reconciliation of income taxes based on the statutory rate with the actual income tax expense is presented below:

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Income before tax	971,387	1,298,559
Applicable statutory tax rate	20%	24%
Income tax using the applicable tax rate	194,277	311,654
Income taxed at lower rate	(9,622)	(5,033)
Net non-deductible costs	6,770	23,927
Adjustment to deferred tax assets and liabilities for enacted changes in tax rates	-	(45,734)
Income tax expense	**191,425**	**284,814**

Income tax liabilities are recorded in the statement of financial position as follows:

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Current tax liability	153,797	2,281
Deferred tax liability	250,262	233,798
Income tax liability	**404,059**	**236,079**

Movements in temporary differences during the years ended 31 December 2009 and 2008 are presented as follows.

RUR'000	Balance 1 January 2009 (restated)	Recognised in income	Recognised in equity	Balance 31 December 2009
Placements with banks and other financial institutions	1,407	(4,656)	-	(3,249)
Financial instruments at fair value through profit or loss	-	137,604	-	137,604
Loans to customers	172,624	(289,375)	-	(116,751)
Available-for-sale assets	5,075	(75,047)	93,891	23,919
Property and equipment	56,908	7,060	125,107	189,075
Other assets	3,671	(5,088)	-	(1,417)
Due from credit institutions and Central Bank of Russian Federation	282	3,422	-	3,704
Debt securities issued	-	(6,839)	-	(6,839)
Other liabilities	(6,169)	30,385	-	24,216
	233,798	**(202,534)**	**218,998**	**250,262**

RUR'000	Balance 1 January 2008 (restated)	Recognised in income	Recognised in equity	Balance 31 December 2008 (restated)
Placements with banks and other financial institutions	-	1,407	-	1,407
Financial instruments at fair value through profit or loss	7,108	(7,108)	-	-
Loans to customers	126,496	46,128	-	172,624
Available-for-sale assets	-	17,518	(12,443)	5,075
Property and equipment	30,042	26,866	-	56,908
Other assets	1,902	1,769	-	3,671
Due from credit institutions and Central Bank of Russian Federation	8,780	(8,498)	-	282
Other liabilities	(5,794)	(375)	-	(6,169)
	168,534	**77,707**	**(12,443)**	**233,798**

Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income comprise:

	2009			2008 (restated)		
RUR'000	**Amount before tax**	**Tax expense**	**Amount net-of-tax**	**Amount before tax**	**Tax gain**	**Amount net-of-tax**
Revaluation reserve for available-for-sale securities	469,456	(93,891)	375,565	(62,214)	12,443	(49,771)
Revaluation of property, plant and equipment	625,531	(125,107)	500,424	-	-	-
Other comprehensive income	**1,094,987**	**(218,998)**	**875,989**	**(62,214)**	**12,443**	**(49,771)**

9 Cash and due from the Central Bank of the Russian Federation

	31 December 2009 RUR'000	31 December 2008 RUR'000
Cash on hand	2,482,467	2,039,477
Correspondent account with the Central Bank of the Russian Federation	3,573,693	4,060,181
Obligatory reserve deposits with the Central Bank of the Russian Federation	401,006	56,835
Cash and due from the Central Bank of the Russian Federation	**6,457,166**	**6,156,493**

The obligatory reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by the Central Bank of the Russian Federation, the withdrawal of which is restricted. The correspondent account with the Central Bank of the Russian Federation represents balances held with the Central Bank of the Russian Federation related to settlement activity, and was available for withdrawal at period end.

Information about the currency and maturity of cash and due from the Central Bank of the Russian Federation is presented in note 30 to these consolidated financial statements.

10 Due from credit institutions

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Current accounts		
rated from AA+ to AA-	330,158	69,606
rated from A+ to A-	274,390	54,241
rated BBB	1,009,893	242,953
rated from BB+ to BB-	-	21,125
rated from B+ to B-	26,860	26,860
not rated	598,564	2,157,200
Total current accounts	**2,239,865**	**2,571,985**
Term deposits		
rated from AA+ to AA-	323,630	461,420
rated from A+ to A-	957,665	17,628
rated BBB	-	251,822
rated from BB+ to BB-	-	1,016,712
rated from B+ to B-	-	55,092
not rated	10,120	181,070
Total term deposits	**1,291,415**	**1,983,744**
Due from credit institutions	**3,531,280**	**4,555,729**

Ratings are based on Standard & Poor's rating system.

Settlements with the stock exchange are included in not rated current accounts in the amount of RUR 480,751 thousand as at 31 December 2009 (31 December 2008: RUR 2,074,224 thousand).

Information about the currency and maturity and effective interest rates on amounts due from credit institutions is presented in note 30 to these consolidated financial statements.

Concentrations of the due from credit institutions

As at 31 December 2009 the Group had three counterparties (31 December 2008: two) whose deposit balances exceed 10% of total due from credit institutions. The gross value of these facilities as at 31 December 2009 is RUR 2,295,997 thousand (31 December 2008: 2,545,121).

11 Financial instruments at fair value through profit or loss

	31 December 2009 RUR'000	31 December 2008 RUR'000
Held by the Bank		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	931,583	-
Moscow Government bonds	408,359	-
Corporate bonds		-
from BBB+ to BBB-	603,456	-
from BB+ to BB-	481,832	-
from B+ to B-	2,663,910	-
not rated	1,449,045	-
Total financial instruments at fair value through profit or loss held by the bank	**6,538,185**	**-**
Pledged as collateral for interbank and other loans		
Government and municipal bonds		
Regional authorities and municipal bonds	652,608	
Corporate bonds		-
from BBB+ to BBB-	104,267	-
from BB+ to BB-	103,089	-
from B+ to B-	1,383,011	-
Total financial instruments at fair value through profit or loss pledged as collateral for interbank and other loans	**2,242,975**	**-**
Pledged under sale and repurchase agreements		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	844,667	-
Moscow Government bonds	297,055	-
Corporate bonds		-
from BBB+ to BBB-	647,642	-
from BB+ to BB-	1,150,835	-
from B+ to B-	402,165	-
not rated	348,766	-
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	**3,691,130**	**-**
Total financial instruments at fair value through profit or loss	**12,472,290**	**-**

As at 31 December 2009 debt instruments in the amount of RUR 10,197,400 thousand are included in the list of securities that can be pledged to attract funds from the Central Bank of the Russian Federation.

In 2008 the Group reclassified certain securities held for trading with effect from 14 October 2008 into available-for-sale securities following amendments to IAS 39 *Financial instruments: Recognition and Measurement*. The Group determined that the extraordinary deterioration of the global and local financial markets during the third quarter of 2008 constituted rare circumstances that permit reclassification out of the trading category.

The disclosures below detail the impact of the reclassifications on the consolidated financial statements:

	2009 RUR'000		**2008 RUR'000**		**14 October 2008 RUR'000**
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Carrying and fair value**
Trading securities reclassified to available-for-sale financial assets	408,849	408,849	1,627,239	1,627,239	2,340,263

	2009 RUR'000	**2008 RUR'000**
Interest income recognized in profit or loss	74,378	62,045
Losses recognized in profit or loss	(91,092)	(58,384)
Gain (loss) that would have been recognized in profit or loss if the assets had not been reclassified	51,623	(14,163)

Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of spot and forward exchange contracts outstanding at 31 December 2009 and 2008 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		**Weighted average contractual exchange rates**	
	2009 RUR'000	**2008 RUR'000**	**2009**	**2008**
Buy EUR sell USD				
Less than 3 months	1,320,732	457,842	1.4354	1.4424
Buy RUR sell USD				
Less than 3 months	26,452	253,281	30.1995	29.8182
Buy USD sell RUR				
Less than 3 months	128,819	-	29.9927	-

	Notional amount		**Weighted average contractual exchange rates**	
	2009 RUR'000	**2008 RUR'000**	**2009**	**2008**
Buy EUR sell RUR				
Less than 3 months	932,639	-	43.1079	-
Buy RUR sell EUR				
Less than 3 months	-	85,152	-	42.5760
	2,408,642	**796,275**		

12 Available-for-sale securities

	31 December 2009 RUR'000	**31 December 2008 RUR'000 (restated)**
Held by the Bank		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	-	510,898
Russian Government Eurobonds	7,497	1,323
Moscow Government bonds	29,819	3,374
Regional authorities and municipal bonds	213,005	298,773
Corporate bonds		
from BBB+ to BBB-	69,631	489,245
from BB+ to BB-	-	267,124
from B+ to B-	666,565	524,977
from CCC+ to CCC-	-	73,723
not rated	32,651	722,570
Promissory notes	-	833,679
Equity investments	70,025	51,893
Total available-for-sale securities held by the Bank	**1,089,193**	**3,777,579**
Pledged as collateral for interbank and other loans		
Government and municipal bonds		
Russian Government Eurobonds	1,594,223	-
Regional authorities and municipal bonds	230,605	-
Corporate bonds		-
from BB+ to BB-	157,185	-
Promissory notes	66,580	1,099,774
Total available-for-sale securities pledged as collateral for interbank and other loans	**2,048,593**	**1,099,774**

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Pledged under sale and repurchase agreements		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	47,794	413,418
Moscow Government bonds	-	118,568
Regional authorities and municipal bonds	-	239,285
Corporate bonds		
from BBB+ to BBB-	49,465	657,158
from BB+ to BB-	-	1,110,327
from B+ to B-	-	166,238
Total available-for-sale securities pledged under sale and repurchase agreements	**97,259**	**2,704,994**
Total available-for-sale securities	**3,235,045**	**7,582,347**

As at 31 December 2009 debt instruments in the amount of RUR 2,996,160 thousand are included in the list of securities that can be pledged to attract funds from the Central Bank of the Russian Federation.

