Bank Petrocommerce Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2009

CONTENTS

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Bank Petrocommerce:

1 We have audited the accompanying consolidated financial statements of Bank Petrocommerce and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated income statement, 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 Consolidated Financial Statements

2 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 financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

3 June 2010
Moscow, Russian Federation

Bank Petrocommerce Group
Consolidated Statement of Financial Position

In thousands of Russian Roubles	Note	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	7	48 284 458	50 035 201
Mandatory cash balances with central banks		1 147 194	374 350
Trading securities	8	5 033 023	2 603 503
Due from other banks	9	593 056	1 660 890
Loans and advances to customers	10	99 618 623	123 170 472
Investment securities available for sale	11	11 741 092	4 586 613
Repurchase receivables	12	-	3 148 713
Prepaid income tax		304 947	671 973
Deferred income tax asset	26	318 941	109 217
Premises and equipment	13	3 779 537	3 991 032
Other assets	14	1 075 138	1 607 195
TOTAL ASSETS		**171 896 009**	**191 959 159**
LIABILITIES			
Due to other banks	15	8 333 218	25 896 186
Customer accounts	16	112 127 779	103 429 477
Debt securities in issue	17	17 766 599	12 032 075
Other borrowed funds	18	376 265	22 114 276
Current income tax liability		121 974	15 696
Deferred tax liability	26	30 669	86 684
Other liabilities	19	1 369 080	1 141 741
Subordinated debt	20	4 229 972	4 181 535
TOTAL LIABILITIES		**144 355 556**	**168 897 670**
EQUITY			
Share capital	21	8 454 312	7 752 558
Share premium		5 298 246	2 000 000
Fair value reserve for investment securities available for sale		(21 315)	(581 945)
Cumulative translation reserve		(181 495)	(87 480)
Retained earnings	22	13 938 757	13 936 142
Net assets attributable to the Bank's owners		**27 488 505**	**23 019 275**
Minority interest		**51 948**	**42 214**
TOTAL EQUITY		**27 540 453**	**23 061 489**
TOTAL LIABILITES AND EQUITY		**171 896 009**	**191 959 159**

Approved for issue and signed on behalf of the Executive Board on 3 June 2010.

Nikitenko V.N.
President

Funtova E.V.
Chief Accountant

In thousands of Russian Roubles	**Note**	**2009**	**2008**
Interest income	23	19 878 319	19 992 561
Interest expense	23	(10 492 125)	(9 705 994)
Net interest income		**9 386 194**	**10 286 567**
Provision for loan impairment		(12 010 899)	(4 322 250)
Net interest (expense)/income after provision for loan impairment		**(2 624 705)**	**5 964 317**
Fee and commission income	24	2 527 278	2 600 511
Fee and commission expense	24	(589 233)	(674 605)
Gains less losses/(losses net of gains) arising from trading securities		596 300	(1 203 296)
Gains less losses from trading in foreign currencies		991 539	790 518
Gains less losses/(losses less gains) from financial derivatives		347 815	(959 903)
Foreign exchange translation gains less losses		265 327	972 546
Gains less losses from disposals of investment securities available for sale	11	82 340	160 952
Impairment of investment securities available for sale recognised directly in profit or loss	11	(97 360)	-
Impairment of investment securities available for sale recycled from other comprehensive income	11	(43 120)	-
Losses net of gains arising from early redemption of loans and receivables		-	(14 560)
Gains less losses from disposals of loans		4 152 268	-
(Losses net of gains)/gains less of losses arising from early retirement of debt		(16 925)	59 387
Dividend income received		39 601	67 911
Provision for other assets impairment		(76 629)	(16 087)
Other operating income		114 778	105 573
Administrative and other operating expenses	25	(5 177 526)	(5 433 648)
Profit before tax		**491 748**	**2 419 616**
Income tax expense	26	(479 996)	(525 772)
Profit for the year		**11 752**	**1 893 844**
Profit attributable to			
Owners of the Bank		2 615	1 903 659
Minority interest		9 137	(9 815)
Profit for the year		**11 752**	**1 893 844**

In thousands of Russian Roubles	**Note**	**2009**	**2008**
Profit for the year		**11 752**	**1 893 844**
Other comprehensive income/(loss):			
Investment securities available for sale:	11	698 600	(703 863)
- Fair value gains less losses/(losses less gains)		737 820	(542 911)
- Disposals of investment securities available for sale		(82 340)	(160 952)
- Recycling revaluation of impaired investment securities available for sale		43 120	-
Foreign exchange translation losses less gains		(94 112)	(34 455)
Income tax relating to other comprehensive income components	26	(137 276)	139 577
Other comprehensive income/(loss) net of tax		**467 212**	**(598 741)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**478 964**	**1 295 103**
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Bank		469 230	1 314 891
Minority interest		9 734	(19 788)

In thousands of Russian Roubles	**Attributable to owners of the Bank**						**Minority interest**	**Total equity**
	Share capital	**Share premium**	**Fair value reserve for investment securities available for sale**	**Cumulative translation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2008	**6 752 558**	**-**	**(23 253)**	**(57 404)**	**12 122 609**	**18 794 510**	**175 588**	**18 970 098**
Changes in equity								
- Issue of shares	1 000 000	2 000 000	-	-	-	3 000 000	-	3 000 000
- Purchase of minority interests	-	-	-	-	(90 126)	(90 126)	(113 586)	(203 712)
- Total comprehensive income/(loss) for the year	-	-	(558 692)	(30 076)	1 903 659	1 314 891	(19 788)	1 295 103
Balance at 31 December 2008	**7 752 558**	**2 000 000**	**(581 945)**	**(87 480)**	**13 936 142**	**23 019 275**	**42 214**	**23 061 489**
Changes in equity								
- Issue of shares	701 754	3 298 246	-	-	-	4 000 000	-	4 000 000
- Total comprehensive income/(loss) for the year	-	-	560 630	(94 015)	2 615	469 230	9 734	478 964
Balance at 31 December 2009	**8 454 312**	**5 298 246**	**(21 315)**	**(181 495)**	**13 938 757**	**27 488 505**	**51 948**	**27 540 453**

In thousands of Russian Roubles	Note	2009	2008
Cash flows from operating activities			
Interest received		16 131 043	18 058 724
Interest paid		(10 820 068)	(9 231 890)
(Losses incurred)/income received on operations with trading securities		(418 208)	140 734
Income received from trading in foreign currencies		991 539	790 518
Income received/(expenses paid) on operations with financial derivatives		538 525	(985 446)
Fees and commissions received		2 536 792	2 618 900
Fees and commissions paid		(609 425)	(661 541)
Other operating income received		106 892	107 136
Administrative and other operating expenses paid		(4 671 632)	(5 022 979)
Income tax paid		(409 707)	(1 019 651)
Cash flows from operating activities before changes in operating assets and liabilities		**3 375 751**	**4 794 505**
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with central banks		(769 888)	2 103 100
Net (increase)/decrease in trading securities		(1 616 328)	4 250 232
Net decrease/(increase) in due from other banks		1 100 435	(166 306)
Net decrease in loans and advances to customers		20 588 756	17 353 965
Net decrease in repurchase receivables		3 526 993	312 209
Net decrease/(increase) in other assets		844 903	(40 723)
Net (decrease)/increase in due to other banks		(17 420 460)	8 153 370
Net increase/(decrease) in customer accounts		8 129 755	(14 788 953)
Net increase/(decrease) in debt securities in issue		5 554 176	(4 029 322)
Net increase/(decrease) in other liabilities		246 099	(590 520)
Net cash from operating activities		**23 560 192**	**17 351 557**
Cash flows from investing activities			
Acquisition of investment securities available for sale	11,7	(18 518 308)	(14 507 166)
Proceeds from disposal of investment securities available for sale	11	12 097 011	17 032 275
Acquisition of premises and equipment	13	(331 743)	(1 696 704)
Proceeds from disposal of premises and equipment		3 245	73 975
Dividend income received		82 688	19 157
Net cash (used in) /from investing activities		**(6 667 107)**	**921 537**
Cash flows from financing activities			
Proceeds from other borrowed funds		-	2 859 806
Repayment of other borrowed funds		(23 445 602)	(4 132 331)
Proceeds from subordinated debt		1 000 000	-
Repayment of subordinated debt		(1 000 000)	-
Proceeds from issue of shares		4 000 000	3 000 000
Purchase of minority interests in subsidiaries		-	(203 712)
Dividends paid	27	-	(25)
Net cash (used in) /from financing activities		**(19 445 602)**	**1 523 738**
Effect of exchange rate changes on cash and cash equivalents		800 983	3 095 145
Accrued interest income on cash and cash equivalents		791	650
Net (decrease)/increase in cash and cash equivalents		(1 750 743)	22 892 627
Cash and cash equivalents at the beginning of the year		50 035 201	27 142 574
Cash and cash equivalents at the end of the year	**7**	**48 284 458**	**50 035 201**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2009 for OAO Bank Petrocommerce (the "Bank") and its subsidiaries (together referred to as the "Group" or "Bank Petrocommerce Group").

The activities of the Group are regulated by the Central Bank of the Russian Federation (the "CBRF"), legislation of the Russian Federation and that of countries in which the Group subsidiaries are registered.

OAO Bank Petrocommerce is an open joint-stock commercial bank. The Bank was established in the Russian Federation as a limited liability partnership in 1992 and was granted its general banking licence on 6 September 1993. In March 2000, the Bank changed its legal status from a limited liability partnership to an open joint stock company. The principal activities of the Bank include deposit taking and commercial lending, support of clients' export/import transactions, foreign exchange, securities trading and trading in derivative financial instruments. The Bank's operations are conducted in both Russian and international markets. The Bank's activities are regulated by the Central Bank of the Russian Federation ("the CBRF").

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank's office is registered at the following address: Petrovka 24, bld. 1, Moscow, 127051, Russia. At 31 December 2009 the Bank had 16 branches (2008: 19 branches) in the Russian Federation. The average number of the Bank's employees during the year was 2 815 (2008: 3 051).

The main shareholder of the Bank is Reserve Invest Holding (Cyprus) Limited, which is part of IFD Kapital Group. It 79.39% (532 054 303 ordinary shares), having the voting right (2008: 88.68%, 532 054 303 ordinary shares). IFD Kapital Group is primarily focused on operations in the Russian Federation and participates in the following businesses: trading and brokerage activities, trust activities, investment advisory services and administration of pension funds. Also refer to Note 21.

The main subsidiaries of Bank Petrocommerce Group are the following subsidiaries: OAO Komi Regional Bank Ukhtabank, PAO Bank Petrocommerce-Ukraine, OAO Joint Stock Investment and Commercial Industrial and Construction Bank Stavropolie, CB UNIBANK S.A. and Petrocommerce Invest S.A. Also refer to Note 35.

Below is the description of the main activities of the principal subsidiaries.

Open Joined-Stock Company Komi Regional Bank Ukhtabank (hereinafter, "Ukhtabank") is an open joint-stock commercial bank. The Bank's principal business activity is commercial and retail banking operations, operations with securities and foreign exchange within the Russian Federation. The Bank has operated under a banking license issued by the CBRF since 1991. The head office of Ukhtabank is located at the following address: Oktyabrskaya str., 14, Komi Republic, Ukhta, 169300, Russia. As at 31 December 2009 Ukhtabank had six branches within the Russian Federation (2008: six branches). The average number of the Bank's employees during the year was 541 (2008: 561). The controlling block of shares of Ukhtabank was acquired by the Group in 2002.

PAO Bank Petrocommerce-Ukraine (hereinafter, "Petrocommerce-Ukraine") was registered on 26 September 1996 by the National Bank of Ukraine as a joint-stock company under the name Joint-Stock Bank Aviatekbank. In January 2002, Aviatekbank was acquired by the Group and in February 2002 it was renamed as ZAO Bank Petrocommerce-Ukraine. On 13 August 2009 ZAO Bank Petrocommerce-Ukraine was renamed as Public Joint-Stock Company Bank Petrocommerce-Ukraine (PAO Bank Petrocommerce-Ukraine) in accordance with the decision of the General Shareholders' Meeting on changing the type of the joint-stock company. The current banking licence #108-1 was received by PAO Bank Petrocommerce-Ukraine on 9 April 2002. PAO Petrocommerce-Ukraine's main activities include provision of banking services to companies representing various economic sectors, state bodies and individuals. These services include deposit taking, lending, investments in securities and execution of payments in Ukraine and abroad. PAO Petrocommerce-Ukraine's head office is located in Kiev. As at 31 December 2009 Petrocommerce-Ukraine did not have branches in the Ukraine (2008: two branches). The average number of the PAO Petrocommerce-Ukraine's employees during the year was 376 (2008: 498).

1 Introduction (Continued)

Joint-Stock Investment Commercial Industrial and Construction Bank Stavropolie, an open joint-stock company (hereinafter, "Stavropolpromstroybank"), was created in December 1991 as a result of restructuring of commercial bank "Stavropolye" previously founded on 26 December 1990. In March 1996, the Bank changed its legal status to an open joint stock company. In May 2002, Stavropolpromstroybank was acquired by the Group. Stavropolpromstroybank has banking licence #1288. Stavropolpromstroybank main activities include deposit taking, lending, cash and settlement services to clients and transactions with securities and foreign currencies. Stavropolpromstroybank head office is located in Stavropol. As at 31 December 2009 Stavropolpromstroybank had six branches within the Russian Federation (2008: six branches). The average number of Stavropolpromstroybank employees during the period was 646 (2008: 726).

Commercial Bank UNIBANK S.A. (hereinafter, "Unibank") was created in the Republic of Moldova in August 1992. In December 2002, it was purchased by the Group. Unibank has a "B" type licence for all types of banking activities excluding trust activities. Unibank's main activities include deposit taking, lending, cash and settlement services to clients and transactions with securities. The head office of Unibank is located in Kishinev. As at 31 December 2009 Unibank had five branches in the Republic of Moldova (2008: five branches). The average number of the Unibank's employees during the year was 261 (2008: 274).

Petrocommerce Invest S.A. was founded in February 2006. The country of incorporation is Luxembourg. The registration number is B114800. The main activity of the company is attraction of medium- and long-term funds on international financial markets for the benefit of the Group.

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles ("RR thousands").

In the normal course of business the Group enters into transactions with its related parties. These transactions include, but are not limited to settlements, loans, deposit taking, guarantees, trade finance and foreign currency transactions. At 31 December 2009 a substantial portion of the Group's liabilities (27% of total liabilities) (2008: 22% of total liabilities) are due to related parties. Refer to Note 34.

2 Operating Environment of the Group

Russian Federation. The Russian Federation economy displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. Despite strong economic growth in recent years, the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. The global financial crisis has had a severe effect on the Russian economy:

- Lower commodity prices have resulted in lower income from exports and thus lower domestic demand. The recession in the Russian economy in the third quarter of 2009 was 10% as compared to the previous year and, according to the Ministry for Economic Development of the Russian Federation gross national product in 2009 is expected to go down by 8.5%;
- The rise in Russian and emerging market risk premia resulted in a steep increase in foreign financing costs;
- The depreciation of the Russian Rouble against hard currencies (compared to RR 25.3718 for 1 US Dollar at 1 October 2008) increased the burden of foreign currency corporate debt, which has risen considerably in recent years;
- As part of preventive steps to ease the effects of the situation in financial markets on the economy, the Government incurred a large fiscal deficit in 2009.

Impact of the ongoing global financial and economic crisis. The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch"), has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in local and international stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. Since September 2008 several average Russian banks have been acquired by state-controlled banks and companies due to their liquidity problems. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate.

2 Operating Environment of the Group (Continued)

The volume of legal entities wholesale financing available in particular from overseas has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Impact on borrowers. Borrowers of the Group were adversely affected by the economic and financial environment, which in turn has had an impact on their ability to repay the amounts owed. Deteriorating economic conditions for borrowers had an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Impact on collateral. The amount of provision for impaired loans is based on management's appraisals of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in Russia for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets resulting in there being a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

Fair value of financial assets and liabilities. The fair values of instruments quoted in active markets are based on current bid prices (financial assets) or offer prices (financial liabilities). As a result of the volatility in financial markets there are no longer regularly occurring transactions on an arm's length basis for certain instruments and, as such, in the opinion of management certain instruments are no longer being quoted in an active market. If there is no active market for a financial instrument, the Group establishes fair value using valuation techniques for disclosure purposes. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. The valuation models reflect current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date. Determining fair value requires consideration of current market conditions, including the relative liquidity of the market and current credit spreads. As at the end of the reporting period management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. The amount of provision for impaired loans is based on management's appraisals of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. Under IFRS, impairment losses on financial assets expected as a result of future events, no matter how likely, cannot be recognised until such events arise.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of trading securities, investment securities available-for-sale and financial derivatives. The Bank maintains its accounting records in accordance with Russian banking regulations. Subsidiaries maintain their accounting records in accordance with Russian accounting regulations or applicable companies' banking and accounting law in respective jurisdictions. These consolidated financial statements have been prepared from the accounting records of the constituent entities of the Group and adjusted as necessary in order to be in accordance with IFRS. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

Going concern. Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the Group. Management is also taking a number of actions to ensure the Group will continue to be a going concern, in particular:

- Requirements to the conditions of placing liquidity reserves became more rigorous;
- Methods of credit risk management were enhanced (procedures for loans issuance and monitoring became more rigorous, limits are revised on a regular basis depending on the changes on the market);
- There is regular stress testing of financial indicators of the Group and the Bank to ensure they will be in compliance with external covenants and all regulatory requirements in relation to capital adequacy, liquidity and financial risk management procedures in case of negative events on the market;
- As at the end of the reporting period the Bank has an opportunity to attract loans from the CBRF in the amount of RR 53 324 000 thousand;
- On 16 October 2009 the CBRF registered additional issue of the Bank's 70 175 439 ordinary shares with a nominal value of RR 10 per share and the purchase price of RR 57 per share. Refer to Note 21;
- In 2009, the Bank's main shareholder provided support to the Bank by purchasing its impaired loans. Refer to Note 10.

The management is of the opinion that the above actions will ensure its ability to continue as a going concern.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree is recorded as goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost ("negative goodwill") is recognised immediately in profit or loss.

3 Summary of Significant Accounting Policies (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

The column "Cumulative translation reserve" in the consolidated statement of changes in equity include the result of net assets revaluation arising on the consolidation of the Group's subsidiaries whose functional currency differs from the Group's presentation currency (Russian Rouble).

Minority interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Minority interest forms a separate component of the Group's equity.

Acquisition of minority interests. The Group applies the economic entity model to account for transactions with minority shareholders. Any difference between the purchase consideration and the carrying amount of minority interest acquired is recorded as capital transaction with owners directly in equity.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different net profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid and received between parties to the contract that are an integral part of the effective interest.

3 Summary of Significant Accounting Policies (Continued)

Initial recognition of financial instruments. Trading securities, derivative financial instruments are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to buy or sell a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when

(a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or

(b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while

- (i) also transferring substantially all the risks and rewards of ownership of the assets or
- (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Restricted funds are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with central banks. Mandatory cash balances with the CBRF and other central banks are carried at amortised cost and represent non-interest bearing mandatory reserve deposits in central banks which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flow.

Trading securities. Trading securities are securities which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. normally within twelve months.

The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in the consolidated income statement as interest income. Dividends are included in dividend income when the Group's right to receive the dividend payment is established and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading securities in the period in which they arise.

3 Summary of Significant Accounting Policies (Continued)

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers, including loans provided under factoring agreements, are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

3 Summary of Significant Accounting Policies (Continued)

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in consolidated income statement.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included other non financial assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Credit related commitments. The Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At each end of the reporting period the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at each end of the reporting period.

Investment securities available for sale. This classification includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised directly in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial positon unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or customer accounts.

Securities purchased under agreements to resell ("reverse repo agreements") which effectively provide a lender's return to the Group are recorded as cash and cash equivalents or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

3 Summary of Significant Accounting Policies (Continued)

Promissory notes purchased. Promissory notes purchased are included in trading securities, or in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at cost less provision for impairment where required. Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At each end of the reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Group estimates the recoverable amount, which is determined as the higher of value in use and fair value less costs to sell. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss to the extent it exceeds the previous revaluation surplus in equity.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following annual rates:

Premises	2% per annum; and
Office and computer equipment	20-33% per annum.

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

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

Due to other banks. Amounts due to other banks are recorded when money or other financial instruments are advanced to the Group by counterparty banks. Due to other banks is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Debt securities in issue*.* Debt securities in issue include bonds, promissory notes, deposit and saving certificates issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

3 Summary of Significant Accounting Policies (Continued)

Other borrowed funds. Other borrowed funds include medium and long-term funds attracted by the Group on the international financial markets. Other borrowed funds are carried at amortised cost. If the Group purchases its own other borrowed funds, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Subordinated debt. Subordinated debt is a non-derivative liability carried at amortised cost. The subordinated debt ranks after all other creditors in case of liquidation of the Group.

Derivative financial instruments. Derivative financial instruments are carried at fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss as gains less losses arising from operations with derivatives. The Group does not apply hedge accounting.

Income tax. Income tax has been provided for in the consolidated financial statements in accordance with applicable legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary’s dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every end of the reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Share capital. Non-redeemable ordinary shares with discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Profit distribution is made on the basis of the current year net profit in the statutory reports prepared under applicable legislation.

Income and expense recognition. Interest income and expense are recorded in the consolidated income statement for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at period-end official exchange rates of the CBRF are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

3 Summary of Significant Accounting Policies (Continued)

The results and financial position of each Group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at end of the reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognized as a separate component in other comprehensive income.

When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year (as gains or losses on disposal of a subsidiary).

At 31 December 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 30.2442 (2008: USD 1 = RR 29.3804).

Fiduciary assets and trust activities. Assets held by the Group in its own name, but on the account of third parties, are not reported in the consolidated statement of financial position. Commissions received from fiduciary activities are shown in fee and commission income.

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

Accounting for the effects of hyperinflation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the end of the reporting period. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased effective from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current at as 31 December 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index ("CPI"), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave and bonuses are accrued in the year in which the associated services are rendered by the employees of the Group.

Capital adequacy ratio. Capital Adequacy Ratio is calculated in accordance with the International Convergence of Capital Measurement and Capital Standards (adopted in July 1988, updated in November 2005) (or Basel Capital Accord) requirements. Such requirements are subject to interpretation and accordingly the appropriateness of the inclusion, exclusion, and/or classification of amounts included in the calculation of the Capital Adequacy Ratio requires management judgement, particular regarding the accounting for off balance sheet liabilities.

3 Summary of Significant Accounting Policies (Continued)

Changes in accounting policies and presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts. The effect of reclassifications is as follows:

In thousands of Russian Roubles	**2008**
Consolidated Income Statement	
Decrease in	
Gains less losses/(losses net of gains) arising from trading securities	59 387
Other operating income	67 911
Administrative and other operating expenses	16 087
Increase in	
(Losses net of gains)/gains less of losses arising from early retirement of debt	59 387
Dividend income received	67 911
Provision for other assets impairment	16 087

Opening statement of financial position at the beginning of the earliest comparative period presented and related information in the notes. The revised IAS 1 which became effective from 1 January 2009 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period ('opening statement of financial position'), when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements. Therefore, an entity that makes such a prior period adjustment or reclassification normally presents, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

In 2009, the Group made restatements required by the amended IAS 1 that do not impact on the statement of financial position, for example the Group now presents gains and losses on available for sale financial instruments in the statement of comprehensive income rather than in the statement of changes in equity. IAS 1 suggests that the opening statement of financial position should be presented even if the restatements have an impact only on the other primary statements. In these circumstances, management considered whether omitting the opening statement of financial position at 1 January 2008 would represent a material omission of information. In management's opinion, the omission of the opening statement of financial position, where the restatement or reclassification does not affect any statement of financial position (and that fact is disclosed), is not material and is therefore permitted. Management considered that materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements.

Presentation of each item of other comprehensive income in the statement of changes in equity. The revised IAS 1 which became effective from 1 January 2009 requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change. This could include presenting profit or loss and each item of other comprehensive income in the statement of changes in equity. Management considered materiality and concluded that it is sufficient for an entity to present such information only in the statement of comprehensive income and that repeating the same information in the statement of changes in equity, is not a material omission of information. In reaching this conclusion, management considered the examples provided in the guidance on implementing, which accompanies the revised IAS 1, but is not a mandatory part of that standard.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If 30% of watch list loans transfer to impaired past due loans and 50% of impaired not past due transfer to impaired past due loans the increase of provision for loan impairment will be RR 995 791 thousand (2008.: RR 722 241 thousand), the increase of provision rate of loans and advances to customers will be 1,0% points (2008г.: 0,6% points).

Impairment of available-for-sale securities. The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows. Had all the declines in fair value below cost been considered significant or prolonged, the Group would suffer an additional loss of RR 201 460 thousand (2008: RR 731 952 thousand), being a reclassification from other comprehensive income to profit or loss for the year.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 30.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 *Financial Instruments: Recognition and Measurement* requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Restatement of consolidated condensed interim financial information for the six months ended 30 June 2009. During the reporting period the Group's management performed a detailed review of the Group's IFRS consolidated condensed interim financial information for the six months ended 30 June 2009, and the Group's accounting policies. This review necessitated adjustments to the IFRS consolidated condensed interim financial information for the six months ended 30 June 2009, as required by IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The nature and effect of the adjustments are detailed below.

On 26 June 2009 the Group sold the portfolio of impaired loans to its main shareholder. The sales value of these loans was RR 7 088 885 thousand. The excess of the sales value over the fair value of the sold loans was RR 3 540 158 thousand. For the purposes of IFRS financial statements under IAS 39, Financial Instruments: Recognition and Measurement, the management believes that the excess of the sales value over the fair value of the sold loans in the first six months of 2009 should be recognised as gains less losses from disposals of loans.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

However, the Group did not recognise this transaction as gains less losses from disposals of loans under IAS 39, Financial Instruments: Recognition and Measurement in the IFRS consolidated condensed interim financial information for the six months ended 30 June 2009. The Group adjusted the financial information in accordance with IAS 39, Financial Instruments: Recognition and Measurement. This adjustment related to the excess of the sales value over the fair value of the sold loans required a relevant restatement of the consolidated condensed interim income statement for the six months ended 30 June 2009. This adjustment did not affected total equity of the Group for the six months ended 30 June 2009, as the consolidated condensed interim statement on comprehensive income was adjusted in correspondence with the additional capital in consolidated condensed interim statement of changes in equity.

The effect of the adjustment on the consolidated condensed interim income statement for the six months ended 30 June 2009 is provided in the table below:

In thousands of Russian Roubles	
Profit for the six months ended 30 June 2009 (as previously reported)	(4 037 131)
Impact of recognising income from sale of loans	3 540 158
Profit for the six months ended 30 June 2009 (restated amount)	(496 973)

The next interim financial statements of the Group for the six months ended 30 June 2010 will contain full disclosure of the above adjustment, as well as restated comparative data for the six months ended 30 June 2009, as required by IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Segment reporting. Segment is identified component of the Group, associated with the provision of products and services (business segment), or with the provision of products and services within a particular economic environment (geographical information), which are inherent risks and benefits are different from those that characterize other segments. Segment is subject to separate disclosure, if a large part of its income generates from sales to external customers, and its revenues, financial results or assets are not less than ten percent of total revenues, the overall financial result or total assets of all segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The functions of CODM are performed by the Board of Directors.

Subsidiaries. The Group does not have direct ownership in Unibank, but exercises control as the Supervisory Council consists of Vice-presidents of the Bank.

Special Purpose Entities (SPEs). Judgement is also required to determine whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity is controlled by the Group. The Group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Group does control an SPE, management makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over an SPE, but when considered together make it difficult to reach a clear conclusion. In cases where more arguments are in place towards existence of control, the SPE is consolidated. Refer to Note 35.

Deferred income tax asset recognition. The recognised deferred tax asset represents income tax recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium- and long-term forecast of taxable profits of the Group prepared by management. Key assumptions used in the forecast are: realistic scenario of the Group future performance based on assumptions such as increase of loan portfolio and inflow of interest and commission income allow Management of the Group to consider that deferred income tax asset stated in consolidated statement of financial position will be utilized with taxable profit of the Group in future.

5 Adoption of New or Revised IFRSs

Certain new IFRSs became effective for the Group from 1 January 2009:

IFRS 8, Operating Segments. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes.

IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that is not carried at fair value and that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method.

IAS 1, Presentation of Financial Statements, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group chose to present a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group’s financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have any impact on the Group’s financial statements.

Puttable Financial Instruments and Obligations Arising on Liquidation - IAS 32 and IAS 1 Amendment. The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment did not have an impact on these financial statements.

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment. The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment did not have an impact on these financial statements.

5 Adoption of New or Revised IFRSs (Continued)

IFRIC 13, Customer Loyalty Programmes. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The amendment did not have an impact on these financial statements, as the Group does not have customer loyalty programs of formation.

IFRIC 15, Agreements for the Construction of Real Estate. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The amendment did not have an impact on these financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment, issued in May 2008. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss for the year rather than as a recovery of the investment. The amendment did not have an impact on these financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009. The amendments clarify that on reclassification of a financial asset out of the ‘at fair value through profit or loss’ category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on these financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on these financial statements.

The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability The Group can not apply IFRS for Small and Medium-sized Entities due to the public accountability of its banking activities.

Certain new IFRSs have been published that are mandatory for the Group’s accounting periods beginning on 1 January 2009 or later periods and which the Group has early adopted:

5 Adoption of New or Revised IFRSs (Continued)

IAS 27, Consolidated and Separate Financial Statements **(revised January 2008; effective for annual periods beginning on or after 1 July 2009, with earlier application permitted).** The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.

IFRS 3, Business Combinations **(revised 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009, with earlier application permitted).** The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

6 New Accounting Pronouncements

Certain new IFRSs have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has not early adopted:

IFRIC 17, Distributions of Non-Cash Assets to Owners (*effective for annual periods beginning on or after 1 July 2009).* The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss for the year when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

IFRIC 18, Transfers of Assets from Customers *(effective for annual periods beginning on or after 1 July 2009).* The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments *(effective for annual periods beginning on or after 1 July 2010).* This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The Group is currently assessing the impact of the interpretation on its financial statements.

Classification of Rights Issues - Amendment to IAS 32 *(issued 8 Ocober 2009; effective for annual periods beginning on or after 1 February 2010).* The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

6 New Accounting Pronouncements (Continued)

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement *(effective with retrospective application for annual periods beginning on or after 1 July 2009, with earlier application permitted).* The amendment 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. The amendment is not expected to have any impact on the Group's financial statements as the Group does not apply hedge accounting.

IFRS 1, First-time Adoption of International Financial Reporting Standards *(following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009).* The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Group concluded that the revised standard does not have any effect on its financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment *(effective for annual periods beginning on or after 1 January 2010).* The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group does not expect the amendments to have any material effect on its financial statements.

***Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of* IFRS** *(effective for annual periods beginning on or after 1 January 2010).* The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Group's financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following IFRSs: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures *(issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).* IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

6 New Accounting Pronouncements (Continued)

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces 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 two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised 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 amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) 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 recognise unrealised and realised fair value gains and losses through other comprehensive income rather than 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.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective for the Group from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Unless otherwise described above, the new IFRSs are not expected to significantly affect the Group's financial statements.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	2009	2008
Cash on hand	7 584 642	8 042 087
Cash balances with central banks (other than mandatory reserve deposits)	7 495 909	20 069 293
Correspondent accounts and overnight placements with other banks		
- Russian Federation	680 913	6 864 650
- other countries	10 989 041	3 782 361
Placements with other banks with original maturities of less than three months	18 369 009	9 306 281
- including placements with the Central Bank of the Russian Federation with original maturities of less than three months	8 333 015	-
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	834 231	-
Settlement accounts with trading systems	2 330 713	1 970 529
Total cash and cash equivalents	**48 284 458**	**50 035 201**

At 31 December 2009 cash and cash equivalents of RR 834 231 thousand were effectively collateralised by securities purchased under reverse sale and repurchase agreements at a fair value of RR 923 052 thousand.

Geographical, currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 29. Information on related party balances is disclosed in Note 34.

Transactions that did not require the use of cash and cash equivalents and were excluded from the statement of cash flow are as follows:

In thousands of Russian Roubles	2009	2008
Non-cash operating activities		
Acquisition of trading securities in exchange for loans and advances to customers	(400 885)	(421 275)
Proceeds from disposal of trading securities	253 922	176 240
Other assets acquired by the Group in settlement of overdue loans	(489 104)	-
Proceeds from disposal of other assets	2 511	-
Total non-cash operating activities	**(633 556)**	**(245 035)**
Non-cash investing activities		
Acquisition of investment securities available for sale in exchange for loans and advances to customers	-	(137 826)
Proceeds from disposal of investment securities available for sale	-	130 635
Total non-cash investing activities	**-**	**(7 191)**
Total non-cash activities	**(633 556)**	**(252 226)**

8 Trading Securities

In thousands of Russian Roubles	**2009**	**2008**
Municipal bonds and bonds of the Russian Federation's regions	1 872 542	175 938
Corporate bonds	1 046 124	1 558 435
Promissory notes	811 387	500 670
Federal loan bonds (OFZ)	220 156	1 987
Corporate Eurobonds	145 663	54 442
Total debt securities	**4 095 872**	**2 291 472**
Quoted corporate shares	930 006	286 029
American depository receipts	-	24 856
Global depository receipts	7 145	1 146
Total equity securities	**937 151**	**312 031**
Total trading securities	**5 033 023**	**2 603 503**

Municipal bonds and bonds of Russian Federation's regions represent debt securities denominated in Russian Roubles and Euro.

Corporate bonds are debt securities denominated in Russian Roubles, issued by large Russian companies in oil and gas, telecommunications, power, financial and other sectors.

Promissory notes represent promissory notes issued by large Russian banks.

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation.

Corporate Eurobonds are interest bearing securities denominated in USD, issued by large Russian companies and are freely tradable internationally on the over-the-counter market.

Corporate shares mainly include shares of major Russian chemical, oil and gas, metallurgical and other sectors. These shares are freely tradable in Russia.

Analysis by issuers' credit quality of debt trading securities at 31 December 2009 and 31 December 2008 is as follows:

In thousands of Russian Roubles	**2009**	**2008**
Municipal bonds and bonds of the Russian Federation's regions		
- from BB- to BBB+ rated	1 792 084	20 810
- from B+ and below rated	80 458	155 128
Corporate bonds		
- from BB- to BBB+ rated	815 768	28 934
- Unrated	230 356	1 529 501
Promissory notes		
- from BB- to BBB+ rated	654 296	500 670
- from B+ and below rated	157 091	-
Federal loan bonds (OFZ)		
- from BB- to BBB+ rated	220 156	1 987
Corporate Eurobonds		
- Unrated	145 663	54 442
Total debt trading securities	**4 095 872**	**2 291 472**

8 Trading Securities (Continued)

The analysis of the Group's trading debt securities at 31 December 2009 is set out below:

	Maturity		Annual coupon rate		Annual yield to maturity	
In % p.a.	**from**	**to**	**from**	**to**	**from**	**to**
Municipal bonds and bonds of the Russian Federation's regions	March 2010	December 2015	6.5	10.5	3.4	12.0
Corporate bonds	July 2010	May 2013	8.5	25.0	8.2	416.0
Promissory notes	January 2010	June 2010	0.0	0.0	7.9	15.0
Federal loan bonds (OFZ)	January 2012	January 2012	11.9	11.9	7.6	7.6

The analysis of the Group's trading debt securities at 31 December 2008 is set out below:

	Maturity		Annual coupon rate		Annual yield to maturity	
In % p.a.	**from**	**to**	**from**	**to**	**from**	**to**
Corporate bonds	March 2009	August 2013	7.6	18.0	11.0	379.3
Promissory notes	February 2009	March 2010	0.0	0.0	12.1	16.9
Municipal bonds and bonds of the Russian Federation's regions	August 2010	December 2015	7.8	11.5	8.3	34.0
Federal loan bonds (OFZ)	January 2010	December 2010	7.4	8.5	8.5	9.7
Corporate Eurobonds	April 2012	April 2012	8.9	8.9	9.3	9.3

Trading securities are carried at fair value which also reflects credit risk. As at 31 December 2009 and 31 December 2008 the Group did not have any past due or impaired securities issued. Credit quality analysis is carried out by the Group at the stage of setting limits and is described in Note 29.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

At 31 December 2009, trading securities with a fair value of RR 81 259 thousand (2008: nil) were pledged as collateral with respect to a credit lined opened with the CBRF. At 31 December 2009, the Group did not utilise this credit facility with the CBRF. Refer to Note 30.