13 Loans to customers

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)	31 December 2007 RUR'000 (restated)
Loans to corporate clients	**50,088,406**	**31,407,939**	**21,931,761**
Loans to individuals			
Auto loans	1,947,239	2,363,177	2,327,397
Mortgage loans	5,582,649	5,025,356	2,092,686
Other loans to individuals	2,496,422	1,548,781	498,337
Total loans to individuals	**10,026,310**	**8,937,314**	**4,918,420**
Gross loans to customers	**60,114,716**	**40,345,253**	**26,850,181**
Impairment allowance	(1,824,201)	(506,140)	(220,053)
Net loans to customers	**58,290,515**	**39,839,113**	**26,630,128**

During 2009 the Group renegotiated loans that would otherwise be past due or impaired of RUR 649,265 thousand (2008: RUR 460,149 thousand). Such restructuring activity is aimed at managing customer relationships and maximizing quality of the loan portfolio. Renegotiated loans are included in loans not past due unless the borrower is unable to comply with the renegotiated terms.

Movements in the loan impairment allowance for the year ended 31 December 2009 and 2008 are as follows:

	2009 RUR'000	2008 RUR'000 (restated)	2007 RUR'000 (restated)
Balance at the beginning of the period	506,140	220,053	150,542
Net charge	2,465,362	474,918	138,195
Net write-offs	(1,147,301)	(188,831)	(68,684)
Balance at the end of the period	**1,824,201**	**506,140**	**220,053**

As at 31 December 2009, interest accrued on overdue loans amounts to RUR 214,939 thousand (31 December 2008: RUR 38,361 thousand).

As at 31 December 2009, the gross amount of overdue loans with payments that are overdue at least one day, totals RUR 2,288,319 thousand, which represents 3.8% of the loan portfolio (31 December 2008: RUR 1,431,953 thousand and 3.5%, respectively). Nonperforming loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUR 1,793,625 thousand or 3.0% of the loan portfolio (31 December 2008: RUR 571,573 thousand and 1.4%, respectively)

As at 31 December 2009, the ratio of total impairment allowance to overdue loans equals to 79.7%, and the ratio of total impairment allowance to NPLs equals 101.7% (31 December 2008: 35.3% and 88.6%, respectively)

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality the loans to corporate clients as at 31 December 2009:

	Gross loans RUR'000	Impairment allowance RUR'000	Net loans RUR'000	Impairment to gross loans %
Loans to corporate clients				
- Not past due	49,406,492	(750,960)	48,655,532	1.5%
- Overdue less than 31 days	89,523	(3,066)	86,457	3.4%
- Overdue 31-90 days	102,032	(45,494)	56,538	44.6%
- Overdue 91-180 days	189,536	(42,653)	146,883	22.5%
- Overdue 181-360 days	190,107	(117,055)	73,052	61.6%
- Overdue more than 360 days	110,716	(43,906)	66,810	39.7%
Total loans to corporate clients	**50,088,406**	**(1,003,134)**	**49,085,272**	**2.0%**

The following table provides information on credit quality of loans to corporate clients as at 31 December 2008 (restated):

	Gross loans RUR'000	Impairment allowance RUR'000	Net loans RUR'000	Impairment to gross loans %
Loans to corporate clients				
- Not past due	30,902,562	(129,319)	30,773,243	0.4%
- Overdue less than 31 days	55,944	(868)	55,076	1.6%
- Overdue 31-90 days	113,570	(39,615)	73,955	34.9%
- Overdue 91-180 days	250,370	(34,899)	215,471	13.9%
- Overdue 181-360 days	73,777	(28,934)	44,843	39.2%
- Overdue more than 360 days	11,716	(7,928)	3,788	67.7%
Total loans to corporate clients	**31,407,939**	**(241,563)**	**31,166,376**	**0.8%**

The Bank estimates loan impairment for loans to corporate clients based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

Changes in these estimates could effect the the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance as of 31 December 2009 would be RUR 490,853 thousand (31 December 2008: RUR 311,664 thousand) lower/higher.

Analysis of collateral

Corporate loans are secured by the following types of collateral, depending on the type of transactions: real estate (manufacturing premises, warehouses), machinery and equipment, motor vehicles, inventories, receivables, guarantees and sureties, securities, promissory notes. As the Group creates loan impairment allowances without considering the fair value of collateral, with the exception of finance leases, and writes off loans that are no longer recoverable, it is impracticable to estimate the fair value of collateral held in respect of remaining impaired or overdue loans. As of 31 December 2009 the Group plans to recover a portion of impaired lease contracts with gross amount of RUR 67,843 thousand (31 December 2008: RUR 53,482 thousand) through the sale of collateral with a fair value of RUR 55,994 thousand (31 December 2008: RUR 40,163 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance within loans to corporate clients portfolio for the year ended 31 December 2009 are as follows:

	Total RUR'000
Balance at the beginning of the period (restated)	241,563
Net charge	1,796,596
Net write-offs	(1,035,025)
Balance at the end of the period	**1,003,134**

Movements in the loan impairment allowance within loans to corporate clients portfolio for the year ended 31 December 2008 are as follows:

	RUR'000
Balance at the beginning of the period (restated)	95,746
Net charge	184,539
Net write-offs	(38,722)
Balance at the end of the period (restated)	**241,563**

Credit quality of loans to individuals

The following table provides information on credit quality of loans to individuals as at 31 December 2009:

	Gross loans RUR'000	Impairment allowance RUR'000	Net loans RUR'000	Impairment to gross loans %
Auto loans				
- Not past due	1,742,956	(6,964)	1,735,992	0.4%
- Overdue less than 31 days	19,156	(3,757)	15,399	19.6%
- Overdue 31-90 days	28,325	(11,875)	16,450	41.9%
- Overdue 91-180 days	27,618	(16,407)	11,211	59.4%
- Overdue 181-360 days	101,737	(75,566)	26,171	74.3%
- Overdue more than 360 days	27,447	(25,050)	2,397	91.3%
Total auto loans	**1,947,239**	**(139,619)**	**1,807,620**	**7.2%**
Mortgage loans				
- Not past due	4,563,263	(5,331)	4,557,932	0.1%
- Overdue less than 31 days	83,427	(80)	83,347	0.1%
- Overdue 31-90 days	84,226	(2,106)	82,120	2.5%
- Overdue 91-180 days	109,926	(3,984)	105,942	3.6%
- Overdue 181-360 days	172,181	(54,635)	117,546	31.7%
- Overdue more than 360 days	569,626	(296,690)	272,936	52.1%
Total mortgage loans	**5,582,649**	**(362,826)**	**5,219,823**	**6.5%**
Other loans to individuals				
- Not past due	2,113,686	(29,830)	2,083,856	1.4%
- Overdue less than 31 days	53,577	(15,907)	37,670	29.7%
- Overdue 31-90 days	34,428	(20,814)	13,614	60.5%
- Overdue 91-180 days	68,292	(51,483)	16,809	75.4%
- Overdue 181-360 days	158,463	(132,699)	25,764	83.7%
- Overdue more than 360 days	67,976	(67,889)	87	99.9%
Total other loans to individuals	**2,496,422**	**(318,622)**	**2,177,800**	**12.8%**
Total loans to individuals	**10,026,310**	**(821,067)**	**9,205,243**	**8.2%**