As at 31 December 2008, the Group had in trading securities restricted trading securities with fair value of RR 209 908 thousand. Refer to Note 30.

In 2008, the Group reclassified certain financial assets held for trading into 'available for sale' and 'loans and advances to clients' categories due to implementation of the amendments to IAS 39 and IFRS 7, Reclassification of Financial Assets.

8 Trading Securities (Continued)

The table below provides information on the reclassification amounts, estimated value of cash flows the Group plans to receive as at the date of the reclassification and the effective interest rates on financial assets:

In thousands of Russian Roubles	**Reclassification amount**	**Cash flows expected to be recovered**	**Effective interest rate**
Reclassified into loans, including those classified as repurchase receivable as at the date of reclassification			
Corporate bonds	755 775	838 854	13.8
Reclassified into investment securities available for sale, including those classified as repurchase receivable as at the date of reclassification			
Federal loan bonds (OFZ)	5 968 575	5 968 575	6.7
Corporate bonds	1 431 642	1 431 642	8.8
Municipal bonds and bonds of the Russian Federation's regions	518 818	518 818	8.5
Corporate Eurobonds	151 962	151 962	7.6
Total	**8 826 772**	**8 909 851**	

At 31 December 2009 and 31 December 2008, the carrying amounts and fair values of debt securities that have been reclassified and which were not yet sold or otherwise derecognised, were as follows:

	2009		**2008**	
In thousands of Russian Roubles	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Reclassified into loans, including those classified as repurchase receivable				
Corporate bonds	-	-	212 724	151 415
Reclassified into investment securities available for sale, including those classified as repurchase receivable				
Federal loan bonds (OFZ)	2 225 595	2 225 595	3 276 797	3 276 797
Municipal bonds and bonds of the Russian Federation's regions	103 430	103 430	246 602	246 602
Corporate Eurobonds	-	-	124 272	124 272
Total	**2 329 025**	**2 329 025**	**3 860 395**	**3 799 086**

8 Trading Securities (Continued)

The fair value gain or loss on these debt securities up to the date of reclassification, income or loss recognised after reclassification, and fair value gain or loss as at 31 December 2009 and 31 December 2008 that would have been recognised if the assets had not been reclassified, were as follows:

In thousands of Russian Roubles	The fair value gain/(loss) recognised up to the date of reclassification (in 2008)	Income recognised in profit or loss after reclassification* 2009	Income recognised in profit or loss after reclassification* 2008	Gain/(loss) that would have been recognised if the assets had not been reclassified 2009	Gain/(loss) that would have been recognised if the assets had not been reclassified 2008
Reclassified into loans, including those classified as repurchase receivable					
Corporate bonds	240	37 898	35 251	-	(75 727)
Reclassified into investment securities available for sale, including those classified as repurchase receivable					
Federal loan bonds (OFZ)	(7 302)	211 397	239 440	(94 580)	(315 954)
Municipal bonds and bonds of the Russian Federation's regions	(3 581)	21 118	27 852	(4 441)	(39 042)
Corporate bonds	(29 497)	22 633	62 831	-	(192 300)
Corporate Eurobonds	3 079	9 533	6 663	-	(64 975)
Total	**(37 061)**	**302 579**	**372 037**	**(99 021)**	**(687 998)**

* Income or loss recognised after reclassification comprises interest income, foreign exchange gains less losses.

Geographical, currency, maturity and interest rate analyses of trading securities are disclosed in Note 29. Information on trading securities issued by related parties is disclosed in Note 34.

9 Due from Other Banks

In thousands of Russian Roubles	2009	2008
Term placements with other banks with original maturities of more than three months	593 543	1 661 336
Overdue term placements with other banks	9 709	9 952
Less: Provision for impairment of due from other banks	(10 196)	(10 398)
Total due from other banks	**593 056**	**1 660 890**

9 Due from Other Banks (Continued)

Movements in the provision for impairment of due from other banks are as follows:

In thousands of Russian Roubles	2009 Term placements with other banks with original maturities of more than three months	2009 Overdue term placements with other banks	2008 Term placements with other banks with original maturities of more than three months	2008 Overdue term placements with other banks
Provision for impairment of due from other banks at 1 January	**446**	**9 952**	**233**	**12 450**
Provision for impairment of due from other banks during the year	55	-	254	-
Effect of translation to presentation currency	(14)	(243)	(41)	(2 498)
Provision for impairment of due from other banks at 31 December	**487**	**9 709**	**446**	**9 952**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2009 and 31 December 2008 is as follows:

In thousands of Russian Roubles	2009 Term placements with other banks with original maturities of more than three months	2009 Overdue term placements with other banks	2008 Term placements with other banks with original maturities of more than three months	2008 Overdue term placements with other banks
Due from other banks (before provision for impairment)				
- Russian Federation banks	101 082	-	1 239 932	-
- OECD countries banks	26 887	-	-	-
- Non-OECD countries banks	465 574	9 709	421 404	9 952
Total due from other banks (before provision for impairment)	**593 543**	**9 709**	**1 661 336**	**9 952**
Less: Provision for impairment	(487)	(9 709)	(446)	(9 952)
Total due from other banks	**593 056**	**-**	**1 660 890**	**-**

The overdue placements with other banks represent placements with other banks past due more than one year.

As at 31 December 2009 term placements with other banks with original maturities of more than three months include a balance of RR 100 000 thousand (2008: RR 1 189 906 thousand) that represents placement to one Russian bank collateralised by a real estate with a fair value of RR 3 665 597 thousand (2008: RR 1 483 527 thousand).

At 31 December 2009 term placements with other banks (banks of non-OECD countries) totalling RR 276 156 thousand (2008: RR 295 418 thousand) have been pledged to third parties as collateral with respect to term placements of other banks deposits and simultaneously have been pledged by attracted term deposits of other banks RR 276 930 thousand (2008: RR 293 318 thousand). Refer to Notes 15 and 30.

The fair value of each category of due from other banks is provided in Note 32. Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in Note 29.

10 Loans and Advances to Customers

In thousands of Russian Roubles	**2009**	**2008**
Corporate entities		
Commercial loans	82 985 218	104 772 637
Factoring	5 365 136	8 432 104
Reverse repurchase agreements	15 103 600	1 547 740
Corporate bonds	-	348 270
Individuals		
Loans to individuals	10 755 140	15 279 814
Reverse repurchase agreements	137 649	695 110
Less: Provision for loan impairment	(14 728 120)	(7 905 203)
Total loans and advances to customers	**99 618 623**	**123 170 472**

At 31 December 2009 loans and advances to customers of RR 15 241 249 thousand (2008: RR 2 242 850 thousand) are effectively collateralised by securities purchased under reverse sale and repurchase agreements at a fair value of RR 17 270 085 thousand (2008: RR 3 716 064 thousand), of which the Group has a right to sell or repledge securities with a fair value of 17 270 085 thousand (2008: RR 3 716 064 thousand).

Movements in provisions for loan impairment are as follows:

	Corporate entities				**Individuals**		**Total**
In thousands of Russian Roubles	**Commercial loans**	**Reverse repurchase agreements**	**Corporate bonds**	**Factoring**	**Loans to individuals**	**Reverse repurchase agreements**	
Provision for loan impairment at 1 January 2009	**7 009 359**	**-**	**20 410**	**115 502**	**759 932**	**-**	**7 905 203**
Provision/(recovery) for loan impairment during the year	11 216 722	-	(20 410)	401 937	412 595	-	12 010 844
Provision in respect of sold loans	(5 141 507)	-	-	-	-	-	(5 141 507)
Loans and advances to customers written off during the year as uncollectible	(28 332)	-	-	-	(3 431)	-	(31 763)
Effect of translation to presentation currency	(12 353)	-	-	(1 178)	(1 126)	-	(14 657)
Provision for loan impairment at 31 December 2009	**13 043 889**	**-**	**-**	**516 261**	**1 167 970**	**-**	**14 728 120**

10 Loans and Advances to Customers (Continued)

In thousands of Russian Roubles	Corporate entities				Individuals		Total
	Commercial loans	**Reverse repurchase agreements**	**Corporate bonds**	**Factoring**	**Loans to individuals**	**Reverse repurchase agreements**	
Provision for loan impairment at 1 January 2008	**3 164 659**	**-**	**-**	**98 623**	**376 885**	**-**	**3 640 167**
Provision for loan impairment during the year	3 892 490	-	20 410	17 950	391 146	-	4 321 996
Loans and advances to customers written off during the year as uncollectible	(44 306)	-	-	-	(1 466)	-	(45 772)
Effect of translation to presentation currency	(3 484)	-	-	(1 071)	(6 633)	-	(11 188)
Provision for loan impairment at 31 December 2008	**7 009 359**	**-**	**20 410**	**115 502**	**759 932**	**-**	**7 905 203**

10 Loans and Advances to Customers (Continued)

The analysis of the Group's loan portfolio by credit quality at 31 December 2009 is set out below:

In thousands of Russian Roubles	**Corporate entities** Commercial loans	Reverse sale and repurchase agreements	Corporate bonds	Factoring	**Individuals** Loans to individuals	Reverse sale and repurchase agreements	**Total**
Current and not impaired loans							
- standard:	38 192 996	15 103 600	-	3 693 042	8 060 540	137 649	65 187 827
- customers with credit history over one year	*27 094 494*	-	-	*2 802 371*	*7 585 822*	-	*37 482 687*
- customers with credit history less than one year	*11 098 502*	*15 103 600*	-	*890 671*	*474 718*	*137 649*	*27 705 140*
- watch list	14 263 049	-	-	-	201 044	-	14 464 093
Total current and not impaired loans	**52 456 045**	**15 103 600**	**-**	**3 693 042**	**8 261 584**	**137 649**	**79 651 920**
Past due but not impaired loans							
- less than 1 month overdue	127 715	-	-	896 649	148 027	-	1 172 391
Total past due but not impaired loans	**127 715**	**-**	**-**	**896 649**	**148 027**	**-**	**1 172 391**
Individually impaired loans							
- current	14 619 258	-	-	-	398 704	-	15 017 962
- less than 1 month overdue	1 410 997	-	-	-	73 439	-	1 484 436
- 1 to 3 months overdue	3 389 522	-	-	-	89 229	-	3 478 751
- 3 to 6 months overdue	1 332 160	-	-	19 109	165 313	-	1 516 582
- 6 to 12 months overdue	5 187 354	-	-	144 690	479 445	-	5 811 489
- over 1 year overdue	4 462 167	-	-	611 646	1 139 399	-	6 213 212
Total individually impaired loans	**30 401 458**	**-**	**-**	**775 445**	**2 345 529**	**-**	**33 522 432**
Total loans and advances to customers (before provision for impairment)	**82 985 218**	**15 103 600**	**-**	**5 365 136**	**10 755 140**	**137 649**	**114 346 743**
Less: Provision for loan impairment	**(13 043 889)**	**-**	**-**	**(516 261)**	**(1 167 970)**	**-**	**(14 728 120)**
Total loans and advances to customers	**69 941 329**	**15 103 600**	**-**	**4 848 875**	**9 587 170**	**137 649**	**99 618 623**

10 Loans and Advances to Customers (Continued)

The analysis of the Group's loan portfolio by credit quality at 31 December 2008 is set out below:

	Corporate entities				Individuals		Total
In thousands of Russian Roubles	**Commercial loans**	**Reverse repurchase agreements**	**Corporate bonds**	**Factoring**	**Loans to individuals**	**Reverse sale and repurchase agreements**	
Current and not impaired loans							
- standard:	89 561 241	1 547 740	348 270	7 879 822	13 349 251	695 110	113 381 434
- customers with credit history over one year	*75 485 624*	-	-	*7 371 610*	*6 152 992*	-	*89 010 226*
- customers with credit history less than one year	*14 075 617*	*1 547 740*	*348 270*	*508 212*	*7 196 259*	*695 110*	*24 371 208*
- watch list	1 952 366	-	-	270 004	411 428	-	2 633 798
Total current and not impaired loans	**91 513 607**	**1 547 740**	**348 270**	**8 149 826**	**13 760 679**	**695 110**	**116 015 232**
Past due but not impaired loans							
- less than 1 month overdue	3 549 050	-	-	11 208	316 586	-	3 876 844
Total past due but not impaired loans	**3 549 050**	**-**	**-**	**11 208**	**316 586**	**-**	**3 876 844**
Individually impaired loans							
- current	4 756 702	-	-	-	28 217	-	4 784 919
- less than 1 month overdue	101 568	-	-	-	818	-	102 386
- 1 to 3 months overdue	2 486 956	-	-	-	234 111	-	2 721 067
- 3 to 6 months overdue	659 860	-	-	271 070	371 369	-	1 302 299
- 6 to 12 months overdue	710 073	-	-	-	394 810	-	1 104 883
- over 1 year overdue	994 821	-	-	-	173 224	-	1 168 045
Total individually impaired loans	**9 709 980**	**-**	**-**	**271 070**	**1 202 549**	**-**	**11 183 599**
Total loans and advances to customers (before provision for impairment)	**104 772 637**	**1 547 740**	**348 270**	**8 432 104**	**15 279 814**	**695 110**	**131 075 675**
Less: Provision for loan impairment	**(7 009 359)**	**-**	**(20 410)**	**(115 502)**	**(759 932)**	**-**	**(7 905 203)**
Total loans and advances to customers	**97 763 278**	**1 547 740**	**327 860**	**8 316 602**	**14 519 882**	**695 110**	**123 170 472**

10 Loans and Advances to Customers (Continued)

Current and not impaired loans represent the carrying amount of: a) standard loans whose terms have not been renegotiated; b) the watch list loans represent loans with credit risk higher than remote or that would otherwise be past due or impaired and whose terms have been renegotiated. Overdue but not impaired loans mainly include loans whose delay is assessed by the Bank as technical. The amount reported as past due but not impaired is the whole balance (outstanding amount) of such loans, not only the individual instalments that are past due.

The watch list loans represent loans with credit risk higher than remote. The primary factors that the Group considers in determining whether a loan is impaired are its overdue status, individual signs of impairment, such as changes in the payment schedule, deterioration in the financial health and other and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of loans that are individually determined to be impaired.

Individually impaired and not past due loans mostly represented by restructured loans.

Fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2009 and 31 December 2008 was as follows:

In thousands of Russian Roubles	**Commercial loans**	**Loans to individuals**	**Total**
31 December 2009			
Fair value of collateral - loans past due but not impaired			
- real estate	118 886	239 918	358 804
- equipment and motor vehicles	130 794	102 782	233 576
- other assets	11 052	2 131	13 183
Fair value of collateral - loans individually determined to be impaired			
- financial claims to the Group and cash	100 108	998	101 106
- tradable securities	577 704	22 246	599 950
- real estate	30 726 211	2 477 015	33 203 226
- equipment and motor vehicles	4 674 464	159 121	4 833 585
- other assets	6 272 664	122 845	6 395 509
Total	**42 611 883**	**3 127 056**	**45 738 939**

In thousands of Russian Roubles	**Commercial loans**	**Loans to individuals**	**Total**
31 December 2008			
Fair value of collateral - loans past due but not impaired			
- financial claims to the Group and cash	4 760	-	4 760
- real estate	2 616 537	307 457	2 923 994
- equipment and motor vehicles	727 318	40 174	767 492
- other assets	1 853 606	27 392	1 880 998
Fair value of collateral - loans individually determined to be impaired			
- financial claims to the Group and cash	47 666	-	47 666
- tradable securities	160 396	22 174	182 570
- real estate	6 498 104	946 878	7 444 982
- equipment and motor vehicles	5 585 896	115 187	5 701 083
- other assets	6 095 988	14 280	6 110 268
Total	**23 590 271**	**1 473 542**	**25 063 813**

10 Loans and Advances to Customers (Continued)

In this classification, the financial claims to the Group and cash represent the most reliable security.

Fair value of collateral on loans individually determined to be impaired exceeds the amount of carrying value of these loans at 31 December 2009 and 31 December 2008, as in the event of default the collateral is likely to be sold with a discount to its fair value upon completion of all legally required procedures and in case of bankruptcy of the borrower the Group has no preferences in respect of other creditors. Due to the crisis phenomena in the economy, in case of urgent realisation of the collateral, there are risks that the Group will have to give an addition discount to the fair value of collateral for the buyer. Refer also to Note 29 for risk management policies applied by the Group in relation to fair value of collateral calculation.

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

	2009		**2008**	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Manufacturing	20 069 907	18	27 707 303	21
Leasing and finance	21 135 477	18	9 963 971	8
Construction	18 473 820	16	17 281 303	13
Trade	15 649 456	13	26 481 643	20
Individuals	10 892 789	10	15 974 924	12
Transport	7 803 659	7	9 562 746	8
Agriculture	6 961 766	6	8 437 366	6
Oil and energy	3 261 055	3	4 747 291	4
Food industry	3 591 348	3	5 332 497	4
Other	6 507 466	6	5 586 631	4
Total loans and advances to customers (before provision for impairment)	**114 346 743**	**100**	**131 075 675**	**100**

The analysis of the Group's loan portfolio (gross) by types of collateral at 31 December 2009 is set out below:

	Corporate entities				**Individuals**		**Total**
In thousands of Russian Roubles	**Commercial loans**	**Reverse repurchase agree-ments**	**Corporate bonds**	**Factoring**	**Loans to individuals**	**Reverse repurchase agreements**	
Unsecured loans	10 874 824	-	-	-	1 167 900	-	12 042 724
Loans collateralised by:							
- financial claims to the Group and cash	646 174	-	-	-	368 385	-	1 014 559
- tradable securities	2 782 685	15 103 600	-	-	65 000	137 649	18 088 934
- real estate	37 405 319	-	-	-	4 633 350	-	42 038 669
-equipment and motor vehicles	7 867 481	-	-	-	240 374	-	8 107 855
- warranties and banking guarantees	19 594 687	-	-	-	4 143 196	-	23 737 883
- other assets	3 814 048	-	-	5 365 136	136 935	-	9 316 119
Total loans and advances to customers	**82 985 218**	**15 103 600**	**-**	**5 365 136**	**10 755 140**	**137 649**	**114 346 743**

10 Loans and Advances to Customers (Continued)

Other assets mainly include equipment and receivables.

The analysis of the Group's loan portfolio (gross) by types of collateral at 31 December 2008 is set out below:

	Corporate entities				Individuals		Total
In thousands of Russian Roubles	Commer-cial loans	Reverse repurchase agree-ments	Corporate bonds	Factoring	Loans to individuals	Reverse repurchase agree-ments	
Unsecured loans	12 312 802	-	348 270	-	1 863 534	-	14 524 606
Loans collateralised by:							
- financial claims to the Group and cash	643 262	-	-	-	736 292	-	1 379 554
- tradable securities	2 941 106	1 547 740	-	-	67 407	695 110	5 251 363
- real estate	42 316 343	-	-	-	5 384 702	-	47 701 045
-equipment and motor vehicles	15 030 574	-	-	-	427 537	-	15 458 111
- warranties and banking guarantees	24 420 037	-	-	-	6 522 799	-	30 942 836
- other assets	7 108 513	-	-	8 432 104	277 543	-	15 818 160
Total loans and advances to customers	**104 772 637**	**1 547 740**	**348 270**	**8 432 104**	**15 279 814**	**695 110**	**131 075 675**

On loans issued within factoring agreements the Group has the possibility of claims recourse from the debtor to the seller. Refer to Note 29. If there are several types of collateral, with the aggregate collateral value exceeding the amount of the respective loan, the amount of outstanding loans was presented in the following way: it was allocated to different types of collateral in the order of decreasing liquidity of collateral.

In 2009, the Group sold the portfolio of impaired loans to its main shareholder. The sales value of these loans was RR 11 412 263 thousand. The excess of the sales value over the fair value of the sold loans was RR 4 165 405 thousand and is recognised in profit or loss. The objective of this transaction was to provide financial support and to compensate the losses incurred by the Group in connection with presence of impaired loans. The Group has transferred to its main shareholder all rights to the cash flows from the financial assets and risks and rewards of ownership of these loans and has neither intention nor rights or obligations on repurchase of these loans.

The fair value of each category of loans and advances to customers is provided in Note 32. Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 29. Information on related party balances is disclosed in Note 34.

11 Investment Securities Available for Sale

In thousands of Russian Roubles	**2009**	**2008**
Federal loan bonds (OFZ)	7 444 626	2 787 345
Corporate bonds	2 556 521	488 400
CBRF bonds	785 146	-
Municipal bonds and bonds of the Russian Federation's regions	414 764	364 385
State debt securities of non-OECD countries	93 117	62 446
Debt securities of central banks of non-OECD countries	16 974	140 373
Corporate Eurobonds	-	124 273
Total debt securities	**11 311 148**	**3 967 222**
Private equity fund investments	423 357	615 557
Quoted corporate shares	4 316	1 357
Unquoted corporate shares	2 271	2 477
Total equity securities	**429 944**	**619 391**
Total investment securities available for sale	**11 741 092**	**4 586 613**

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation.

Corporate bonds are primarily debt securities denominated in Russian Roubles, issued by large Russian companies in oil and gas, banking and other sectors. Corporate bonds are interest bearing zero coupon securities. Corporate bonds are freely tradable in Russia.

CBRF debt securities are Russian Rouble denominated zero-coupon securities issued at discount.

Municipal bonds and bonds of Russian Federation's regions represent interest bearing securities denominated in Russian Roubles. These bonds are tradable on the MICEX and other Russian stock exchanges.

State debt securities of non-OECD countries represent interest-bearing and zero-coupon bonds issued by the Ministry of Finance of Moldova and the Ministry of Finance of the Ukraine.

Debt securities of central banks of non-OECD countries represent zero-coupon bonds issued by the Bank of Moldova at a discount.

Private equity fund investments represent investments in a private equity fund which invests mainly in unlisted equity securities of companies from a wide range of industries in the Russian Federation. Private equity fund investments are carried at their fair value. Private equity fund investments were valued as at 31 December 2009 by the Bank using discounted cash flow model.

11 Investment Securities Available for Sale (Continued)

Analysis by issuers' credit quality of debt securities is as follows at 31 December 2009 and 31 December 2008:

In thousands of Russian Roubles	2009	2008
Federal loan bonds (OFZ)		
- from BB- to BBB+ rated	7 444 626	2 787 345
Corporate bonds		
- from A- to A+ rated	-	140 620
- from BB- to BBB+ rated	2 524 440	234 482
- from B+ and below rated	8 322	8 489
- Unrated	23 759	104 809
CBRF bonds		
- Unrated	785 146	-
Municipal bonds and bonds of the Russian Federation's regions		
- from BB- to BBB+ rated	377 648	309 703
- from B+ and below rated	6 177	14 435
- Unrated	30 939	40 247
State debt securities of non-OECD countries		
- from B+ and below rated	13 472	62 446
- Unrated	79 645	-
Debt securities of central banks of non-OECD countries		
- Unrated	16 974	140 373
Corporate Eurobonds		
- from BB- to BBB+ rated	-	124 273
Total debt investment securities available for sale	**11 311 148**	**3 967 222**

The analysis of the Group's debt investment securities available for sale at 31 December 2009 is set out below:

	Maturity		**Annual coupon rate**		**Annual yield to maturity**	
In % p.a.	**from**	**to**	**from**	**to**	**from**	**to**
Federal loan bonds (OFZ)	January 2010	November 2021	5.8	12.0	3.6	8.7
Corporate bonds	June 2010	November 2019	7.3	19.0	7.2	17.3
CBRF bonds	June 2010	June 2010	-	-	6.6	6.6
Municipal bonds and bonds of the Russian Federation's regions	March 2010	April 2014	7.8	10.3	6.9	13.3
Debt securities of central banks of non-OECD countries	January 2010	January 2010	0.0	0.0	5.1	5.1
State debt securities of non-OECD countries	January 2010	August 2010	10.0	13.0	2.1	21.8

11 Investment Securities Available for Sale (Continued)

The analysis of the Group's debt investment securities available for sale at 31 December 2008 is set out below:

	Maturity		Annual coupon rate		Annual yield to maturity	
In % p.a.	**from**	**to**	**from**	**to**	**from**	**To**
Federal loan bonds (OFZ)	April 2009	August 2018	5.9	10.1	7.2	11.7
Corporate bonds	February 2009	September 2020	7.2	18.0	8.4	32.9
Municipal bonds and bonds of the Russian Federation's regions	April 2009	April 2014	7.8	10.3	7.2	39.7
Debt securities of central banks of non-OECD countries	January 2009	January 2009	0.0	0.0	15.0	15.0
Corporate Eurobonds	June 2022	June 2022	6.7	6.7	13.0	13.0
State debt securities of non-OECD countries	January 2009	May 2010	0.0	21.9	14.1	22.6

The movements in investment securities available for sale are as follows:

In thousands of Russian Roubles	**Note**	**2009**	**2008**
Carrying amount at 1 January		**4 586 613**	**1 780 827**
Fair value gains less losses/(losses less gains)		698 600	(703 863)
Reclassification of securities from trading portfolio		-	7 208 871
Reclassification of securities from repurchase receivables		-	862 126
Acquisition of own securities sold into direct repo agreements as at 1 January 2009		2 630 567	-
Interest income accrual	23	631 349	414 310
Interest received		(522 866)	(397 140)
Purchases		15 887 741	14 644 992
Proceeds from disposal of investment securities available for sale		(12 097 011)	(17 032 275)
Reclassification of securities available for sale under repurchase receivables		-	(2 423 640)
Gains less losses from disposals of investment securities available for sale		82 340	160 952
Impairment of investment securities available for sale recognised directly in profit or loss		(97 360)	-
Impairment of investment securities available for sale recycled from other comprehensive income		(43 120)	-
Exchange differences relating to debt securities		12 676	36 930
Effect of translation to presentation currency		(28 437)	34 523
Carrying amount at 31 December		**11 741 092**	**4 586 613**

At 31 December 2009, investment securities available for sale with a fair value of RR 2 546 420 thousand (2008: RR 2 540 525 thousand) were pledged as collateral with respect to a credit line opened with the CBRF. At 31 December 2009, the Group did not utilise this credit facility (2008: RR 404 643 thousand). Refer to Note 30.

Credit quality analysis of the issuers is carried out by the Group at the stage of setting limits and is described in Note 29. Geographical, currency, interest rate and maturity analyses of investment securities available for sale are disclosed in Note 29. The information on related party investment securities available for sale is disclosed in Note 34.

12 Repurchase Receivables

Repurchase receivable represents securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge.

In thousands of Russian Roubles	2009	2008
Federal loan bonds (OFZ)	-	1 377 130
Municipal bonds and bonds of the Russian Federation's regions	-	1 023 257
Corporate bonds	-	748 326
Total repurchase receivables	**-**	**3 148 713**

Analysis by credit quality of debt securities classified as repurchase receivables and by issuers' credit quality outstanding at 31 December 2009 and 31 December 2008 is as follows:

In thousands of Russian Roubles	2009	2008
Federal loan bonds (OFZ)		
- from BB- to BBB+ rated	-	1 377 130
Municipal bonds and bonds of the Russian Federation's regions		
- from BB- to BBB+ rated	-	669 552
- from B+ and below rated	-	353 705
Corporate bonds		
- from A- to A+ rated	-	409 182
- from BB- to BBB+ rated	-	339 144
Total repurchase receivables	**-**	**3 148 713**

The analysis of the Group's repurchase receivable at 31 December 2008 is set out below:

	Maturity date		Annual coupon rate		Annual yield to maturity	
In % p.a.	from	to	from	to	from	to
Federal loan bonds (OFZ)	April 2009	November 2012	5.9	9.1	7.2	11.7
Municipal bonds and bonds of the Russian Federation's regions	April 2009	June 2013	7.9	9.0	7.7	34.0
Corporate bonds	February 2017	March 2040	7.3	8.8	9.1	18.3

Credit quality analysis of the issuers is carried out by the Group at the stage of setting limits and is described in Note 29. As at 31 December 2008 due to other banks includes RR 3 015 300 thousand received under repurchase agreements with securities at a fair value of RR 3 148 713 thousand. Refer to Notes 15 and 30.

Information on fair value of repurchase receivable is disclosed in Note 32. Geographical, currency, maturity and interest rate analyses of repurchase receivable are disclosed in Note 29. Information on related party balances is disclosed in Note 34.

13 Premises and Equipment

In thousands of Russian Roubles	Land and premises	Office and computer equipment	Construction in progress	Total
Carrying amount at 1 January 2008	**1 658 762**	**963 159**	**229 292**	**2 851 213**
Cost				
Opening balance	1 827 189	2 125 561	229 292	4 182 042
Additions	969 182	449 577	277 945	1 696 704
Transfers	11 406	156 415	(167 821)	-
Disposals	(40 754)	(55 387)	(1 920)	(98 061)
Effect of translation to presentation currency	(65 988)	(11 261)	287	(76 962)
Closing Balance	**2 701 035**	**2 664 905**	**337 783**	**5 703 723**
Accumulated depreciation				
Opening balance	168 427	1 162 402	-	1 330 829
Depreciation charge (Note 25)	59 831	377 358	-	437 189
Disposals	(2 043)	(42 591)	-	(44 634)
Effect of translation to presentation currency	(1 258)	(9 435)	-	(10 693)
Closing Balance	**224 957**	**1 487 734**	**-**	**1 712 691**
Carrying amount at 31 December 2008	**2 476 078**	**1 177 171**	**337 783**	**3 991 032**
Cost				
Opening balance	2 701 035	2 664 905	337 783	5 703 723
Additions	6 493	292 082	33 168	331 743
Transfers	96 612	142 705	(239 317)	-
Disposals	(3 209)	(50 310)	(11 348)	(64 867)
Effect of translation to presentation currency	(10 934)	(14 491)	(238)	(25 663)
Closing Balance	**2 789 997**	**3 034 891**	**120 048**	**5 944 936**
Accumulated depreciation				
Opening balance	224 957	1 487 734	-	1 712 691
Depreciation charge (Note 25)	57 446	450 242	-	507 688
Disposals	(596)	(42 128)	-	(42 724)
Effect of translation to presentation currency	(2 249)	(10 007)	-	(12 256)
Closing Balance	**279 558**	**1 885 841**	**-**	**2 165 399**
Carrying amount at 31 December 2009	**2 510 439**	**1 149 050**	**120 048**	**3 779 537**

As at 31 December 2009 premises and equipment whose carrying amount totalled RR 137 561 thousand (2008: nil) were pledged as collateral on a term deposit of the corporate entity. Refer to Notes 16 and 30.

Construction in progress consists of construction and refurbishment of premises and equipment not yet in operation. Upon completion, the assets are transferred to the appropriate category of premises and equipment.

14 Other Assets

In thousands of Russian Roubles	Note	2009	2008
Other financial assets			
Receivables on commissions		296 181	196 799
Settlements on plastic cards operations		93 237	131 732
Derivative financial instruments	31	13 127	200 359
Cash transfers		9 346	6 114
Dividends receivable		5 668	48 753
Conversion deals settlements and deferred deals		30	613 311
Term deals settlements deposits		-	5 049
Other financial assets		11 695	12 034
Provision for impairment of other financial assets		(100 214)	(37 909)
Total other financial assets		**329 070**	**1 176 242**
Other non-financial assets			
Settlements on non-banking operations		112 583	177 964
Receivables and advance payments		101 578	86 734
Settlements on other operations		42 915	137 335
Prepaid other taxes		14 731	23 747
Precious metals		3 739	-
Repossessed collateral		470 522	5 173
Total other non-financial assets		**746 068**	**430 953**
Total other assets		**1 075 138**	**1 607 195**

Geographical, currency and maturity analyses of other assets are disclosed in Note 29.

Repossessed collateral mainly represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future or to lease the assets under operating lease. The assets do not meet the definition of non-current assets held for sale and are classified as inventories in accordance with IAS 2, Inventories. The assets were initially recognised at fair value when acquired.

15 Due to Other Banks

In thousands of Russian Roubles	2009	2008
Correspondent accounts and overnight placements of other banks	455 357	436 872
Term deposits of other banks	6 877 142	15 382 758
Term deposits of the CBRF	1 000 719	6 061 256
Sale and repurchase agreements with other banks	-	1 000 000
Sale and repurchase agreements with the CBRF	-	3 015 300
Total due to other banks	**8 333 218**	**25 896 186**

At 31 December 2008, the fair value of securities transferred to other banks under sale and repurchase agreements in the amount of RR 1 000 000 thousand, comprised RR 1 546 823 thousand. The Group purchased these securities under reverse sale and repurchase agreements (“reverse repo”). Refer to Note 30.

15 Due to Other Banks (Continued)

At 31 December 2008, the fair value of securities transferred to the CBRF under sale and repurchase agreements in the amount of RR 3 015 300 thousand, comprised RR 3 148 713 thousand. These securities were included in repurchase receivable. Refer to Notes 12 and 30.

As at 31 December 2009, term deposits of other banks of RR 276 930 thousand (2008: RR 293 318 thousand) were collateralised by term placements with other banks of RR 276 156 thousand (2008: RR 295 418 thousand). Refer to Notes 9 and 30.

Refer to Note 32 for the disclosure of the fair value of each class of amounts due to other banks. Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 29. Information on related party balances is disclosed in Note 34.

16 Customer Accounts

In thousands of Russian Roubles	**2009**	**2008**
State and public organisations		
- Current/settlement accounts	3 288	17 460
- Term deposits	149	3 889
Corporate entities		
- Current/settlement accounts	19 691 336	21 219 120
- Term deposits	33 921 495	36 243 462
Individuals		
- Current/demand accounts	11 125 549	8 617 107
- Term deposits	47 385 962	37 328 439
Total customer accounts	**112 127 779**	**103 429 477**

Economic sector concentrations within customer accounts are as follows:

	2009		**2008**	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	58 511 511	52	45 945 546	44
Oil production and refining	13 530 560	12	17 243 511	17
Finance	10 462 120	9	8 498 769	8
Trade	8 488 299	8	10 678 111	10
Services	7 616 110	7	7 926 443	8
Construction	4 291 572	4	4 405 287	4
Manufacturing	2 310 981	2	1 715 024	2
Energy	178 537	-	592 066	1
State and public organisations	3 437	-	21 349	-
Other	6 734 652	6	6 403 371	6
Total customer accounts	**112 127 779**	**100**	**103 429 477**	**100**

At 31 December 2009 included in customer accounts are deposits of RR 1 291 400 thousand (2008: RR 4 239 965 thousand) held as collateral for irrevocable commitments under import letters of credit for settlements in the Russian Federation. Refer to Note 30.