The follow table provides information on credit quality of loans to individual portfolios as at 31 December 2008 (restated):

	Gross loans RUR'000	Impairment allowance RUR'000	Net loans RUR'000	Impairment to gross loans %
Auto loans				
- Not past due	2,237,459	(12,020)	2,225,439	0.5%
- Overdue less than 31 days	48,247	(5,158)	43,089	10.7%
- Overdue 31-90 days	29,229	(12,130)	17,099	41.5%
- Overdue 91-180 days	27,247	(15,866)	11,381	58.2%
- Overdue 181-360 days	17,033	(12,524)	4,509	73.5%
- Overdue more than 360 days	3,962	(3,750)	212	94.6%
Total auto loans	**2,363,177**	**(61,448)**	**2,301,729**	**2.6%**
Mortgage loans				
- Not past due	4,417,763	(11,020)	4,406,743	0.2%
- Overdue less than 31 days	174,880	(432)	174,448	0.2%
- Overdue 31-90 days	319,417	(15,522)	303,895	4.9%
- Overdue 91-180 days	68,108	(6,500)	61,608	9.5%
- Overdue 181-360 days	35,558	(18,679)	16,879	52.5%
- Overdue more than 360 days	9,630	(8,566)	1,064	89.0%
Total mortgage loans	**5,025,356**	**(60,719)**	**4,964,637**	**1.2%**
Other loans to individuals				
- Not past due	1,355,516	(33,676)	1,321,840	2.5%
- Overdue less than 31 days	56,321	(1,391)	54,930	2.5%
- Overdue 31-90 days	62,772	(44,823)	17,949	71.4%
- Overdue 91-180 days	42,096	(33,830)	8,266	80.4%
- Overdue 181-360 days	28,782	(25,573)	3,209	88.9%
- Overdue more than 360 days	3,294	(3,117)	177	94.6%
Total other loans to individuals	**1,548,781**	**(142,410)**	**1,406,371**	**9.2%**
Total loans to individuals	**8,937,314**	**(264,577)**	**8,672,737**	**3.0%**

The Bank estimates loan impairment based on its past historical loss experience on these types of loans. The significant assumptions used by management in determining the impairment losses for loans to individuals include:

- the Group can sell consumer and auto loans to individuals overdue more than 360 days for 6.1% and 8.7% of their gross amounts, respectively
- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 9 months
- in respect of mortgage loans, a delay of 18 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 20% to the originally appraised value if the property pledged is sold through court procedures.

Changes in these estimates could effect the the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance as of 31 December 2009 would be RUR 92,052 thousand (31 December 2008: RUR 86,727 thousand) lower/higher.

Analysis of collateral

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying car. Credit card overdrafts and consumer loans are not secured. As of 31 December 2009, the Bank estimates the fair value of private real estate undergoing foreclosure to be RUR 316,931 thousand (31 December 2008: RUR 226,179 thousand).

Management believes that it is impracticable to estimate the fair value of collateral held in respect of auto loans.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2009 are as follows:

	Auto loans RUR'000	Mortgage loans RUR'000	Other loans to individuals RUR'000	Total RUR'000
Balance at the beginning of the period (restated)	61,448	60,719	142,410	264,577
Net charge	111,281	302,107	255,378	668,766
Net write-offs	(33,110)	-	(79,166)	(112,276)
Balance at the end of the period	**139,619**	**362,826**	**318,622**	**821,067**

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2008 (restated) are as follows:

	Auto loans RUR'000	Mortgage loans RUR'000	Other loans to individuals RUR'000	Total RUR'000
Balance at the beginning of the period (restated)	107,073	6,605	10,629	124,307
Net charge	83,344	61,083	145,952	290,379
Net write-offs	(128,969)	(6,969)	(14,171)	(150,109)
Balance at the end of the period (restated)	**61,448**	**60,719**	**142,410**	**264,577**

Industry and geographical analysis of the loan portfolio

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

	31 December 2009 RUR'000	**31 December 2008 RUR'000 (restated)**
Loans to individuals	10,026,310	8,937,314
Consumer electronics and computers	9,377,791	7,794,185
Foods	6,794,778	2,926,512
Construction materials	4,504,322	2,869,668
Machinery	3,244,323	2,802,117
Light industry	3,105,261	2,661,204
Hygiene products and consumer chemicals	2,955,621	1,376,090
Paper and stationery	2,833,682	2,807,003
Automotive, motocycles and spare parts	2,501,398	1,173,086
Services	2,543,718	1,553,522
Finance, lease	2,256,264	428,884
Utilities	2,013,045	-
Metallurgic industry	1,686,564	65,284
Telecommunications	1,461,288	-
Other consumer goods	1,396,246	1,423,357
Sports goods	880,564	1,553,911
Furniture	675,726	574,903
Medical	616,941	169,699
Oil	5,578	109,331
Other corporates	1,235,296	1,119,183
	60,114,716	**40,345,253**
Impairment allowance	(1,824,201)	(506,140)
	58,290,515	**39,839,113**

Finance lease

Finance lease receivables included in loans to customers are as follows:

	31 December 2009 RUR'000	**31 December 2008 RUR'000**
Gross investment in finance lease	1,276,316	2,496,335
Unearned interest income	(273,322)	(632,854)
Net investment in finance lease before allowance	**1,002,994**	**1,863,481**
Impairment allowance	**(48,115)**	**(6,524)**
Net investment in finance lease	**954,879**	**1,856,957**

The contractual maturity of the net investment in leases is as follows:

	2009 RUR'000	2008 RUR'000
Less than 1 year	542,280	906,185
Between 1 and 5 years	411,445	937,861
More than 5 years	1,154	12,911
	954,879	**1,856,957**

Loan maturities

The maturity of the loan portfolio is presented in note 30.

14 Property and equipment

The movement in property and equipment for the year ended 31 December 2009 and 2008 (restated) is presented in the table below:

RUR'000	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Total
Cost/revalued amount						
At 1 January 2009 (restated)	1,587,664	86,285	55,377	354,191	42,941	**2,126,458**
Additions	3,357	25,028	9,327	217,209	15,324	**270,245**
Disposals	(1,523)	(9,401)	(193)	(45,349)	(36,954)	**(93,420)**
Revaluation	625,531	-	-	-	-	**625,531**
At 31 December 2009	**2,215,029**	**101,912**	**64,511**	**526,051**	**21,311**	**2,928,814**
Accumulated depreciation						
At 1 January 2009 (restated)	20,392	33,445	28,441	157,572	-	**239,850**
Depreciation charge	21,854	18,292	11,574	54,905	-	**106,625**
Disposals	(220)	(8,542)	(167)	(25,150)	-	**(34,079)**
At 31 December 2009	**42,026**	**43,195**	**39,848**	**187,327**	**-**	**312,396**
Carrying value						
At 31 December 2009	**2,173,003**	**58,717**	**24,663**	**338,724**	**21,311**	**2,616,418**

The movement in property and equipment for the year ended 31 December 2008 (restated) and 2007 (restated) is presented in the table below:

RUR'000	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Total
Cost/revalued amount						
At 1 January 2008 (restated)	21,804	77,126	65,647	253,654	1,334,634	**1,752,865**
Additions	212,807	31,068	3,618	110,010	61,360	**418,863**
Disposals	-	(21,909)	(13,888)	(9,473)	-	**(45 270)**
Transfers	1,353,053	-	-	-	(1,353,053)	-
At 31 December 2008 (restated)	**1,587,664**	**86,285**	**55,377**	**354,191**	**42,941**	**2,126,458**
Accumulated depreciation At 1 January 2008 (restated)	4,160	28,201	33,981	131,568	-	**197,910**
Depreciation charge	16,232	13,800	8,348	37,265	-	**75,645**
Disposals	-	(8,556)	(13,888)	(11,261)	-	**(33,705)**
At 31 December 2008 (restated)	**20,392**	**33,445**	**28,441**	**157,572**	**-**	**239,850**
Carrying value						
At 31 December 2008 (restated)	**1,567,272**	**52,840**	**26,936**	**196,619**	**42,941**	**1,886,608**
At 31 December 2007 (restated)	**17,644**	**48,925**	**31,666**	**122,086**	**1,334,634**	**1,554,955**

Revalued assets

At 31 December 2009 buildings are revalued based on the results of an independent appraisal performed by OOO "MEF-Audit", which is qualified and experienced in valuation of property in Moscow. The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar buildings.