As at 31 December 2009 term deposits of corporate entities of RR 164 794 thousand (2008: nil) were collateralised by premises and equipment with the carrying amount of RR 137 561 thousand (2008: nil). Refer to Notes 13 and 30.

Refer to Note 32 for the disclosure of the fair value of each class of customer accounts. Geographical, currency, interest rate and maturity analyses of customer accounts are disclosed in Note 29. Information on related party balances is disclosed in Note 34.

17 Debt Securities in Issue

In thousands of Russian Roubles	2009	2008
Bonds	11 846 962	5 973 318
Promissory notes	5 427 262	5 308 108
Deposit and saving certificates	492 375	750 649
Total debt securities in issue	**17 766 599**	**12 032 075**

In August 2006 the Group made the second issue of bonds with the nominal value of RR 3 000 000 thousand. These bonds had maturity date in August 2009 and a fixed coupon rate of 8.5% and yield to maturity of 8.9%. The liabilities have been redeemed on time.

In July 2008 the Group placed the fourth issue of bonds with the nominal value of RR 3 000 000 thousand. The bonds mature in July 2011, have a fixed coupon rate of 15.5% (2008: 10.0%) and yield to maturity of 13.9% (2008: 10.3%).

In August 2009 the Group placed the sixth and seventh issue of bonds with the nominal value of RR 3 000 000 thousand each. The bonds mature in August 2012. These bonds have the current coupon rate of 14.4% and 14.9%, and yield to maturity of 15.0% and 15.6%, respectively.

In December 2009 the Group placed the fifth issue of bonds with the nominal value of RR 5 000 000 thousand. The bonds mature in December 2014. These bonds have the current coupon rate of 12.8%, and yield to maturity of 13.2%.

Issued promissory notes represent debt securities denominated in Russian Roubles, US Dollars with maturities from ‘on demand’ to December 2028 (2008: from ‘on demand’ to December 2028). The effective interest rates on these promissory notes range from 0.0% to 16.3% (2008: from 0.0% to 14.0%).

Deposit and saving certificates are debt securities denominated in Russian Roubles with maturities from January 2010 to December 2010 (2008: from January 2009 to August 2010). The effective interest rates on these deposit and saving certificates range from 10.6% to 16.0% (2008: from 9.6% to 15.0%).

Refer to Note 32 for the disclosure of the fair value of each class of debt securities in issue. Geographical, currency, interest rate and maturity analyses of debt securities in issue are disclosed in Note 29. The information on related party balances is disclosed in Note 34.

18 Other Borrowed Funds

In thousands of Russian Roubles	2009	2008
Syndicated loans	376 265	3 695 732
Term borrowings	-	18 418 544
Total other borrowed funds	**376 265**	**22 114 276**

Term borrowings represent medium and long-term funds attracted by the Group on the international financial markets.

A syndicated loan in the amount of USD 14 000 thousand was received by the Group in October 2005 from two Croatian banks. This loan matures in October 2010 and has an interest rate of 6 month LIBOR plus 1.25% p.a. As at 31 December 2009 the effective interest rate on this loan was 8.3% p.a. (2008: 8.6%).

18 Other Borrowed Funds (Continued)

A syndicated loan of USD 14 338 thousand was received by the Group in June 2006 from the above two Croatian banks. This loan matures in June 2011 and has an interest rate of 6 month LIBOR plus 1.25% p.a. As at 31 December 2009 the effective interest rate was 6.1% p.a. (2008: 6.4%).

A syndicated loan of USD 14 398 thousand was received by the Group in October 2006 from the above two Croatian banks. This loan matures in October 2011 and has an interest rate of 6 month LIBOR plus 1.25% p.a. As at 31 December 2009 the effective interest rate on this loan was 5.6% p.a. (2008: 6.5%).

As at 31 December 2008 the Group had Euro Medium Term Notes issued in March 2006 with the nominal value of USD 225 000 thousand, fixed interest rate of 8.0% p.a., maturity in March 2009 and the effective interest rate of 8.7% as at 31 December 2008. The Group has redeemed its debt liabilities on time.

In December 2006 the Group issued Loan Participation Notes with the nominal value of USD 300 000 thousand, fixed interest rate of 8.75% p.a., maturity in December 2009 and the effective interest rate of 9.3% p.a. The Group has redeemed its debt liabilities on time.

In March 2007 the Group additionally issued Loan Participation Notes with the nominal value of USD 125 000 thousand, fixed interest rate of 8.75% p.a., maturity in December 2009 and the effective interest rate of 9.3% p.a. The Group has redeemed its debt liabilities on time.

As at 31 December 2008 the Group had a syndicated loan of USD 106 000 thousand received from a consortium of foreign banks. This loan matures in October 2009 and has an interest rate of 6 month LIBOR plus 1.5% p.a. At 31 December 2008 the effective interest rate on this loan was 10.6%. This syndicated loan was early repaid by the Group in April 2009.

Refer to Note 32 for disclosure of the fair value of each class of other borrowed funds. Geographical, currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 29.

19 Other Liabilities

In thousands of Russian Roubles	**Note**	**2009**	**2008**
Other financial liabilities			
Settlements on factoring operations		450 805	225 788
Derivative financial instruments	31	182 048	178 570
Settlements on plastic card operations		104 366	144 576
Accrued liabilities		33 498	75 847
Cash transfers		5 629	2 193
Other financial liabilities		13 684	22 542
Total other financial liabilities		**790 030**	**649 516**
Other non-financial liabilities			
Accrued staff costs		160 155	151 913
Other taxes payable		114 617	146 594
Settlements on bank operations		54 202	107 307
Other non-financial liabilities		250 076	86 411
Total other non-financial liabilities		**579 050**	**492 225**
Total other liabilities		**1 369 080**	**1 141 741**

Geographical, currency and maturity analyses of other liabilities are disclosed in Note 29. Information on related party balances is disclosed in Note 34.

20 Subordinated Debt

In November 2006, the Group received a subordinated loan of USD 150 000 thousand from a related party with a floating interest rate of 3 month LIBOR plus 4.0% and maturity in May 2012. Under the contract, the loan ranks after all other creditors in case of liquidation of the Bank. As at 31 December 2009 the effective interest rate on this subordinated loan was 5.6% p.a. (2008: 6.4% p.a.).

In October 2007 the Group renegotiated the maturity terms of the subordinated debt till November 2016.

In August 2009 the Group attracted a subordinated loan of RR 1 000 000 thousand with a fixed interest rate of 12.1% p.a. and maturity in August 2019. In December 2009 the Group repaid the subordinated loan due to the acquisition by a company that provided the loan to the Group of shares of additional issue. Refer to Note 21.

Refer to Note 32 for the disclosure of the fair value of subordinated debt. Geographical, currency, maturity and interest rate analyses of subordinated debt are disclosed in Note 29. Information on related party balances is disclosed in Note 34.

21 Share Capital

	2009			**2008**		
In thousands of Russian Roubles	**Number of shares in thousand units**	**Nominal value**	**Inflation adjusted amount**	**Number of shares in thousand units**	**Nominal value**	**Inflation adjusted amount**
Ordinary shares	670 175	6 701 754	8 454 312	600 000	6 000 000	7 752 558
Total share capital	**670 175**	**6 701 754**	**8 454 312**	**600 000**	**6 000 000**	**7 752 558**

All ordinary shares have a nominal value of RR 10 per share, rank equally and each share carries one vote. The amount of dividend is determined and approved at the Bank's annual general meeting.

In March 2008, the members of the Bank's Extraordinary Shareholders Meeting decided to increase the Bank's share capital through additional issue and private offering placement in favour of the Bank's existing shareholders of 100 000 000 ordinary shares of OAO Bank Petrocommerce at nominal value of RR 10 each. The offering price of these shares established by the Board of Directors is RR 30 per each share. In June 2008 the Central Bank of the Russian Federation registered the decision on additional issue of the Bank's shares in compliance with the Russian legislation. In August 2008 the Bank placed the issue in full and prepared documents for the state registration of the Issue Report which was registered in September 2008.

In October 2009, the CBRF registered additional issue of 70 175 439 ordinary shares with a nominal value of RR 10 per share and the purchase price of RR 57 per share. The CBRF documents supporting the increase in capital were received by the Bank in 2010. For the purposes of these consolidated financial statements the increase in the share capital was recognised as an event related to 2009.

22 Retained Earnings

In accordance with Russian legislation, the Group distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Group's reserves under Russian Accounting Rules at 31 December 2009 are RR 13 671 866 thousand (2008: RR 13 354 580 thousand).

23 Interest Income and Expense

In thousands of Russian Roubles	2009	2008
Interest income		
Loans and advances to customers	16 906 345	16 704 095
Correspondent accounts and due from other banks	1 396 078	646 535
Debt investment securities available for sale	631 349	414 310
Reverse sale and repurchase agreements (“reverse repo agreements”)	476 403	1 130 990
Debt trading securities	468 144	1 096 631
Total interest income	**19 878 319**	**19 992 561**
Interest expense		
Deposits of individuals	3 896 734	3 153 733
Term deposits of legal entities	2 247 744	2 498 332
Due to other banks	1 675 784	854 358
Debt securities in issue	1 312 420	1 380 688
Other borrowed funds	1 096 221	1 636 374
Subordinated debt	198 075	71 579
Reverse sale and repurchase agreements (“repo agreements”)	37 878	103 027
Current accounts of legal entities	25 769	7 853
Other	1 500	50
Total interest expense	**10 492 125**	**9 705 994**
Net interest income	**9 386 194**	**10 286 567**

24 Fee and Commission Income and Expense

In thousands of Russian Roubles	2009	2008
Fee and commission income		
Commission on settlement transactions	1 431 746	1 328 734
Commission on cash transactions	664 000	716 031
Commission for trust management	88 741	76 719
Commission on cash collection	87 307	107 389
Commission on guarantees issued	68 606	141 014
Fiduciary commission	1 334	1 214
Other	185 544	229 410
Total fee and commission income	**2 527 278**	**2 600 511**
Fee and commission expense		
Commission on settlement transactions	361 246	389 933
Commission on cash collection	81 155	86 916
Commission on cash transactions	13 346	7 770
Other	133 486	189 986
Total fee and commission expense	**589 233**	**674 605**
Net fee and commission income	**1 938 045**	**1 925 906**

25 Administrative and Other Operating Expenses

In thousands of Russian Roubles	2009	2008
Staff costs	2 636 967	3 060 094
Office maintenance	508 033	456 911
Depreciation of premises and equipment	507 688	437 189
Rent	334 421	347 049
Other expenses related to premises and equipment	313 354	131 597
State deposit insurance system membership fee	205 503	220 343
Taxes other than on income	115 156	137 977
Advertising and marketing	72 902	138 212
Other	483 502	504 276
Total administrative and other operating expenses	**5 177 526**	**5 433 648**

Included in staff costs are statutory taxes and payroll fund contributions of RR 355 403 thousand (2008: RR 421 054 thousand).

26 Income Tax

Income tax expense comprises the following:

In thousands of Russian Roubles	2009	2008
Current tax	883 011	532 004
Deferred tax	(403 015)	(6 232)
Income tax expense for the year	**479 996**	**525 772**

The income tax rate applicable to the majority of the Group's income is 20% (2008: 24%). The income tax rate applicable to the majority of income of subsidiaries ranges from 0% to 25% (2008: from 0% to 25%). Reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2009	2008
IFRS profit before tax	**491 748**	**2 419 616**
Theoretical tax charge at statutory rate (2009: 20%; 2008: 24 %)	98 350	580 708
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	168 589	53 992
- Income on government securities taxed at different rates	(29 503)	(103 215)
- Unrecognised tax losses	44 362	20 184
- Losses less gains of prior period recognized in current year	123 804	27 117
- Impact of change in tax rate to 20% effective from 1 January 2009	-	(30 392)
- Other non-temporary differences	74 394	(22 622)
Income tax expense for the year	**479 996**	**525 772**

26 Income Tax (Continued)

On 26 November 2008, the Russian Federation reduced the standard corporate income tax rate from 24% to 20% with effect from 1 January 2009. The impact of the change in tax rate presented above represents the effect of applying the reduced 20% tax rate to deferred tax balances at 31 December 2008.

Differences between IFRS and statutory taxation regulations in Russia and national regulations of subsidiary non-residents banks being members of the Group give rise to temporary differences between the carrying amount of some assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movement on these temporary differences in the Russian tax jurisdiction is recorded at the rate of 20% (2008: 20%), except for income on state securities of the Russian Federation that is taxed at 15% (2008: 15%).

In thousands of Russian Roubles	**1 January 2009**	**Credited to profit or loss**	**Charged directly to other comprehen-sive income**	**31 December 2009**
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment	(178 118)	42 751	-	(135 367)
Provision for loan impairment	(60 134)	45 311	-	(14 823)
Fair valuation of investment securities available for sale	102 888	60 661	(137 276)	26 273
Debt securities in issue	25 799	5 448	-	31 247
Fair valuation of trading securities	2 987	58 725	-	61 712
Accruals	157 323	151 440	-	308 763
Other	(28 212)	38 679	-	10 467
Net deferred tax asset/(liability)	**22 533**	**403 015**	**(137 276)**	**288 272**
Recognised deferred tax asset	109 217	209 724	-	318 941
Recognised deferred tax liability	(86 684)	193 291	(137 276)	(30 669)
Net deferred tax asset/(liability)	**22 533**	**403 015**	**(137 276)**	**288 272**

In thousands of Russian Roubles	**1 January 2008**	**Charged to profit or loss**	**Credited directly to other comprehen-sive income**	**31 December 2008**
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment	(136 873)	(41 245)	-	(178 118)
Provision for loan impairment	(200 996)	140 862	-	(60 134)
Accruals	170 151	(12 828)	-	157 323
Fair valuation of investment securities available for sale	(2 752)	(33 937)	139 577	102 888
Debt securities in issue	34 390	(8 591)	-	25 799
Fair valuation of trading securities	(7 279)	10 266	-	2 987
Other	20 083	(48 295)	-	(28 212)
Net deferred tax (liability)/asset	**(123 276)**	**6 232**	**139 577**	**22 533**
Recognised deferred tax asset	6 538	102 679	-	109 217
Recognised deferred tax liability	(129 814)	(96 447)	139 577	(86 684)
Net deferred tax (liability)/asset	**(123 276)**	**6 232**	**139 577**	**22 533**

26 Income Tax (Continued)

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

A deferred tax asset in the amount of RR 318 941 thousand (2008: RR 109 217 thousand) and a deferred tax liability in the amount of RR 30 669 thousand (2008: RR 86 684 thousand) have been recorded in the consolidated statement of financial position after offsetting of the gross amounts presented above.

27 Dividends

In thousands of Russian Roubles	**2009**	**2008**
Dividends payable at 1 January	**692**	**717**
Dividends paid during the period	-	25
Dividends payable at 31 December	**692**	**692**

In May 2009, the annual general shareholders' meeting resolved not to pay dividends based on the results for the 2008 financial year.

In May 2008, the annual general shareholders' meeting resolved not to pay dividends based on the results for the 2007 financial year.

28 Segment Analysis

Chief Operating Decision Maker (CODM), which represented by the Board of Directors, assesses performance and allocates resources based on the Group's internal reporting. Operating segments are determined based on the risk concentration in the Group's organisational structure in compliance with the lines of business.

The Group is organised on the basis of four main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, trust management, custody, plastic cards, consumer loans and mortgages.
- Corporate banking – representing current accounts, deposits, overdrafts, loan and other credit facilities, factoring and foreign currency products.
- Financial market transactions – representing stock and money market transactions, brokerage and depositary services, securities, foreign exchange trading and trading in derivative financial instruments, sale and repurchase (repo) agreements, attraction of long-term funds on international financial markets.
- Other transactions – representing other transactions not included in the above segments.

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

Segment financial information reviewed by the CODM includes balance sheet figures and performancee results of the Group's subsidiaries. Regular review of these subsidiary banks is delegated to the local management teams. The CODM obtains financial statements of the Group's subsidiaries on a quarterly basis. Management therefore applied the core principle of IFRS 8, Operating Segments, in determining which of the overlapping financial information sets should form the basis of operating segments.

28 Segment Analysis (Continued)

Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on IFRS financial information for the Group semi-annually.

The Board of Directors assesses performance of operating segments of the Group based on profit before tax. Other information provided to the Board of Directors is determined in compliance with this financial information.