The carrying value of buildings as of 31 December 2009, if the buildings would not have been revalued, would be RUR 1,547,472 thousand (31 December 2008: RUR 1,567,272 thousand).

15 Other assets

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Receivables	213,427	229,101
Property held for sale	98,359	-
Prepaid expenses	52,821	103,155
Intangibles	11,281	3,315
Other	80,398	92,310
Other assets	**456,286**	**427,881**

16 Deposits by the Central Bank of the Russian Federation

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Term deposits	1,605,794	7,949,673
Payables under repurchase agreements or collateral loans	4,523,401	2,154,522
Deposits by the Central Bank of the Russian Federation	**6,129,195**	**10,104,195**

Information about the currency and maturity and effective interest rates on deposits by the Central Bank of Russian Federation is presented in note 30 to these consolidated financial statements.

17 Deposits by credit institutions

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Demand deposits	36,473	149,041
Term deposits	5,291,736	8,404,352
Syndicated loans	1,825,518	3,957,566
Subordinated debt	604,884	587,608
Payables under repurchase agreements	3,294,292	207,292
Deposits by credit institutions	**11,052,903**	**13,305,859**

Syndicated loans represent loans denominated in USD with effective interest rates ranging from 3.2 to 4.1% (31 December 2008: from 5.1% to 6.3%) and maturity from 2010 to 2011 (31 December 2008: from 2009 to 2011).

Subordinated debt represents a loan denominated in USD granted by the European Bank for Reconstruction and Development with effective interest rate of 6.4% (31 December 2008: 7.8%) and maturity in 2015.

Information about the currency and maturity and effective interest rates on deposits by credit institutions is presented in note 30 to these consolidated financial statements.

Concentrations of deposits by credit institutions

As at 31 December 2009 the Group had two counterparties (31 December 2008: one) whose deposits balance exceeded 10% of the due to credit institutions. The gross value of these facilities as at 31 December 2009 is RUR 4,032,910 thousand (31 December 2008: RUR 4,302,383 thousand).

18 Deposits by customers

		31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Corporate customers	Demand	5,564,236	6,089,215
	Term	8,309,781	4,393,715
Total corporate customers		**13,874,017**	**10,482,930**
Individuals	Demand	1,484,515	943,372
	Term	30,266,159	12,258,367
Total individuals		**31,750,674**	**13,201,739**
Total deposits by customers		**45,624,691**	**23,684,669**

Concentrations of current accounts and customer deposits

As of 31 December 2009 and 2008, the were no demand or term deposits from customers, which individually exceed 10% of total customer accounts.

Information about the currency and maturity and effective interest rates on deposits by customers is presented in note 30 to these consolidated financial statements.

19 Debt securities issued

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Promissory notes issued at nominal value	5,344,584	1,470,555
Unamortized discount on promissory notes	(207,768)	(55,255)
	5,136,816	**1,415,300**
Bonds issued	7,249,086	4,912,013
	12,385,902	**6,327,313**

Information about the currency and maturity and effective interest rates on debt securities issued is presented in note 30 to these consolidated financial statements.

Bondholders are entitled to require early redemption of bonds at nominal value. The next date on which bondholders can demand redemption is April 2010. In note 30 bonds are presented by early redemption option dates.

20 Other liabilities

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Allowance for credit related commitments	163,589	14,604
Payables to suppliers	81,761	265,134
Operating taxes payable	37,047	48,432
Payables to Deposit Insurance Agency	27,619	12,247
Deferred income	10,828	6,082
Other	97,960	56,062
Other liabilities	**418,804**	**402,561**

21 Share capital

The share capital of the Bank consists of ordinary shares and was contributed by the shareholder in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital comprised 6,276,158,008 shares (31 December 2008: 3,276,158,008 shares) with par value of 1 RUR per share. In June 2009 the Central Bank of the Russian Federation registered a capital increase in the amount of RUR 3,000,000,000. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUR 861,930 thousand.

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Russian Federation. In accordance with the legislation of the Russian Federation, as of the reporting date, reserves available for distribution amount to RUR 1,102,761 thousand (2008: RUR 906,903 thousand).

22 Commitments

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Guarantees	8,994,203	4,637,989
Letters of credit	2,143,214	1,361,987
Undrawn loan commitments	294,333	781,927
	11,431,750	**6,781,903**

23 Operating lease

Leases as lessee

	2009 RUR'000	2008 RUR'000 (restated)
Less than 1 year	100,161	94,979
Between 1 and 5 years	123,463	179,587
More than 5 years	75,510	111,344
	299,134	**385,910**

24 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

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

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

25 Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

26 Related party transactions

The outstanding balances and related average interest rates as at 31 December with related parties are as follows:

	31 December 2009		31 December 2008 (restated)	
	Amount	**Average effective interest rate**	**Amount**	**Average effective interest rate**
Loans to customers				
Ultimate shareholder	207,682	15.7%	48,629	18.0%
Other subsidiaries of the parent company	411,475	16.7%	236,257	16.4%
Management	27,188	12.4%	18,343	12.4%
Deposits by customers				
Ultimate shareholder	247,217	11.7%	202,418	12,6%
Parent company	41,060	15.83%	6,786	-
Other subsidiaries of the parent company	128,451	2.0%	11,737	-
Management	4,446	12.93%	9,695	10.1%

Amounts included in the statement of comprehensive income for the year ended 31 December in relation to transactions with related parties are as follows:

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
Interest income on loans to customers		
Ultimate shareholder	14,809	2,195
Other subsidiaries of the parent company	51,537	93,767
Management	3,371	2,341
Interest expense on deposits by customers and promissory notes		
Ultimate shareholder	23,369	6,319
Parent company	6,500	-
Other subsidiaries of the parent company	2,569	880
Management	575	853

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the year ended 31 December (refer to note 6) is as follows:

	2009 RUR'000	**2008 RUR'000**
Members of the Supervisory Board	2,903	16,143
Members of the Management Board	27,284	48,986
	30,187	**65,129**

27 Cash and cash equivalents

	31 December 2009 RUR'000	**31 December 2008 RUR'000 (restated)**
Cash on hand	2,482,467	2,039,477
Correspondent account with the Central Bank of the Russian Federation	3,573,693	4,060,181
Due from credit institutions with maturity of less than 1 month	2,573,615	4,255,729
Cash and cash equivalents	**8,629,775**	**10,355,387**

28 Capital management

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

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of the Russian Federation, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2009, this minimum level is 10%. The Bank was in compliance with the statutory capital ratio during the years ended 31 December 2009 and 2008.

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

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

	2009 RUR'000	**2008 RUR'000 (restated)**
Tier 1 capital		
Share capital	7,300,774	4,300,774
Retained earnings	2,916,454	2,136,492
Total tier 1 capital	**10,217,228**	**6,437,266**
Tier 2 capital		
Revaluation surplus for buildings	500,424	-
Revaluation reserve for investments available-for-sale	325,794	(49,771)
Subordinated debt (unamortized portion)	604,884	587,608
Total tier 2 capital	**1,431,102**	**537,837**
Total capital	**11,648,330**	**6,975,103**
Risk-weighted assets		
Banking book	67,618,009	49,064,723
Trading book	15,619,814	7,388,170
Total risk weighted assets	**83,237,823**	**56,452,893**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**14.0**	**12.4**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**12.3**	**11.4**

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

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basle Accord established by covenants under liabilities incurred by the Group. The Group complied with all externally imposed capital requirements during the years ended 31 December 2009 and 2008.

29 Analysis by segment

The Group has five reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Financial Officer (CFO) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate banking: comprises corporate lending, overdraft lending, factoring, leasing, letters of credit, guaranties, corporate deposit taking, settlements and money transfer, currency conversion
- Retail banking: comprises retail demand and term deposit services; retail lending, including consumer loans, car loans and mortgages, money transfers and private banking services; banking card products, settlement and money transfer, currency conversion for individuals
- Treasury: comprises interbank lending and borrowings from banks, securities trading and brokerage in securities, repo transactions, foreign exchange services, issuance of domestic bonds and PNs
- International business: comprises borrowings from international financial institutions and trade finance operations
- Cash collection and other cash operations: comprise all operations connected with cash, cash collection, calculation and transportation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on statutory financial information, as included in the internal management reports that are reviewed by the CFO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm’s length basis.

The segment breakdown of assets and liabilities is set out below:

	2009 RUR’000	2008 RUR’000
ASSETS		
Corporate banking	46,949,009	30,690,009
Retail banking	9,676,680	9,211,348
Treasury	25,690,972	16,440,569
International business	9,594	9,226
Cash operations	2,802,695	2,339,697
Unallocated assets	1,406,570	938,979
Total assets	**86,535,520**	**59,629,828**
LIABILITIES		
Corporate banking	13,865,315	10,803,023
Retail banking	31,372,727	12,980,773
Treasury	24,862,583	19,216,007
International business	5,190,420	10,289,610
Unallocated liabilities	1,293,002	746,236
Total liabilities	**76,584,047**	**54,035,649**

Segment information for the main reportable segments for the year ended 31 December 2009 is set below:

RUR'000	Corporate banking	Retail banking	Treasury	International business	Cash operations	Unallocated	Total
External interest income	6,392,026	1,179,501	1,627,705	-	-	-	9,199,232
Fee and commission income	907,877	205,861	84,377	-	443,952	-	1,642,067
Net gain on securities	-	-	787,270	-	-	-	787,270
Net foreign exchange income (loss)	180,012	169,568	(155,153)	-	-	20,091	214,518
Other income	43,076	62,881	-	-	-	13,051	119,008
(Expenses) revenue from other segments	(3,516,001)	1,867,439	310,250	1,338,312	-	-	-
Revenue	**4,006,990**	**3,485,250**	**2,654,449**	**1,338,312**	**443,952**	**33,142**	**11,962,095**
Impairment losses	(1,645,976)	(772,252)	(74,319)	-	-	-	(2,492,547)
Interest expense	(443,264)	(2,603,604)	(2,183,487)	(408,560)	-	-	(5,638,915)
Fee and commission expense	(1,321)	(5,265)	(22,134)	(73,604)	-	-	(102,324)
Depreciation	(57,848)	(11,923)	(31,655)	(12)	(3,454)	(1,733)	(106,625)
General administrative expenses	(2,380)	(709,567)	(10,196)	(29,050)	(396,052)	(1,043,654)	(2,170,507)
Other expenses	-	(67,279)	-	-	-	(113,113)	(180,392)
Income before income taxes	**1,856,201**	**(684,640)**	**353,050**	**827,086**	**44,446**	**(1,125,358)**	**1,270,785**
Income tax	-	-	-	-	-	(240,007)	**(240,007)**
Segment result	**1,856,201**	**(684,640)**	**353,050**	**827,086**	**44,446**	**(1,365,365)**	**1,030,778**

Segment information for the main reportable segments for the year ended 31 December 2008 is set below:

RUR'000	Corporate banking	Retail banking	Treasury	International business	Cash operations	Unallocated	Total
External interest income	3,641,247	876,998	461,585	-	-	-	4,979,830
Fee and commission income	658,756	299,664	-	-	386,211	-	1,344,631
Net loss on securities	-	-	(11,960)	-	-	-	(11,960)
Net foreign exchange income (loss)	488,799	5,341	(200,395)	-	-	(874)	292,871
Other income	10,914	41,604	5	-	-	-	52,523
(Expenses) revenue from other segments	(1,900,843)	475,975	190,930	1,233,938	-	-	-
Revenue	**2,898,873**	**1,699,582**	**440,165**	**1,233,938**	**386,211**	**(874)**	**6,657,895**
Impairment losses	(793,395)	(118,014)	(155,270)	-	-	-	(1,066,679)
Interest expense	(160,948)	(990,436)	(907,232)	(613,958)	-	-	(2,672,574)
Fee and commission expense	(20,918)	(4,125)	(21,744)	(121,432)	-	-	(168,219)
Depreciation	(38,933)	(11,685)	(20,856)	(12)	(2,968)	(1,191)	(75,645)
General administrative expenses	(173,555)	(351,160)	(11,043)	(22,265)	(361,456)	(811,741)	(1,731,220)
Other expenses	-	(47,206)	-	-	-	(693)	(47,899)
Income before income taxes	**1,711,124**	**176,956**	**(675,980)**	**476,271**	**21,787**	**(814,499)**	**895,659**
Income tax	-	-	-	-	-	(201,666)	**(201,666)**
Segment result	**1,711,124**	**176,956**	**(675,980)**	**476,271**	**21,787**	**(1,016,165)**	**693,993**

The segment breakdown of additions to property and equipment for the year ended 31 December 2009 and 2008 is set out below:

	2009 RUR'000	2008 RUR'000
Corporate banking	146,619	215,579
Retail banking	30,220	64,704
Treasury	80,231	115,485
International business	29	64
Cash operations	8,753	16,435
Unallocated assets	4,393	6,596
Total additions to property and equipment	**270,245**	**418,863**

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2009 RUR'000	2008 RUR'000
Income before income taxes per management accounting	1,270,785	895,659
Consolidation adjustments	4,921	70,802
Interest and commission accruals	(84,729)	(122,780)
Fair value and other adjustments to securities	(296,140)	(357,357)
Adjustments to impairment allowances	(166,129)	589,268
Personnel, administrative and operating expenses accruals	155,606	(106,651)
Other adjustments	87,073	329,618
Income before income taxes per IFRS financials	**971,387**	**1,298,559**

	2009 RUR'000		31 December 2008 RUR'000	
	Assets	Liabilities	Assets	Liabilities
Total assets/liabilities per management accounting	86,535,520	76,584,047	59,629,828	54,035,649
Accrual of administrative and operating expenses	-	48,766	(4,405)	(4,546)
Consolidation adjustments	(678,977)	(753,888)	(62,429)	(143,265)
Revaluation and other adjustments to property and equipment	913,437	-	252,493	-
Adjustment of current and deferred tax assets and liabilities	-	385,102	-	233,800
Accrual of interest and commissions	(360,981)	(12,377)	(26,987)	3,089
Adjustments to impairment allowances	659,753	(245,221)	1,026,213	(64,842)
Fair value adjustment to securities	(9,752)	-	(366,542)	-
Accrual of employee compensation payable	-	9,125	-	791
Total assets/liabilities per IFRS financials	**87,059,000**	**76,015,554**	**60,448,171**	**54,060,676**

30 Risk management

Management of risk is fundamental to the banking business and is an essential element of operations. The main risks inherent in the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates.

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and individuals)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Lending Division, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Department's Credit Risk Management Division and a second opinion is given accompanied by a check that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Corporate Lending Division and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Division through the use of scoring models and application data verification procedures developed together with the Risk Department.

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

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk at the reporting date is as follows:

	31 December 2009 RUR'000	31 December 2008 RUR'000 (restated)
ASSETS		
Due from the Central Bank of the Russian Federation	3,974,699	4,117,016
Due from credit institutions	3,531,280	4,555,729
Financial instruments at fair value through profit or loss	12,472,290	-
Available-for-sale securities	3,165,020	7,530,454
Loans to customers	58,290,515	39,839,113
Other assets	346,646	424,566
Total maximum exposure to on statement of financial position credit risk	**81,780,450**	**56,466,878**

For the analysis of concentration of credit risk in respect of loans to customers refer to note 13.

The maximum exposure to off-statement of financial position credit risk at the reporting date is presented in note 22.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, can be covered by the funds deposited by customers and therefore bear limited credit risk.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group established an Operational Risk Unit as a part of the Internal Control Department. The Operational Risk Unit determines policies and procedures in the area of operational risks.

The Unit collects information in relation to the circumstances leading to losses and uses this information for necessary corrections of processes and control tools. The Operational Risk Unit reports to the Head of Internal Control Department on important developments and issues. The Head of Internal Control Department reports directly to the Supervisory Board.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs and guarantees. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

The Asset and Liability Management Committee (ALCO) sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group calculates liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios are: (i) instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand; (ii) current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; (iii) long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The Bank was in compliance with these ratios during the years ended 31 December 2009 and 2008.

The Group analyses all assets and liabilities by their remaining contractual maturities with the exception of securities included in financial assets at fair value through profit or loss that are approved by the Central Bank of Russian Federation as collateral for its loans. Such securities are shown in the category “Less than 1 month”.

As at 31 December 2009 the contractual maturities of all securities included in financial assets at fair value through profit or loss were as follows:

	31 December 2009
Less than 1 month	268,803
1 to 6 months	2,361,139
6 months to 1 year	3,071,495
Over 1 year	6,770,853
	12,472,290

The following table as at 31 December 2009 shows the undiscounted cash flows from financial assets, liabilities and undrawn credit lines on the basis of their earliest possible contractual maturity. Therefore it matches all possible earliest cash inflows against all possible earliest cash outflows. The total gross inflow and outflow disclosed in the table below is the contractual undiscounted cash flow related to financial assets, financial liabilities and commitments. These expected cash flows can vary significantly from the actual future cash flows.

Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

31 December 2009	Less than 1 month RUR'000	1 to 6 months RUR'000	6 months to 1 year RUR'000	Over 1 year RUR'000	Total RUR'000
ASSETS					
Cash and due from the Central Bank of the Russian Federation	6,056,160	-	-	401,006	**6,457,166**
Due from credit institutions	2,602,476	957,665	-	-	**3,560,141**
Financial instruments at fair value through profit or loss	10,321,827	1,261,152	454,134	849,371	**12,886,484**
Available-for-sale securities	226,445	869,404	112,399	3,868,794	**5,077,042**
Loans to customers, gross	6,288,404	22,599,982	12,889,009	33,823,434	**75,600,829**
Total potential future receipts from financial assets as at 31 December 2009	**25,495,312**	**25,688,203**	**13,455,542**	**38,942,605**	**103,581,662**
LIABILITIES					
Deposits by the Central Bank of the Russian Federation	1,641,461	3,566,541	1,081,370	-	**6,289,372**
Deposits by credit institutions	4,726,087	1,872,443	1,628,673	3,492,153	**11,719,356**
Deposits by customers	12,653,364	17,576,871	9,535,569	10,526,534	**50,292,338**
Debt securities issued	1,081,830	7,266,483	2,854,005	2,104,310	**13,306,628**
Total potential future payments for financial obligations as at 31 December 2009	**20,102,742**	**30,282,338**	**15,099,617**	**16,122,997**	**81,607,694**
Net position	**5,392,570**	**(4,594,135)**	**(1,644,075)**	**22,819,608**	**21,973,968**
Undrawn credit line from the Central Bank of the Russian Federation	5,020,000	-	-	-	**5,020,000**
Undrawn credit lines from other banks	508,166	-	-	-	**508,166**
Net overall position	**10,920,736**	**(4,594,135)**	**(1,644,075)**	**22,819,608**	**27,502,134**
Accumulated gap	**10,920,736**	**6,326,601**	**4,682,526**	**27,502,134**	
Guarantees and letters of credit	245,752	4,812,211	6,072,272	7,182	**11,137,417**
Credit related commitments	294,333	-	-	-	**294,333**

31 December 2008 (restated)	**Less than 1 month**	**1 to 6 months**	**6 months to 1 year**	**Over 1 year**	**Total**
	RUR'000	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**
LIABILITIES					
Deposits by the Central Bank of the Russian Federation	8,900,749	1,282,928	-	-	**10,183,677**
Deposits by credit institutions	2,853,456	4,411,753	2,390,966	4,560,701	**14,216,876**
Deposits by customers	10,675,737	6,914,848	5,641,905	1,497,707	**24,730,197**
Debt securities issued	109,203	2,116,341	1,566,542	3,392,320	**7,184,406**
Total potential future payments for financial obligations as at 31 December 2008	**22,539,145**	**14,725,870**	**9,599,413**	**9,450,728**	**56,315,156**
Guarantees and letters of credit	167,593	4,537,412	1,294,971	-	**5,999,976**
Credit related commitments	781,927	-	-	-	**781,927**

The following tables show all assets and liabilities as at 31 December 2009 by their remaining contractual maturities with the exception of securities included in financial assets at fair value through profit or loss that are approved by the Central Bank of the Russian Federation as collateral for its loans. Such securities are shown in the category "Less than 1 month". The amounts shown here represent carrying amounts on the reporting dates and do not include cash flows associated with future interest and coupon payments.

Funds attracted from the Central Bank of the Russian Federation are presented in the tables below by contractual maturities. Under the contract with the Central Bank of the Russian Federation the Bank is able to attract funds at any time within established limits. Management believes that the Bank is able to attract funds after repayment of those recognized in the statement of financial position. For this purpose the Bank presented future inflows under available credit lines in the tables below.

31 December 2009	**Less than 1 month**	**1 to 6 months**	**6 months to 1 year**	**Over 1 year**	**No maturity**	**Overdue**	**Total**
	RUR'000	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**
ASSETS							
Cash and due from the Central Bank of the Russian Federation	6,056,160	-	-	-	401,006	-	**6,457,166**
Due from credit institutions	2,573,615	957,665	-	-	-	-	**3,531,280**
Financial instruments at fair value through profit or loss	10,197,400	1,150,056	388,038	736,796	-	-	**12,472,290**
Available-for-sale securities	223,765	763,866	29,819	2,147,570	70,025	-	**3,235,045**
Loans to customers	4,615,850	20,353,018	10,585,415	21,479,029	-	1,257,203	**58,290,515**
Property and equipment	-	-	-	-	2,616,418	-	**2,616,418**
Other assets	95,502	153,063	128,240	26,242	53,239	-	**456,286**
	23,762,292	**23,377,668**	**11,131,512**	**24,389,637**	**3,140,688**	**1,257,203**	**87,059,000**
LIABILITIES							
Deposits by the Central Bank of the Russian Federation	1,629,195	3,500,000	1,000,000	-	-	-	**6,129,195**
Deposits by credit institutions	4,713,359	1,863,437	1,537,211	2,938,896	-	-	**11,052,903**
Deposits by customers	12,628,836	16,960,160	8,719,591	7,316,104	-	-	**45,624,691**
Debt securities issued	1,076,394	6,685,492	2,585,509	2,038,507	-	-	**12,385,902**
Income tax liability	153,797	-	-	-	250,262	-	**404,059**
Other liabilities	140,935	109,198	1,624	3,296	163,589	162	**418,804**
	20,342,516	**29,118,287**	**13,843,935**	**12,296,803**	**413,851**	**162**	**76,015,554**
Net	**3,419,776**	**(5,740,619)**	**(2,712,423)**	**12,092,834**	**2,726,837**	**1,257,041**	**11,043,446**
Available credit lines from the Central Bank of the Russian Federation	1,629,195	3,500,000	1,000,000	(6,129,195)	-	-	-
Net position	**5,048,971**	**(2,240,619)**	**(1,712,423)**	**5,963,639**	**2,726,837**	**1,257,041**	**11,043,446**
Accumulated gap	**5,048,971**	**2,808,352**	**1,095,929**	**7,059,568**	**9,786,405**	**11,043,446**	

31 December 2008 (restated)	**Less than 1 month**	**1 to 6 months**	**6 months to 1 year**	**Over 1 year**	**No maturity**	**Overdue**	**Total**
	RUR'000	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**
ASSETS							
Cash and due from the Central Bank of the Russian Federation	6,099,658	-	-	-	56,835	-	**6,156,493**
Due from credit institutions	4,255,729	300,000	-	-	-	-	**4,555,729**
Available-for-sale securities	684,452	3,733,904	1,373,280	1,738,818	51,893	-	**7,582,347**
Loans to customers	4,646,176	19,292,937	4,061,956	10,726,196	-	1,111,848	**39,839,113**
Property and equipment	-	-	-	-	1,886,608	-	**1,886,608**
Other assets	209,518	112,265	27,540	29,990	22,919	25,649	**427,881**
	15,895,533	**23,439,106**	**5,462,776**	**12,495,004**	**2,018,255**	**1,137,497**	**60,448,171**
LIABILITIES							
Deposits by the Central Bank of the Russian Federation	8,847,499	1,256,696	-	-	-	-	**10,104,195**
Deposits by credit institutions	2,840,335	4,334,236	2,311,876	3,819,412	-	-	**13,305,859**
Deposits by customers	10,653,520	6,701,683	5,180,658	1,148,808	-	-	**23,684,669**
Debt securities issued	108,639	2,031,810	1,451,220	2,735,644	-	-	**6,327,313**
Income tax liability	2,281	-	-	-	233,798	-	**236,079**
Other liabilities	205,236	168,323	3,516	9,650	15,836	-	**402,561**
	22,657,510	**14,492,748**	**8,947,270**	**7,713,514**	**249,634**	**-**	**54,060,676**
Net	**(6,761,977)**	**8,946,358**	**(3,484,494)**	**4,781,490**	**1,768,621**	**1,137,497**	**6,387,495**
Available credit lines from the Central Bank of the Russian Federation	8,847,499	-	-	(8,847,499)	-	-	-
Net position	**2,085,522**	**8,946,358**	**(3,484,494)**	**(4,066,009)**	**1,768,621**	**1,137,497**	**6,387,495**
Accumulated gap	**2,085,522**	**11,031,880**	**7,547,386**	**3,481,377**	**5,249,998**	**6,387,495**	