Segment information for the main reportable business segments of the Group for 2009 and 2008 is set out below:

In thousands of Russian Roubles	Retail banking	Corporate banking	Financial markets	Other	Eliminations	Total
2009						
External revenues	3 026 335	16 484 193	2 989 385	60 063	-	22 559 976
Intersegment revenues	5 471 367	5 868 758	6 884 942	677 589	(18 902 656)	-
Total revenues	**8 497 702**	**22 352 951**	**9 874 327**	**737 652**	**(18 902 656)**	**22 559 976**
Total revenues comprise:						
Interest income	1 784 251	15 205 395	2 888 673	-	-	19 878 319
Fee and commission income	1 221 823	1 257 279	42 609	5 567	-	2 527 278
Dividends received	-	-	39 601	-		39 601
Other operating income	20 261	21 517	18 502	54 498	-	114 778
Total revenues	**3 026 335**	**16 484 191**	**2 989 385**	**60 065**	**-**	**22 559 976**
Segment result	**419 143**	**(1 232 203)**	**2 878 192**	**(1 573 384)**	**-**	**491 748**
Profit before tax						**491 748**
Income tax expense						(479 996)
Profit for the year						11 752
Other segment items						
Capital expenditure	125 557	140 313	10 191	55 682	-	331 743
Depreciation charge	(260 139)	(163 751)	(12 279)	(71 519)	-	(507 688)
Provision for loan impairment	(412 595)	(11 561 692)	(36 612)	-	-	(12 010 899)
Segment assets	**15 885 547**	**87 864 114**	**66 063 606**	**-**	**-**	**169 813 267**
Deferred income tax asset						318 941
Other unallocated assets						1 763 801
Total assets						**171 896 009**
Segment liabilities	**59 347 044**	**54 174 871**	**26 159 623**	**-**	**-**	139 681 538
Deferred tax liabilities						30 669
Subordinated debt						4 229 972
Other unallocated liabilities						413 377
Total liabilities						**144 355 556**

28 Segment Analysis (Continued)

In thousands of Russian Roubles	Retail banking	Corporate banking	Financial markets	Other	Eliminations	Total
2008						
External revenues	3 234 803	16 126 372	3 389 677	15 704	-	22 766 556
Intersegment revenues	4 506 021	6 923 318	4 076 538	474 329	(15 980 206)	-
Total revenues	**7 740 824**	**23 049 690**	**7 466 215**	**490 033**	**(15 980 206)**	**22 766 556**
Total revenues comprise:						
Interest income	2 011 137	14 703 304	3 277 968	152	-	19 992 561
Fee and commission income	1 208 991	1 213 165	44 590	133 765	-	2 600 511
Dividends received	-	-	67 911	-	-	67 911
Other operating income	14 673	37 632	6 733	46 535	-	105 573
Total revenues	**3 234 801**	**15 954 101**	**3 397 202**	**180 452**	**-**	**22 766 556**
Segment result	**293 973**	**3 882 847**	**5 810**	**(1 763 014)**	**-**	**2 419 616**
Profit before tax						**2 419 616**
Income tax expense						(525 772)
Profit for the year						**1 893 844**
Other segment items						
Capital expenditure	622 494	758 103	58 419	257 688	-	1 696 704
Depreciation charge	(215 532)	(144 896)	(11 129)	(65 632)	-	(437 189)
Provision for loan impairment	(391 146)	(3 930 850)	(254)	-	-	(4 322 250)
Segment assets	**20 719 943**	**133 130 152**	**36 151 571**	**-**	**-**	**190 001 666**
Deferred income tax asset						109 217
Other unallocated assets						1 848 276
Total assets						**191 959 159**
Segment liabilities	**47 102 089**	**57 808 013**	**59 336 325**	**-**	**-**	**164 246 427**
Deferred tax liabilities						86 684
Subordinated debt						4 181 535
Other unallocated liabilities						383 024
Total liabilities						**168 897 670**

28 Segment Analysis (Continued)

Geographical information. The majority of the Group's revenues, non-current assets other than financial instruments and deferred tax assets from external customers are attributed to customers domiciled in the Russian Federation. Revenues, non-current assets other than financial instruments and deferred tax assets from external customers domiciled in other countries are below the threshold for separate disclosure in these consolidated financial statements. Group does not have post-employment benefit assets and rights arising under insurance contracts.

29 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The Group's risk management policy is intended to ensure an optimal balance between the acceptable level of risk undertaken by the Group and the return from banking activities to restrict potential adverse effects on the Group's financial performance, to ensure sustainability of the business of the Group and as well as to protect the rights and interests of the Group's stakeholders - shareholders, clients, counterparties and others. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. The risk management objectives, policies and procedures are similar for the Bank and its subsidiaries.

Taking into account the current crisis in the financial markets and other sectors of economy, changes introduced to the risk management process in 2008 were in effect. In particular:

- Requirements to the methods of placing liquidity reserves became more rigorous, taking into account the growing volatility of the resource base, liquidity reserves were increased;
- Approaches to credit risk management were amended (procedures of loans issue and monitoring became more rigorous, limits are revised);
- For the purpose to improve flexibility of the Bank's management, for the period of crisis changes were made in the structure of the Bank's collegial bodies.

Risk management structure. The risk management governance system of the Group includes setting, implementing and controlling risk management policies and procedures and subsequent updating of policies and procedures based on current economic, business and regulatory environment.

The Board of Directors is responsible for the overall supervision of the risk management system.

The Executive Board has overall responsibility over asset and liability management including approval of key risk management policies and procedures and large risk exposures, assessment of risk management system bodies and approval of contingency plans.

29 Financial Risk Management (Continued)

For the period of crisis during 2009, in order to make operating decisions the following bodies were established: the Committee for Business Management (CBM) and the Committee for Management of Liquidity and Finance (CMLF).

For the period of crisis, the Committee for Management of Liquidity and Finance was assigned with the functions exercised by the Bank's Committee for Finance and Economy and the Budget Committee. The Committee for Management of Liquidity and Finance also performs the following functions:

- addressing issues related to the Bank's development projects' management;
- addressing issues related to operational cost management;
- communication of required operating information to interested parties within the Group as to decision making and other information related to liquidity, finance and cost management in the Bank.

The following functions were assigned to Committee of Business Management:

- coordination and control of credit committees' activities;
- addressing issues related to product range, including pricing of products and services (subject to recommendations and pricing policy of the Committee for Management of Liquidity and Finance);
- addressing issues related to customer relations;
- addressing issues related to day-to-day operations of the regional network;
- communication of required operating information to interested parties within the Group as to decision making and other information related to business operations.

The Executive Board, the CBM, the CMLF and Credit Committees make decisions that set out the risk management procedures that fall within the competence of the respective unit and establish limits to bound the risks related to particular operations.

The Risk Control Department (RCD) is directly responsible for the development of policies on assessment of the current level of risks, risk management procedures, identification and analysis of the current risk level and monitoring of compliance with the procedures and set limits limiting the risk level. The RCD is an independent unit, its representatives have the right to vote in the CMLF, the CBM and credit committees. Moreover, a representative of the RCD also has the veto power in the CBM and credit committees. The RCD reports to the Group's management on a regular basis. The review of major risks is communicated to the Board of Directors on a semi-annual basis in the report on risk management, which includes credit, market, liquidity, operating and reputation risks.

In December 2009 the committee structure was changed. The Committee for Management of Liquidity and Finance and the Committee for Business Management were liquidated. The Financial and Economic Committee and the Budget Committee of the Bank (renamed into the Project and Budget Committee) resumed their work. The new committee structure became effective in January 2010. Also to optimise the lending activity the Project Financing Committee was established in January 2010.

Credit risk. The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities into the Group's asset portfolio. There is also credit risk in off-balance sheet items, such as guarantees and loan commitments.

29 Financial Risk Management (Continued)

During 2009 year the following committees are responsible for approval of corporate and retail transactions which might create credit risk exposure:

- The Committee for Business Management approves decisions on credit risk management for 20 largest borrowers of the Bank, as well as on management of non-performing loans;
- The Committee for Management of Liquidity and Finance establishes credit risk management procedures for REPO transactions, the procedure for use of credit risk limits by counterparty on REPO transactions and settlements, and also determines credit risk limits for banks, including for transactions with their own debt securities, for transactions with government securities and by security type (for investments and reverse REPO transactions);
- The Credit Committee approves decisions on credit risk management for transactions (except for transactions falling within the authority of the Committee for Business Development) in the amounts exceeding RR 500 million (RR 30 million for individuals) under standard lending programs, reviews non-standard loan applications and also approves the limits for corporate debt securities;
- The Medium Credit Committee approves decisions on credit risk management for transactions with legal entities (except for transactions falling within the authority of the Committee for Business Development) in the amounts up to RR 500 million under standard lending programs;
- The Small Credit Committee approves decisions on credit risk management for transactions with individuals in the amounts up to RR 30 million.

In December 2009, due to the eased effect of the crisis the structure of committees responsible for approving transactions that may have a credit risk was changed.

The Branch Credit Committee reviews lending applications from customers and takes lending decisions based on the established credit limits.

The credit risk management system implies setting of limits which includes individual counterparty limits, industry limits, as well as limits restricting credit product type, currency, period, type of collateral and other.

The Group has developed a methodology that enables evaluation of creditworthiness and credit quality of all types of counterparties: corporate clients, small and medium businesses, security issuers, banks, individuals, counterparties within the scope of financing on terms of claim assignment (factoring), insurance companies, etc.

The Group's credit risk management system includes a model, which allows to assess expected losses on the credit portfolio (the 'expected loss model') by using (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derives the 'exposure at default'; and (iii) the likely economic loss ratio on the defaulted obligations (the 'loss given default'). By calculating these measurements the Group determines a risk premium for covering expected losses on the credit portfolio. This model takes into consideration such parameters as financial position of a counterparty, credit risk exposure, lending period, offered collateral and other factors that adjust the final risk premium. The Group continuously improves its credit risk measurement model. However, these measurements can be contrasted with impairment allowances recorded by the Group in these consolidated financial statements as required under IAS 39, which are based on losses that have been incurred at the end of the reporting period (the 'incurred loss model') rather than expected losses. Refer to Note 3.

The Group actively continues to develop its risk management system for lending to individuals. The scoring models that are used in lending to individuals enable the Group to reduce its risks at credit issue, however, the Group continues to enhance the efficiency of its systems.

Fair value of collateral is determined by the Group's experts in respect of the group of related borrowers. Fair value normally exceeds the amount of established limit by 30%-80%, depending on the borrower's financial position, the type of collateral, the borrower's credit history and information on the borrower. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

29 Financial Risk Management (Continued)

The Group usually takes collateral as security for all loans and credit facilities granted to its customers. Loans, even to related parties, are generally over-collateralised. The main types of collateral or credit support taken are financial claims to the Group, guarantees, Russian Government securities, shares in blue-chip companies, liquid promissory notes, real estate, goods, wares and merchandise and similar monetary assets. Pledges of, amongst other things, equipment are a typical form of security taken by the Group. According to the Group's internal procedures, collateral should be provided (where it is required) to cover outstanding liabilities during the whole term of a loan.

The major part of factoring finance provided by the Group implies the possibility of claim recourse from the debtor to the seller. The Group treats this as a security to mitigate its risks.

The Group's transactions may lead to settlement risk exposure at the moment of settlement. Settlement risk is the risk of losses resulting from the counterparty's inability to meet its obligations to provide cash, securities or other assets stipulated by the contract.

For certain types of transactions the Group reduces this risk by making settlements in form of "delivery versus payment" or by clearing agents in order to be sure that final settlements will be completed only after both parties fulfil their contractual obligations in full. Undertaking an exposure to the settlement risk on unconditional settlement transactions requires availability of credit risk limits and (or) special limits of settlement risk by counterparty. Such limits constitute part of the above process of approval/monitoring of limits per counterparty.

In anticipation of an exacerbation of the crisis, the Group made its approaches to credit risk management more rigorous. Principal changes in the process of regulating credit risk include, among others:

- more rigorous general requirements to the borrower's financial position in terms of its debt burden and potential development in the crisis environment;
- introduction of additional and review of earlier existing industry limits, introduction of limits on application of individual credit products and types of collateral;
- more rigorous procedures for review of applications, decrease of limits for independent lending in regional offices;
- enhanced requirements to collateral, increase of discounts, prohibition of precedent conditions regarding collateral, implementation of actions to strengthen the Group's collateral position;
- more rigorous approaches to calculation of solvency in relation to loans to individuals, subject to possible decrease of their level of income;
- more rigorous procedure for monitoring the loan portfolio status.

At the end of 2009 the Group partially revised the more rigorous requirements set to credit quality of borrowers, limits and powers, though they remained at conservative level.

As part of its measures to manage liquidity reserves, the Group has dramatically enhanced its approaches to placing liquidity reserves and is focused on placing liquidity reserves in correspondent accounts with the most reliable banks, in Lombard list securities and in reverse repurchase transactions with such securities. In an operational mode, limits on banks-counterparties have been revised downwards. Limits on counterparties under repurchase transactions were reduced drastically, and minimal discounts were made more rigorous.

A system of limits on types of collateral, limits on counterparties, the level of minimal discounts as well as a mandatory requirement to a counterparty to sign a general agreement based on the Bank's form with the description of procedures for settling disputes are in place to limit risks related to repo transactions.

Procedures of on-going counterparties' monitoring in relation to transactions in financial markets are in place, procedures for suspension of limits are streamlined.

29 Financial Risk Management (Continued)

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Management of market risks includes limitation of possible losses on own positions that may be incurred by the Group over a specified time horizon with given level of confidence as a result of movements in exchange rates, market prices and interest rates by establishing limits for each type of transactions, and control over compliance with the set limits.

The Financial and Economic Committee is responsible for setting limits to restrict possible losses arising from market risks. The Risk Control Department is responsible for developing recommendations on setting and revising limits and risk minimisation procedures.

Market risks are managed on the basis of the following methods:

- diversification of the active portfolio in the money and stock market, using, inter alia, a multilevel system of limits;
- daily revaluations of positions based on market prices;
- setting of and monitoring compliance over aggregate and private limits on all money/stock market instruments;
- setting of and monitoring compliance with stop-out limits to restrict the Group's losses on instruments;
- limits on investments in securities are revised subject to their liquidity (possibility of immediate disposal of portfolio without significant effect on the market price).

Before opening of the limits for debt securities, including repurchase receivables and investment securities available for sale, the Group assesses both the credit quality of the issuer and the liquidity of the securities. The credit quality requirements applied to the issuers are higher than the criteria applied to the borrowers. These criteria additionally include higher requirements to some financial performance indicators (i.e. gearing, financial efficiency etc.), the total assets and net assets of the issuer should not be less than total assets and net assets of the largest borrowers of the Group, the terms of issue stipulate the ability for early redemption in case of the change of the owner, the quality of the issuer assessed in accordance with internal rating methodology should not be worse than the quality of the borrower entitled to receive the unsecured loan for the term similar to the term to maturity of the security, and the holding companies are also obliged to present audited consolidated financial statements.

Additional criteria taken into account in the course of liquidity analysis are the volume of transactions on the organised exchange markets, spread between sale and purchase prices and spread between the security prices and risk-free assets of the same currency and maturity.

The limits for trading securities are opened only in case if the investment plan stipulates the sale of this security within 12 months and the liquidity of the security allows to sell it within 1-3 months without decrease in value.

The Group uses the VaR (value-at-risk) method for most trading positions and stress tests for non-liquid financial instruments. The VaR method is a method of evaluating potential losses that may occur on risk positions as a result of a change in market rates and prices within a certain period of time based on the assumed confidence interval. The VaR model used by the Group is based on a 99% confidence level and stipulates a 1 to 10 day holding period depending on the item category. The VaR model represents forecasting based on historical data. The model builds probability future development scenarios based on historical data of market quotations with consideration of interdependence between different markets and instruments. Potential changes in market prices are calculated with reference to market data for the last twelve months.

29 Financial Risk Management (Continued)

Although the VaR methodology is an important instrument for evaluation of the probable market risk value, it has several constraints, especially in respect of low liquid markets:

- Using historical data as the basis for determining future events may not reflect all possible scenarios;
- Using a 1 to 10 day holding period stipulates that the Group considers to sell or hedge the positions within 1 to 10 days. In practice, this is always the case. However, in case of exceptionally low market liquidity even a 10 day period may not be sufficient;
- A confidence interval of 99% does not consider losses that may occur beyond this level. Probability distribution of losses that may occur beyond the 99% level is not evaluated;
- Since the VaR amount is calculated based on the closing trading sessions data, it does not always reflect intraday fluctuations.

The Group does not confine market risk evaluation to VaR calculation only, as this method is associated with certain constraints described above. Constraints inherent in the VaR method are corrected by revising limits on open positions set with consideration of instruments' liquidity, limits on volumes of transactions in respect of each trading portfolio. In addition, the Group also uses stress tests for modelling possible financial effect of certain exceptional market scenarios for certain types of the Group's capital position.

Information on the level of VaR associated with the Group's currency risk and securities price risk at 31 December 2009 and 31 December 2008 is provided below:

- value at risk of changes in the securities' value

	2009			2008		
In thousands of Russian Roubles	**Value of position**	**Risk**	**Percentage of risk to value of position**	**Value of position**	**Risk**	**Percentage of risk to value of position**
Fixed income securities price risk	14 595 627	488 202	3.3%	8 677 598	133 930	1.5%
Equity securities price risk	968 424	557 566	57.6%	313 484	114 182	36.4%

- value at risk of changes in currency risks

	2009			2008		
In thousands of Russian Roubles	**Value of position**	**Risk**	**Percentage of risk to value of position**	**Value of position**	**Risk**	**Percentage of risk to value of position**
Currency rate risk exposure	(5 330 702)	137 639	2.6%	(295 569)	5 646	1.9%

29 Financial Risk Management (Continued)

Geographical risk. The geographical concentration of the Group's assets and liabilities at 31 December 2009 is set out below:

In thousands of Russian Roubles	Russia	OECD	Other	Total
Financial assets				
Cash and cash equivalents	36 597 417	10 974 931	712 110	48 284 458
Mandatory cash balances with central banks	1 045 654	-	101 540	1 147 194
Trading securities	5 033 023	-	-	5 033 023
Due from other banks	101 082	26 887	465 087	593 056
Loans and advances to customers	91 861 581	1 877	7 755 165	99 618 623
Investment securities available for sale	11 620 405	2 271	118 416	11 741 092
Other financial assets	225 821	83 587	19 662	329 070
Total financial assets	**146 484 983**	**11 089 553**	**9 171 980**	**166 746 516**
Non-financial assets				
Prepaid income tax	297 894	-	7 053	304 947
Deferred income tax asset	277 889	-	41 052	318 941
Premises and equipment	3 689 538	-	89 999	3 779 537
Other non-financial assets	667 678	6 596	71 794	746 068
Total assets	**151 417 982**	**11 096 149**	**9 381 878**	**171 896 009**
Financial liabilities				
Due to other banks	3 593 055	4 316 401	423 762	8 333 218
Customer accounts	105 696 588	2 928 951	3 502 240	112 127 779
Debt securities in issue	17 715 215	51 384	-	17 766 599
Other borrowed funds	-	-	376 265	376 265
Other financial liabilities	735 335	41 280	13 415	790 030
Subordinated debt	4 229 972	-	-	4 229 972
Total financial liabilities	**131 970 165**	**7 338 016**	**4 315 682**	**143 623 863**
Non-financial liabilities				
Current income tax liability	121 974	-	-	121 974
Deferred tax liability	30 669	-	-	30 669
Other non-financial liabilities	538 429	1 212	39 409	579 050
Total liabilities	**132 661 237**	**7 339 228**	**4 355 091**	**144 355 556**
Net balance sheet position	**18 756 745**	**3 756 921**	**5 026 787**	**27 540 453**
Credit related commitments (Note 30)	**4 990 610**	**482 501**	**831 748**	**6 304 859**

29 Financial Risk Management (Continued)

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. The column "OECD" in the table above includes mainly balances with counterparties from the USA, Germany and Great Britain. Balances with Russian counterparties actually outstanding to/from off-shore companies of these Russian counterparties are allocated to the caption "Russia". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

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

In thousands of Russian Roubles	**Russia**	**OECD**	**Other**	**Total**
Financial assets				
Cash and cash equivalents	41 617 977	7 910 233	506 991	50 035 201
Mandatory cash balances with central banks	219 915	-	154 435	374 350
Trading securities	2 603 503	-	-	2 603 503
Due from other banks	1 239 932	-	420 958	1 660 890
Loans and advances to customers	114 091 747	469	9 078 256	123 170 472
Investment securities available for sale	4 372 937	2 271	211 405	4 586 613
Repurchase receivables	3 148 713	-	-	3 148 713
Other financial assets	1 042 137	129 034	5 071	1 176 242
Total financial assets	**168 336 861**	**8 042 007**	**10 377 116**	**186 755 984**
Non-financial assets				
Prepaid income tax	671 159	-	814	671 973
Deferred income tax asset	80 978	-	28 239	109 217
Premises and equipment	3 883 599	-	107 433	3 991 032
Other non-financial assets	241 574	2 929	186 450	430 953
Total assets	**173 214 171**	**8 044 936**	**10 700 052**	**191 959 159**
Financial liabilities				
Due to other banks	13 961 717	11 488 347	446 122	25 896 186
Customer accounts	92 554 123	5 760 822	5 114 532	103 429 477
Debt securities in issue	11 791 993	90 955	149 127	12 032 075
Other borrowed funds	-	21 494 428	619 848	22 114 276
Other financial liabilities	627 262	7 818	14 436	649 516
Subordinated debt	4 181 535	-	-	4 181 535
Total financial liabilities	**123 116 630**	**38 842 370**	**6 344 065**	**168 303 065**
Non-financial liabilities				
Current income tax liability	4 969	-	10 727	15 696
Deferred tax liability	86 684	-	-	86 684
Other non-financial liabilities	436 670	3 966	51 589	492 225
Total liabilities	**123 644 953**	**38 846 336**	**6 406 381**	**168 897 670**
Net balance sheet position	**49 569 218**	**(30 801 400)**	**4 293 671**	**23 061 489**
Credit related commitments (Note 30)	**5 044 111**	**448 126**	**1 578 295**	**7 070 532**

29 Financial Risk Management (Continued)

Currency risk. Currency risk is the risk that the Group's income or financial instruments portfolio may change due to exchange rate fluctuations.

The Financial and Economic Committee manages the volume of currency risk by setting a limit on the level of open currency positions. The Department for Financial Market Operations manages the level of open currency positions within the set limits. The Treasury transfers open currency position to the Department for Financial Market Operations through concluding intra-group transactions. The Risk Control Department monitors the aggregate currency risk level.

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2009:

In thousands of Russian Roubles	RR	USD	Euro	Other	Total
Financial assets					
Cash and cash equivalents	32 604 094	6 795 869	8 268 121	616 374	48 284 458
Mandatory cash balances with central banks	1 045 654	12 677	10 115	78 748	1 147 194
Trading securities	4 457 463	145 664	429 896	-	5 033 023
Due from other banks	101 052	73 918	30 169	387 917	593 056
Loans and advances to customers	62 125 082	32 528 315	4 153 472	811 754	99 618 623
Investment securities available for sale	11 197 048	423 357	2 271	118 416	11 741 092
Other financial assets	290 509	19 805	1 301	17 455	329 070
Total financial assets	**111 820 902**	**39 999 605**	**12 895 345**	**2 030 664**	**166 746 516**
Non-financial assets					
Prepaid income tax	297 894	-	-	7 053	304 947
Deferred income tax asset	277 889	-	-	41 052	318 941
Premises and equipment	3 689 539	-	-	89 998	3 779 537
Other non-financial assets	653 323	969	858	90 918	746 068
Total assets	**116 739 547**	**40 000 574**	**12 896 203**	**2 259 685**	**171 896 009**
Financial liabilities					
Due to other banks	3 483 008	2 339 052	2 510 550	608	8 333 218
Customer accounts	72 250 598	25 252 090	13 403 999	1 221 092	112 127 779
Debt securities in issue	16 503 479	1 263 120	-	-	17 766 599
Other borrowed funds	-	376 265	-	-	376 265
Other financial liabilities	619 559	149 841	9 594	11 036	790 030
Subordinated debt	-	4 229 972	-	-	4 229 972
Total financial liabilities	**92 856 644**	**33 610 340**	**15 924 143**	**1 232 736**	**143 623 863**
Non-financial liabilities					
Current income tax liability	121 974	-	-	-	121 974
Deferred tax liability	30 669	-	-	-	30 669
Other non-financial liabilities	535 985	2 829	2 042	38 194	579 050
Total liabilities	**93 545 272**	**33 613 169**	**15 926 185**	**1 270 930**	**144 355 556**
Net balance sheet position	**23 194 275**	**6 387 405**	**(3 029 982)**	**988 755**	**27 540 453**
Derivative financial instruments (Note 31)	**8 519 204**	**(10 900 928)**	**2 212 803**	**-**	**(168 921)**

29 Financial Risk Management (Continued)

At 31 December 2008, the Group had the following positions in currencies:

In thousands of Russian Roubles	RR	USD	Euro	Other	Total
Financial assets					
Cash and cash equivalents	18 494 753	22 841 973	7 773 259	925 216	50 035 201
Mandatory cash balances with central banks	219 916	56 702	25 935	71 797	374 350
Trading securities	2 603 503	-	-	-	2 603 503
Due from other banks	50 025	1 222 799	-	388 066	1 660 890
Loans and advances to customers	75 290 669	39 958 644	6 204 161	1 716 998	123 170 472
Investment securities available for sale	3 633 108	739 829	2 271	211 405	4 586 613
Repurchase receivables	3 148 713	-	-	-	3 148 713
Other financial assets	1 136 085	26 294	11 020	2 843	1 176 242
Total financial assets	**104 576 772**	**64 846 241**	**14 016 646**	**3 316 325**	**186 755 984**
Non-financial assets					
Prepaid income tax	671 159	-	-	814	671 973
Deferred income tax asset	80 978	-	-	28 239	109 217
Premises and equipment	3 883 599	-	-	107 433	3 991 032
Other non-financial assets	229 028	4 425	1 338	196 162	430 953
Total assets	**109 441 536**	**64 850 666**	**14 017 984**	**3 648 973**	**191 959 159**
Financial liabilities					
Due to other banks	13 694 447	7 418 449	4 390 759	392 531	25 896 186
Customer accounts	61 954 871	30 257 926	9 612 956	1 603 724	103 429 477
Debt securities in issue	11 642 621	386 316	3 138	-	12 032 075
Other borrowed funds	-	22 114 276	-	-	22 114 276
Other financial liabilities	609 855	20 946	4 627	14 088	649 516
Subordinated debt	-	4 181 535	-	-	4 181 535
Total financial liabilities	**87 901 794**	**64 379 448**	**14 011 480**	**2 010 343**	**168 303 065**
Non-financial liabilities					
Current income tax liability	4 969	-	-	10 727	15 696
Deferred tax liability	86 684	-	-	-	86 684
Other non-financial liabilities	435 028	4 642	4 698	47 857	492 225
Total liabilities	**88 428 475**	**64 384 090**	**14 016 178**	**2 068 927**	**168 897 670**
Net balance sheet position	**21 013 061**	**466 576**	**1 806**	**1 580 046**	**23 061 489**
Derivative financial instruments (Note 31)	**726 921**	**(763 951)**	**-**	**58 819**	**21 789**

29 Financial Risk Management (Continued)

Movements in foreign exchange rates may affect the borrowers' repayment ability and incurrence of loan losses. At the same time, the Group seeks to provide to corporate clients loans in the currency which meets the requirements of the borrower's business structure in order to minimise the incurrence of loan losses due to realisation of potential currency risk for the borrower.

Liquidity risk. Liquidity risk is the risk of difficulties arising with repayment of the Group's financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Financial and Economic Committee.

Liquidity risk arises when the maturity of assets and liabilities does not match. Given the diversity of the Group's transactions and associated uncertainty, the full matching of maturities of assets and liabilities is not a standard practice for financial institutions, which enables them to increase profitability of operations, but, at the same time, increases the risk of losses or the risk that the Group will be unable to meet its obligations.

The objective of liquidity management is to establish and maintain such condition of the Group's asset and liability structure by type and basic maturity that would enable the Group to timely fulfil its obligations to creditors, to satisfy the demand of Group's clients and counterparties for cash borrowings and to maintain the Group's reputation as a reliable financial institution that is paying special attention to liquidity risk regulation.

The Group seeks to maintain a diversified and stable structure of sources of financing consisting of issued debt securities, long-term and short-term deposits of banks, deposits of major corporate and retail clients as well as a diversified portfolio of highly liquid assets so that the Group could be able to promptly react to unforeseen liquidity requirements.

In view of growing economic crisis the Group's liquidity management is conducted with due consideration of increased risk of overdue amounts. The Group established an additional liquidity provision intended for early repayment of earlier issued debt instruments. Additional procedures for expert valuation of credit portfolio maturity and risk management were introduced that will subsequently be used for review of forecasted liquidity.

The Financial and Economic Committee is responsible for liquidity management organisation (for the period of crisis, its functions were assigned to the Committee for Management of Liquidity and Finance). In order to streamline the liquidity management procedures the Group separately conducts short-term liquidity management, day-to-day management of which is performed by the Treasury and structured liquidity management, where decisions are taken by the Financial and Economic Committee and information is prepared by the Risk Control Department.

Liquidity risk management is centralised in the Treasury by entering into transfer deals for all term transactions among the Treasury and business units. The deals are concluded for the period corresponding to the period of transactions at transfer rates.

29 Financial Risk Management (Continued)

The Group's liquidity management policy comprises:

- daily projecting of cash flows by major currencies and calculation of the required level of current liquidity which complies these cash flows;
- maintaining current liquidity in the amount sufficient for full coverage of the liabilities with maturity within 30 days;
- maintaining diversified structure of the sources and structure of financing;
- management of the concentration and structure of borrowed funds;
- development and implementation of debt financing plans;
- development of backup plans for liquidity and specified financing level maintenance;
- control over the compliance of the Group's balance sheet liquidity ratios with statutory ratios;
- establishing of limits and rates for attraction/placement of funds by instruments and of transfer rates.

The Treasury receives information on planned transactions from the business units. If the dates for notification about the planned transactions are not observed and also if the transaction exceeds the established limits on amount the Treasury has the right to ban this transaction of the business unit.

Monitoring of current and projected current liquidity position is done daily on the basis of preparation of payment schedule and forecast of short-term resources requirements. Monitoring of structural liquidity position is done by means of regular preparation of current and projected reports on assets and liabilities gaps (GAP-report).

The Bank Petrocommerce and its Russian subsidiaries calculate liquidity ratios on a daily basis in accordance with the requirement of the CBRF. These ratios include:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand;
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days;
- 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.

At 31 December 2009 and at 31 December 2008, the Bank's liquidity ratios complied with the statutory level.

Subsidiary banks in Ukraine and Moldova calculate liquidity ratios in accordance with the requirements of national banks of these countries accordingly.

The table below shows liabilities at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the table below are the contractual undiscounted cash flows, including prices specified in deliverable forward agreements to purchase financial assets for cash. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the amount in the consolidated statement of financial position is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated at the official exchange rate of CBRF at the end of the reporting period.

29 Financial Risk Management (Continued)

The undiscounted maturity analysis of financial liabilities based on the contractual undiscounted cash flows at 31 December 2009 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Later than 5 years**	**Total**
Liabilities						
Due to other banks	3 112 156	1 173 292	2 119 225	1 867 882	405 937	8 678 492
Customer accounts	51 821 713	28 251 270	27 323 234	8 540 961	17 041	115 954 219
Debt securities in issue	475 988	3 469 548	3 090 134	15 928 835	347 437	23 311 942
Other borrowed funds	-	132 808	131 634	132 048	-	396 490
Other financial liabilities	178 488	587 371	24 133	38	-	790 030
Subordinated debt	-	47 548	145 287	722 736	4 943 508	5 859 079
Derivatives						
- Additions	(10 322 366)	(1 301 649)	-	-	-	(11 624 015)
- Disposals	10 466 244	1 339 819	-	-	-	11 806 063
Total	**55 732 223**	**33 700 007**	**32 833 647**	**27 192 500**	**5 713 923**	**155 172 300**
Credit related commitments (Note 30)	**1 164 009**	**3 478 465**	**1 569 607**	**92 778**	**-**	**6 304 859**

The undiscounted maturity analysis of financial liabilities based on the contractual undiscounted cash flows at 31 December 2008 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Later than 5 years**	**Total**
Liabilities						
Due to other banks	8 923 546	12 192 792	1 934 796	3 271 729	592 647	26 915 510
Customer accounts	54 189 935	18 909 906	25 410 989	8 500 879	19 748	107 031 457
Debt securities in issue	1 087 011	2 823 268	4 760 712	4 320 520	454 390	13 445 901
Other borrowed funds	-	10 795 451	12 446 706	397 746	-	23 639 903
Other financial liabilities	26 135	557 461	65 837	83	-	649 516
Subordinated debt	-	58 404	181 119	897 722	5 151 974	6 289 219
Derivatives						
- Additions	-	(486 200)	-	-	-	(486 200)
- Disposals	-	664 770	-	-	-	664 770
Total	**64 226 627**	**45 515 852**	**44 800 159**	**17 388 679**	**6 218 759**	**178 150 076**
Credit related commitments (Note 30)	**2 237 632**	**2 915 719**	**1 149 171**	**768 010**	**-**	**7 070 532**

29 Financial Risk Management (Continued)

The tables below show assets and liabilities at their carrying amounts by their remaining contractual maturity unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates in which case the expected date of settlement is used. Some of the assets and liabilities, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have a longer term duration.

The entire portfolio of trading securities and repurchase receivable are classified within demand and less than one month as these portfolios are of trading nature and management believes this is a fairer portrayal of its liquidity position.

The liquidity position of the Group at 31 December 2009 is set out below:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Later than 5 years**	**No stated maturity**	**Total**
Financial assets							
Cash and cash equivalents	48 284 458	-	-	-	-	-	48 284 458
Mandatory cash balances with central banks	1 147 194	-	-	-	-	-	1 147 194
Trading securities	5 033 023	-	-	-	-	-	5 033 023
Due from other banks	375 218	71 558	46 280	100 000	-	-	593 056
Loans and advances to customers	9 941 550	30 610 649	19 349 094	36 034 302	3 683 028	-	99 618 623
Investment securities available for sale	701 920	1 470 378	250 248	7 926 594	962 008	429 944	11 741 092
Other financial assets	225 246	95 835	7 989	-	-	-	329 070
Total financial assets	**65 708 609**	**32 248 420**	**19 653 611**	**44 060 896**	**4 645 036**	**429 944**	**166 746 516**
Non-financial assets							
Prepaid income tax	107 990	189 904	7 053	-	-	-	304 947
Deferred income tax asset	27 482	41 052	250 407	-	-	-	318 941
Premises and equipment	-	-	-	-	-	3 779 537	3 779 537
Other non-financial assets	275 605	31 330	4 247	71 432	-	363 454	746 068
Total assets	**66 119 686**	**32 510 706**	**19 915 318**	**44 132 328**	**4 645 036**	**4 572 935**	**171 896 009**
Financial liabilities							
Due to other banks	2 971 013	1 095 054	2 043 453	1 826 536	397 162	-	8 333 218
Customer accounts	51 665 357	27 029 578	26 058 313	7 361 701	12 830	-	112 127 779
Debt securities in issue	473 178	2 577 411	2 075 940	12 292 633	347 437	-	17 766 599
Other borrowed funds	-	126 246	125 128	124 891	-	-	376 265
Other financial liabilities	178 488	587 371	24 133	38	-	-	790 030
Subordinated debt	-	-	-	-	4 229 972	-	4 229 972
Total financial liabilities	**55 288 036**	**31 415 660**	**30 326 967**	**21 605 799**	**4 987 401**	**-**	**143 623 863**
Non-financial liabilities							
Current income tax liability	2 758	119 216	-	-	-	-	121 974
Deferred tax liability	30 669	-	-	-	-	-	30 669
Other non-financial liabilities	548 966	12 873	3 228	13 983	-	-	579 050
Total liabilities	**55 870 429**	**31 547 749**	**30 330 195**	**21 619 782**	**4 987 401**	**-**	**144 355 556**
Net liquidity gap	**10 249 257**	**962 957**	**(10 414 877)**	**22 512 546**	**(342 365)**	**4 572 935**	**27 540 453**
Cumulative liquidity gap	**10 249 257**	**11 212 214**	**797 337**	**23 309 883**	**22 967 518**	**27 540 453**	**-**