Market risk

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

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

Overall authority for market risk is vested in ALCO, which is chaired by the Chairman of the Board. Market risk limits are approved by ALCO based on recommendations of the Risk Department's Market Risk Management Division.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. Limits and positions are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

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

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

The table below summarises the exposure to interest rate risks. The table presents the aggregated amounts of financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

	Less than 1 month RUR'000	1 to 6 months RUR'000	6 months to 1 year RUR'000	Over 1 year RUR'000	Overdue RUR'000	Total RUR'000
31 December 2009						
Interest-bearing assets	15,037,015	22,266,940	11,003,272	24,363,395	1,257,203	**73,927,825**
Interest-bearing liabilities	12,962,560	29,009,089	13,842,311	12,293,507	-	**68,107,467**
Net interest sensitivity gap as at 31 December 2009	**2,074,455**	**(6,742,149)**	**(2,839,039)**	**12,069,888**	**1,257,203**	**5,820,358**
31 December 2008						
Interest-bearing assets	7,014,372	23,326,841	5,435,236	12,465,014	1,111,848	**49,353,311**
Interest-bearing liabilities	15,268,365	14,324,425	8,943,754	7,703,864	-	**46,240,408**
Net interest sensitivity gap as at 31 December 2008	**(8,253,993)**	**9,002,416**	**(3,508,518)**	**4,761,150**	**1,111,848**	**3,112,903**

An analysis of sensitivity of profit or loss and equity to changes in market interest rates based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2009 and 2008 is as follows:

	2009		2008	
	Profit or loss RUR'000	Equity RUR'000	Profit or loss RUR'000	Equity RUR'000
100 bp parallel rise	(25,872)	(25,872)	(22,348)	(22,348)
100 bp parallel fall	25,872	25,872	22,348	22,348

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2009		2008	
	Profit or loss RUR'000	Equity RUR'000	Profit or loss RUR'000	Equity RUR'000
100 bp parallel rise	(144,750)	(285,370)	-	(33,751)
100 bp parallel fall	144,750	285,370	-	33,751

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and a simplified scenario of a 20% change in USD to Russian Rouble exchange rates is as follows:

	2009	
	Profit or loss RUR'000	**Equity RUR'000**
20% appreciation of USD against RUR	(31,525)	(31,525)
20% depreciation of USD against RUR	31,525	31,525

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2008 and a simplified scenario of a 20% change in USD to Russian Rouble exchange rates is as follows:

	2008	
	Profit or loss RUR'000	**Equity RUR'000**
20% appreciation of USD against RUR	(18,219)	(18,219)
20% depreciation of USD against RUR	18,219	18,219

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 5% change in all securities prices is as follows:

	2009		2008	
	Profit or loss RUR'000	**Equity RUR'000**	**Profit or loss RUR'000**	**Equity RUR'000**
5% increase in securities prices	-	2,801	-	2,076
5% decrease in securities prices	-	(2,801)	-	(2,076)

Interest rate analysis

The interest rate policy is reviewed and approved by ALCO. The average effective interest rates for interest bearing financial instruments are as follows:

	31 December 2009			**31 December 2008 (restated)**		
	USD	**RUR**	**Other foreign currencies**	**USD**	**RUR**	**Other foreign currencies**
Interest bearing assets						
Due from credit institutions	-	-	-	3.5%	16.0%	2.6%
Financial instruments at fair value through profit or loss – government bonds	-	7.7%	-	-	-	-
Financial instruments at fair value through profit or loss – corporate notes and municipal bonds	-	10.4%	-	-	-	-
Available-for-sale securities – government bonds	6.0%	8.1%	-	8.1%	9.3%	-
Available-for-sale securities – corporate notes and municipal bonds	-	11.3%	7.0%	6.3%	19.9%	8.9%
Loans to customers	12.6%	17.8%	13.0%	14.2%	17.9%	11.9%
Interest bearing liabilities						
Deposits by the Central Bank of the Russian Federation	-	9.13%	-	-	11.7%	-
Deposits by credit institutions	4.5%	7.9%	2.1%	6.0%	10.5%	5.5%
- Syndicated loans	3.7%	-	-	5.7%	-	-
- Subordinated debt	6.4%	-	-	7.8%	-	-
Term deposits by customers	10.5%	14.4%	10.0%	8.5%	12.8%	9.6%
Debt securities issued	6.3%	14.2%	8.5%	8.9%	12.8%	7.9%

Currency analysis

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Supervisory Board sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation. The exposure of banking assets to foreign currency exchange rate risk is as follows:

	31 December 2009				**31 December 2008 (restated)**			
	USD	**RUR**	**Other currencies**	**Total**	**USD**	**RUR**	**Other currencies**	**Total**
	RUR'000	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**
ASSETS								
Cash and due from the Central Bank of the Russian Federation	331,834	5,933,291	192,041	**6,457,166**	763,391	5,300,524	92,578	**6,156,493**
Due from credit institutions	498,170	357,672	2,675,438	**3,531,280**	1,829,282	1,824,435	902,012	**4,555,729**
Financial instruments at fair value through profit or loss	-	12,472,290	-	**12,472,290**	-	-	-	**-**
Available-for-sale securities	1,601,721	1,566,744	66,580	**3,235,045**	1,223,459	5,748,833	610,055	**7,582,347**
Loans to customers	9,883,588	44,843,957	3,562,970	**58,290,515**	9,455,007	28,543,751	1,840,355	**39,839,113**
Property and equipment	-	2,616,418	-	**2,616,418**	-	1,886,608	-	**1,886,608**
Other assets	19,294	435,641	1,351	**456,286**	10,830	415,967	1,084	**427,881**
	12,334,607	**68,226,013**	**6,498,380**	**87,059,000**	**13,281,969**	**43,720,118**	**3,446,084**	**60,448,171**

	31 December 2009				31 December 2008 (restated)			
	USD	RUR	Other currencies	Total	USD	RUR	Other currencies	Total
	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000
LIABILITIES								
Deposits by the Central Bank of the Russian Federation	-	6,129,195	-	**6,129,195**	-	10,104,195	-	**10,104,195**
Deposits by credit institutions	4,469,566	5,518,362	1,064,975	**11,052,903**	8,146,813	3,758,335	1,400,711	**13,305,859**
Deposits by customers	6,442,761	31,945,888	7,236,042	**45,624,691**	3,248,612	18,030,532	2,405,525	**23,684,669**
Debt securities issued	397,599	11,281,757	706,546	**12,385,902**	1,283,903	5,014,633	28,777	**6,327,313**
Income tax liability	-	404,059	-	**404,059**	-	236,079	-	**236,079**
Other liabilities	3,349	415,268	187	**418,804**	5,386	396,686	489	**402,561**
	11,313,275	**55,694,529**	**9,007,750**	**76,015,554**	**12,684,714**	**37,540,460**	**3,835,502**	**54,060,676**
Net position	**1,021,332**	**12,531,484**	**(2,509,370)**	**11,043,446**	**597,255**	**6,179,658**	**(389,418)**	**6,387,495**
Spot contracts	(1,218,365)	(1,035,006)	2,253,371	-	(711,123)	338,433	372,690	-
Total	**(197,033)**	**11,496,478**	**(255,999)**	**11,043,446**	**(113,868)**	**6,518,091**	**(16,728)**	**6,387,495**

Geographical risk

The geographical risk is the risk of losses in the result of a foreign counterparty failing to meet its obligations due to political, economic or social instability in the respective country.

The geographical concentration of financial assets and liabilities as at 31 December 2009 and 2008 is disclosed in the table below:

	31 December 2009				31 December 2008 (restated)			
	Russia RUR'000	OECD RUR'000	Other non-OECD RUR'000	Total RUR'000	Russia RUR'000	OECD RUR'000	Other non-OECD RUR'000	Total RUR'000
ASSETS								
Cash and due from the Central Bank of the Russian Federation	5,933,293	523,873	-	**6,457,166**	5,888,132	268,361	-	**6,156,493**
Due from credit institutions	859,997	2,668,529	2,754	**3,531,280**	3,923,140	628,946	3,643	**4,555,729**
Financial instruments at fair value through profit or loss	12,316,938	-	155,352	**12,472,290**	-	-	-	-
Available-for-sale securities	3,235,045	-	-	**3,235,045**	7,582,347	-	-	**7,582,347**
Loans to customers	58,084,109	-	206,406	**58,290,515**	39,721,591	-	117,522	**39,839,113**
	80,429,382	**3,192,402**	**364,512**	**83,986,296**	**57,115,210**	**897,307**	**121,165**	**58,133,682**
LIABILITIES								
Deposits by the Central Bank of the Russian Federation	6,129,195	-	-	**6,129,195**	10,104,195	-	-	**10,104,195**
Deposits by credit institutions	5,735,136	5,317,765	2	**11,052,903**	3,906,110	9,113,290	286,459	**13,305,859**
Deposits by customers	45,124,467	37,683	462,541	**45,624,691**	23,379,997	12,257	292,415	**23,684,669**
Debt securities issued	12,043,374	222,518	120,010	**12,385,902**	5,017,718	1,282,345	27,250	**6,327,313**
	69,032,172	**5,577,966**	**582,553**	**75,192,691**	**42,408,020**	**10,407,892**	**606,124**	**53,422,036**
Net position	11,397,210	(2,385,564)	(218,041)	8,793,605	14,707,190	(9,510,585)	(484,959)	4,711,646

31 Fair value of financial instruments

For financial instruments, whose fair value is estimated by using active market data, the fair value represents quoted market prices at the reporting date without any deduction for transaction costs. The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash and discount rates for similar instruments at the reporting date.

The following table provides an analysis of financial assets and liabilities, for which the discounted cash flow techniques are used to estimate their fair value:

	2009 RUR'000 Fair value	2009 RUR'000 Carrying value	2008 RUR'000 (restated) Fair value	2008 RUR'000 (restated) Carrying value
ASSETS				
Cash and due from the Central Bank of the Russian Federation	6,457,166	6,457,166	6,156,493	6,156,493
Due from credit institutions	3,531,280	3,531,280	4,555,729	4,555,729
Loans to customers	57,712,021	58,290,515	38,739,669	39,839,113
LIABILITIES				
Deposits by the Central Bank of the Russian Federation	6,129,195	6,129,195	10,104,195	10,104,195
Deposits by credit institutions	11,052,903	11,052,903	13,305,859	13,305,859
Deposits by customers	46,357,273	45,624,691	23,628,758	23,684,669
Debt securities issued	12,489,310	12,385,902	6,215,550	6,327,313

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

The following table shows an analysis of financial instruments recorded at fair value, for which fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2009:

	Quoted market prices RUR'000	Valuation techniques based on market observable inputs RUR'000	Total RUR'000
Financial assets at fair value through profit or loss	12,221,365	250,925	**12,472,290**
Available-for-sale financial assets	3,098,834	136,211	**3,235,045**

The following table shows an analysis of financial instruments recorded at fair value, whose fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2008:

	Quoted market prices RUR'000	Valuation techniques based on market observable inputs RUR'000	Total RUR'000
Available-for-sale financial assets	565,485	7,016,862	**7,582,347**

As at 31 December 2009 and 2008, the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

32 Disposal of subsidiaries

On 31 December 2009 the Group disposed of its investments in M-leasing and MK-leasing due to the cancellation of option agreements resulting in a loss on disposal of RUR 6,647 thousand. M-leasing contributed a loss of RUR 30,630 thousand to the profit for the year. The effect from disposal of MK-leasing was not material.

The disposal of the M-leasing had the following effect on assets and liabilities at the date of disposal:

RUR'000	**Carrying amount at date of disposal**
ASSETS	
Placements with banks and other financial institutions	34,248
Loans to customers	867,929
Property and equipment	42
Other assets	56,975
LIABILITIES	
Deposits and balances from banks and other financial institutions	829,875
Other liabilities	122,654
Deferred tax liability	18
Net identifiable assets and liabilities	**6,647**
Consideration received	-
Cash disposed of	-
Net cash outflow (inflow)	-

33 Events subsequent to the reporting date

In February 2010 the Bank repaid USD 29.5 million tranche B1 within its A/B structured syndicated loan raised in August 2008 for the total amount of USD 100 million.

In March 2010 the Bank registered two domestic bond issues series 07 and 08 for RUR 2 billion and RUR 3 billion, respectively, with a 5-year maturity each in the Central Bank of the Russian Federation.

In the first quarter of 2010 Bank fully repaid deposits by the Central Bank of the Russian Federation of RUR 6,129,195 thousand.

In the first quarter of 2010 the Bank opened six branches in Moscow.

34 Disclosure of prior period errors

In course of preparation of the financial statements for the year ended 31 December 2009 management identified the following errors in the financial statements for the year ended 31 December 2008 and 2007:

- the Bank did not consolidate its subsidiaries as required by IAS 27 *Consolidated and Separate Financial Statements*
- the Bank incorrectly calculated the amount of deferred fees on loans
- the Bank incorrectly calculated the impairment allowance for loans.

The 31 December 2008 and 2007 financial statements are restated to correct for these errors. The effect of the restatement on those financial statements is summarised below.

Consolidated Statement of Comprehensive Income	**31 December 2008 RUR'000 as originally reported**	**Amount of correction RUR'000**
Interest income	5,219,322	150,754
Interest expense	(2,780,312)	(17,464)
Net interest income	2,439,010	**133,290**
Provision for impairment of loans	(813,300)	338,382
Net interest income after provision for impairment	**1,625,710**	**471,672**
Fee and commission income	1,016,363	(85,086)
Net loss on financial instruments at fair value through profit or loss	(228,304)	-
Net realized gain (loss) on available-for-sale assets	(152,126)	11,113
Foreign exchange gains, net	405,311	-
Other operating income	315,909	4,029
Non-interest income	**1,357,153**	**(69,944)**
Salaries and employment benefits	(1,074,231)	(1,552)
Administrative expenses	(708,932)	(1,565)
Provision for impairment of other assets and credit related commitments	(2,493)	-
Depreciation	(72,034)	(3,611)

Consolidated Statement of Comprehensive Income	**31 December 2008 RUR'000 as originally reported**	**Amount of correction RUR'000**
Fee and commission expense	(70,550)	(1,337)
State deposit insurance scheme contributions	(51,591)	-
Other operating expenses	(70,349)	(27,787)
Non-interest expense	**2,050,180**	**(35,852)**
Income before income taxes	**932,683**	**365,876**
Income tax	(222,064)	(62,750)
Net income	**710,619**	**303,126**
Other comprehensive loss		
Revaluation reserve for available-for-sale securities	(53,490)	(8,724)
Income tax related to other comprehensive loss	10,698	1,745
Other comprehensive loss for the period, net of tax	**(42,792)**	**(6,979)**
Comprehensive income for the period	**667,827**	**296,147**

Consolidated Statement of Financial Position	**31 December 2008**		**31 December 2007**	
	as originally reported RUR'000	**Amount of correction RUR'000**	**as originally reported RUR'000**	**Amount of correction RUR'000**
ASSETS				
Cash and due from the Central Bank of the Russian Federation	6,156,493	-	4,759,256	-
Due from credit institutions	4,555,684	45	5,258,847	702
Financial instruments at fair value through profit or loss	-	-	3,695,264	(20,904)
Available-for-sale securities	7,586,355	(4,008)	-	-
Loans to customers	39,356,206	482,907	26,329,516	300,612
Property and equipment	1,818,509	68,099	1,486,222	68,733
Other assets	295,933	131,948	384,289	(62,921)
Total assets	**59,769,180**	**678,991**	**41,913,394**	**286,222**
LIABILITIES AND EQUITY				
Deposits by the Central Bank of the Russian Federation	10,104,195	-	-	-
Deposits by credit institutions	14,613,581	(1,307,722)	13,404,799	(1,137,711)
Deposits by customers	23,744,062	(59,393)	17,082,055	135,436
Debt securities issued	5,396,671	930,642	6,284,780	663,130
Income tax liability	19,164	216,915	71,514	159,766
Other liabilities	225,307	177,254	71,873	40,453
Total liabilities	**54,102,980**	**(42,304)**	**36,915,021**	**(138,926)**
Equity				
Share capital	4,003,263	134,825	4,003,263	134,825

Consolidated Statement of Financial Position	**31 December 2008**		**31 December 2007**	
	as originally reported RUR'000	**Amount of correction RUR'000**	**as originally reported RUR'000**	**Amount of correction RUR'000**
Additional paid-in capital	237,878	(75,192)	237,878	(75,192)
Revaluation reserve for available-for-sale securities	(42,792)	(6,979)	-	-
Retained earnings	1,467,851	668,641	757,232	365,515
Total equity	**5,666,200**	**721,295**	**4,998,373**	**425,148**
Total liabilities and equity	**59,769,180**	**678,991**	**41,913,394**	**286,222**