29 Financial Risk Management (Continued)

The liquidity position of the Group at 31 December 2008 is set out below:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Later than 5 years	No stated maturity	Total
Financial assets							
Cash and cash equivalents	50 035 201	-	-	-	-	-	50 035 201
Mandatory cash balances with central banks	374 350	-	-	-	-	-	374 350
Trading securities	2 603 503	-	-	-	-	-	2 603 503
Due from other banks	296 037	92 063	82 146	1 190 644	-	-	1 660 890
Loans and advances to customers	9 862 851	46 801 245	22 058 238	39 589 664	4 858 474	-	123 170 472
Investment securities available for sale	151 651	160 923	238 308	2 786 697	629 643	619 391	4 586 613
Repurchase receivables	3 148 713	-	-	-	-	-	3 148 713
Other financial assets	173 476	847 968	154 717	81	-	-	1 176 242
Total financial assets	**66 645 782**	**47 902 199**	**22 533 409**	**43 567 086**	**5 488 117**	**619 391**	**186 755 984**
Non-financial assets							
Prepaid income tax	129 854	542 119	-	-	-	-	671 973
Deferred income tax asset	53 963	-	55 254	-	-	-	109 217
Premises and equipment	-	-	-	-	-	3 991 032	3 991 032
Other non-financial assets	185 304	118 261	9 694	115 832	-	1 862	430 953
Total assets	**67 014 903**	**48 562 579**	**22 598 357**	**43 682 918**	**5 488 117**	**4 612 285**	**191 959 159**
Financial liabilities							
Due to other banks	8 668 559	11 784 338	1 789 585	3 084 439	569 265	-	25 896 186
Customer accounts	54 070 072	17 941 880	23 798 196	7 605 927	13 402	-	103 429 477
Debt securities in issue	937 197	2 629 173	4 369 830	3 641 485	454 390	-	12 032 075
Other borrowed funds	-	9 869 280	11 880 910	364 086	-	-	22 114 276
Other financial liabilities	26 135	557 461	65 837	83	-	-	649 516
Subordinated debt	-	-	-	-	4 181 535	-	4 181 535
Total financial liabilities	**63 701 963**	**42 782 132**	**41 904 358**	**14 696 020**	**5 218 592**	**-**	**168 303 065**
Non-financial liabilities							
Current income tax liability	15 696	-	-	-	-	-	15 696
Deferred tax liability	25 666	-	61 018	-	-	-	86 684
Other non-financial liabilities	457 714	27 909	4 292	2 310	-	-	492 225
Total liabilities	**64 201 039**	**42 810 041**	**41 969 668**	**14 698 330**	**5 218 592**	**-**	**168 897 670**
Net liquidity gap	**2 813 864**	**5 752 538**	**(19 371 311)**	**28 984 588**	**269 525**	**4 612 285**	**23 061 489**
Cumulative liquidity gap	**2 813 864**	**8 566 402**	**(10 804 909)**	**18 179 679**	**18 449 204**	**23 061 489**	**-**

29 Financial Risk Management (Continued)

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group. Apart from the above stated, the Group also monitors the level of mismatch in maturity of assets and liabilities within the major time intervals.

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

Management of capital. The Group's objectives when managing capital are to comply with the capital requirements set by the Central Bank of the Russian Federation, to safeguard the Group's ability to continue as a going concern and to maintain a sufficient capital base to achieve a capital adequacy ratio based on Basel Accord of at least 8%. Under the current capital requirements set by the Central Bank of Russian Federation banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. Refer to Note 30.

The Group's policy is aimed to maintain the level of capital sufficient to keep trust of investors, creditors and the market in general, as well as for the future development of the Group's operations.

The Central Bank of the Russian Federation sets and monitors compliance with regulatory capital ratios on the part of the Group's Russian banks and the Group in general. National banks of the Ukraine and Moldova Republic set and monitor compliance with regulatory capital ratios mandatory for PAO Petrocommerce-Ukraine Bank and CB Unibank respectively.

The Group manages capital adequacy using capital ratio projections based on the Basel Agreement and the CBRF requirements with the quarter to year horizon. Growth rates for asset-side transactions in the medium- and long term are planned with consideration of capital requirements. The Group develops and implements capital growth measures when appropriate.

To ensure compliance with the capital adequacy ratio in the short run (up to one month), the Group uses a system of limits on the use of capital. Limits on the use of capital are revised on a monthly basis and are generally set for business units with consideration of loan portfolio growth planning for the nearest month, projected expenses and possible losses resulting from realisation of credit and/or market risks in the short run. The collegial body in charge of approval of capital management procedures and setting limits on the use of capital is the Financial and Economic Committee (currently, the Committee for Management of Liquidity and Finance). The body in charge of development of capital management procedures and compliance with the set limits on the use of capital is the Risk Control Department. Business units should comply with set limits on the use of capital. Compliance with limits is monitored on a daily basis.

Currently, under requirements of the Central Bank of the Russian Federation, the Bank and the Group have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above the prescribed minimal level.   As at 31 December 2009, the minimal level was set at 10% p.a. (2008: 10%).

At 31 December 2009 and at 31 December 2008, the Bank's and the Group's capital adequacy ratio complied with the statutory level. Apart from this, the Group and the Bank should comply with the minimum capital level stipulated by the terms of the Bank's and the Group's obligations, including requirements to the capital adequacy level calculated on the basis of the Basel Agreement (generally known as Basel I). Refer to Note 30.

29 Financial Risk Management (Continued)

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may also increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The table below summarises the Group's exposure to interest rate risks at 31 December 2009. The table also presents the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Later than 5 years**	**Non-interest bearing**	**Total**
Financial assets							
Cash and cash equivalents	48 284 458	-	-	-	-	-	48 284 458
Mandatory cash balances with central banks	1 147 194	-	-	-	-	-	1 147 194
Trading securities	19 883	2 208 033	116 432	1 751 524	-	937 151	5 033 023
Due from other banks	375 219	71 557	46 280	100 000	-	-	593 056
Loans and advances to customers	10 033 385	30 551 300	19 349 093	36 001 818	3 683 027	-	99 618 623
Investment securities available for sale	701 920	2 084 832	643 275	7 838 102	43 019	429 944	11 741 092
Other financial assets	-	-	-	-	-	329 070	329 070
Total financial assets	**60 562 059**	**34 915 722**	**20 155 080**	**45 691 444**	**3 726 046**	**1 696 165**	**166 746 516**
Non-financial assets							
Prepaid income tax	-	-	-	-	-	304 947	304 947
Deferred income tax asset	-	-	-	-	-	318 941	318 941
Premises and equipment	-	-	-	-	-	3 779 537	3 779 537
Other non-financial assets	-	-	-	-	-	746 068	746 068
Total assets	**60 562 059**	**34 915 722**	**20 155 080**	**45 691 444**	**3 726 046**	**6 845 658**	**171 896 009**
Financial liabilities							
Due to other banks	4 511 719	3 750 199	71 300	-	-	-	8 333 218
Customer accounts	51 665 352	27 259 226	26 058 313	7 132 058	12 830	-	112 127 779
Debt securities in issue	473 177	2 577 411	2 075 941	12 292 633	347 437	-	17 766 599
Other borrowed funds	-	376 265	-	-	-	-	376 265
Other financial liabilities	-	-	-	-	-	790 030	790 030
Subordinated debt	4 229 972	-	-	-	-	-	4 229 972
Total financial liabilities	**60 880 220**	**33 963 101**	**28 205 554**	**19 424 691**	**360 267**	**790 030**	**143 623 863**
Non-financial liabilities							
Current income tax liability	-	-	-	-	-	121 974	121 974
Deferred tax liability	-	-	-	-	-	30 669	30 669
Other non-financial liabilities	-	-	-	-	-	579 050	579 050
Total liabilities	**60 880 220**	**33 963 101**	**28 205 554**	**19 424 691**	**360 267**	**1 521 723**	**144 355 556**
Net sensitivity gap	**(318 161)**	**952 621**	**(8 050 474)**	**26 266 753**	**3 365 779**	**5 323 935**	**27 540 453**

29 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risks at 31 December 2008:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Later than 5 years**	**Non-interest bearing**	**Total**
Financial assets							
Cash and cash equivalents	50 035 201	-	-	-	-	-	50 035 201
Mandatory cash balances with central banks	374 350	-	-	-	-	-	374 350
Trading securities	262 307	809 741	183 024	1 018 526	17 875	312 030	2 603 503
Due from other banks	296 037	92 063	82 146	1 190 644	-	-	1 660 890
Loans and advances to customers	9 878 399	46 858 706	22 058 237	39 516 657	4 858 473	-	123 170 472
Investment securities available for sale	153 504	262 256	628 540	2 645 965	276 956	619 392	4 586 613
Repurchase receivables	-	901 633	269 811	1 568 087	409 182	-	3 148 713
Other financial assets	-	-	-	-	-	1 176 242	1 176 242
Total financial assets	**60 999 798**	**48 924 399**	**23 221 758**	**45 939 879**	**5 562 486**	**2 107 664**	**186 755 984**
Non-financial assets							
Prepaid income tax	-	-	-	-	-	671 973	671 973
Deferred income tax asset	-	-	-	-	-	109 217	109 217
Premises and equipment	-	-	-	-	-	3 991 032	3 991 032
Other non-financial assets	-	-	-	-	-	430 953	430 953
Total assets	**60 999 798**	**48 924 399**	**23 221 758**	**45 939 879**	**5 562 486**	**7 310 839**	**191 959 159**
Financial liabilities							
Due to other banks	8 517 675	15 121 081	1 997 430	260 000	-	-	25 896 186
Customer accounts	54 103 704	18 277 741	23 798 196	7 236 434	13 402	-	103 429 477
Debt securities in issue	937 197	2 629 173	4 369 830	3 641 485	454 390	-	12 032 075
Other borrowed funds	-	10 359 865	11 754 411	-	-	-	22 114 276
Other financial liabilities	-	-	-	-	-	649 516	649 516
Subordinated debt	4 181 535	-	-	-	-	-	4 181 535
Total financial liabilities	**67 740 111**	**46 387 860**	**41 919 867**	**11 137 919**	**467 792**	**649 516**	**168 303 065**
Non-financial liabilities							
Current income tax liability	-	-	-	-	-	15 696	15 696
Deferred tax liability	-	-	-	-	-	86 684	86 684
Other non-financial liabilities	-	-	-	-	-	492 225	492 225
Total liabilities	**67 740 111**	**46 387 860**	**41 919 867**	**11 137 919**	**467 792**	**1 244 121**	**168 897 670**
Net sensitivity gap	**(6 740 313)**	**2 536 539**	**(18 698 109)**	**34 801 960**	**5 094 694**	**6 066 718**	**23 061 489**

29 Financial Risk Management (Continued)

The Group is exposed to cash flow interest rate risk, principally through assets and liabilities for which interest rates are reset as market rates change. These assets and liabilities are presented in the above table as being repriced in the short-term. The Group is exposed to fair value interest rate risk as a result of assets and liabilities at fixed interest rates. This information is presented in the above table by group of instruments that mature or are repriced in the long-term. In practice, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Group monitors the level of mismatch of interest rate repricing terms and dates and manages interest rate risk by regulating the level of the mismatch. In the absence of any available hedging instruments, the Group normally seeks to match its interest rate positions in respect of dates and repricing terms.

The table below summarises the interest rate, by major currencies, for major debt instruments. The analysis has been prepared based on period-end effective rates.

	2009				**2008**			
In % p.a.	**RR**	**USD**	**Euro**	**Other**	**RR**	**USD**	**Euro**	**Other**
Assets								
Correspondent accounts and overnight placements with other banks	1.4	0.1	0.3	0.0	7.0	0.0	0.1	0.4
Placements with other banks with original maturities of less than three months	5.4	6.0	-	-	13.2	17.0	2.0	-
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	6.7	-	-	-	-	-	-	-
Debt trading securities	21.2	14.2	3.4	-	45.3	-	-	-
Due from other banks	17.8	0.9	2.0	17.8	18.0	17.3	-	21.8
Loans and advances to customers	15.2	13.2	7.6	20.7	14.7	14.5	12.8	18.6
Debt investment securities available for sale	7.5	-	-	7.0	15.1	13.0	-	15.9
Repurchase receivables	-	-	-	-	14.0	-	-	-
Liabilities								
Due to other banks	2.9	5.5	2.1	0.0	10.9	4.9	6.3	6.5
Customer accounts								
- current and settlement accounts	0.2	0.3	0.3	1.5	0.1	0.2	0.1	0.8
- term deposits	9.4	6.4	6.5	12.9	9.5	6.3	7.0	15.7
Debt securities in issue	13.6	7.1	-	-	9.4	12.8	-	-
Other borrowed funds	-	6.4	-	-	-	9.2	-	-
Subordinated debt	-	5.5	-	-	-	6.4	-	-

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

29 Financial Risk Management (Continued)

Interest risk management by means of monitoring of the mismatching of the maturities of interest bearing assets and liabilities is supplemented by the procedure of monitoring of the Group's net interest income sensitivity to various standard and non-standard interest rate change scenario. Also, for the purpose of balance sheet interest rate risk management the Group regulates conditions of early repayment of assets and liabilities. In order to limit mismatch in the conditions of early repayment of the Group's assets and liabilities, certain clauses are introduced into standard forms of contracts on term transactions that protect from the risk of early repayment and from failure to meet deadlines for fulfilment of commitments. In particular, for uncoordinated (not approved by the Group) early repayment of loans in order to limit the interest risk related with possible early repayment of loans the Group uses the mechanism of penalties in the amount of not received interest and the mechanism of charging commission for issuing a loan, credit tranche or undrawn credit line. In case of early demand of a deposit for deposits envisaging a possibility of uncoordinated (not approved by the Group) early repayment the Group uses such penalties as the mechanism of reducing rates used for calculation of interest paid to depositors.

The analysis of the sensitivity of net interest income on the Group's non-trading portfolio for one year based on the increase or decrease in market interest rates, prepared on the basis of the following simplified scenario:

- parallel decrease or increase of yield curves by 200 basis points in different hard currencies (USD, Euro, etc.);
- parallel decrease or increase of yield curves by 500 basis points in different soft currencies (Russian Roubles, UAH, etc.);
- In case of completion of deals during the following year, the prolongation will be made for the same period and at a rate increased by 200 or 500 basis points depending on the currency.

Parameters of the scenario take into account different capacity of interest rate changes of hard and soft currencies under the financial crisis.

The analysis of the sensitivity of net interest income on the Group's non-trading book based on the above scenario is set out below:

In thousands of Russian Roubles	**2009**	**2008**
Parallel increase by 200 and 500 basis points (depending on currency)	810 594	(222 936)
Parallel decrease by 200 and 500 basis points (depending on currency)	(810 594)	222 936

Other price risk. The Group is exposed to prepayment risk through providing fixed or variable rate loans, which give the borrower the right to early repay the loans. The Group's current year profit (loss) and equity at the current end of the reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2008: no material impact).

30 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements.

Tax legislation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. The management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

30 Contingencies and Commitments (Continued)

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2006, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of scrutiny by tax authorities. As a result, additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice in this respect has been contradictory.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

In addition to the above tax risks associated with transfer pricing matters, the Management estimates that the Group has other possible tax obligations from exposure to other than remote tax risks, in the amount from nil to RR 125 217 thousand (2008: RR 15 503 thousand).

Capital expenditure commitments. At 31 December 2009, the Group did not have any contractual capital expenditure commitments in respect of premises and equipment (2008: nil).

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

In thousands of Russian Roubles	**2009**	**2008**
Not later than 1 year	245 832	563 332
Later than 1 year and not later than 5 years	384 944	574 876
Over 5 years	85 350	182 055
Total operating lease commitments	**716 126**	**1 320 263**

30 Contingencies and Commitments (Continued)

Compliance with covenants. During 2009 the Group complied with certain covenants related primarily to other borrowings. Non-compliance with such covenants may result in claims from creditors for early repayment of debt by the Group.

One of these covenants is fulfilment by the Group of minimum capital adequacy requirements calculated in accordance with the requirements of the Basel 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 2005), commonly known as Basel I.

The composition of the Group's capital calculated in accordance with Basel Accord at 31 December 2009 and at 31 December 2008 is as follows:

In thousands of Russian Roubles	**2009**	**2008**
Tier 1 capital	27 561 768	23 643 434
Tier 2 capital	4 220 380	3 919 660
Total equity	**31 782 148**	**27 563 094**
Total risk weighted assets	**128 677 523**	**149 298 638**
Total capital-to-risk-weighted-assets ratio (%) (total capital adequacy ratio)	24.7%	18.5%
Total Tier 1 capital-to-risk–weighted-assets ratio (%) (Tier 1 capital adequacy ratio)	21.4%	15.8%

Also the Group's objective of capital management is to comply with the capital requirements set by the Central Bank of the Russian Federation. Refer to Note 29.

The Group was in compliance with all covenants as at 31 December 2009 and 31 December 2008.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. 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 authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**2009**	**2008**
Guarantees issued	4 455 732	4 894 612
Export letters of credit	1 122 353	1 524 989
Import letters of credit	480 826	450 288
Letters of credit for payments in the Russian Federation	245 948	200 643
Total credit related commitments	**6 304 859**	**7 070 532**

30 Contingencies and Commitments (Continued)

Deposits of RR 1 291 400 thousand (2008: RR 4 239 965 thousand) held as collateral for irrevocable commitments under import letters of credit and letters of credit with settlement in the Russian Federation are recorded in customer accounts (Refer to Note 16). These letters of credit are not included in the table above.

As at 31 December 2009, the Group had commitments in relation to unused credit lines totalling RR 9 135 559 thousand (2008: RR 14 484 556 thousand).

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 10 848 thousand at 31 December 2009 (2008: RR 9 800 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**2009**	**2008**
Russian Roubles	4 225 746	2 270 638
USD	1 299 000	3 663 625
Euro	513 434	1 064 280
Other	266 679	71 989
Total credit related commitments	**6 304 859**	**7 070 532**

Trust activities. The Group provides asset management services to its customers in its own name but on their account. These assets are not included in the Group's consolidated statement of financial positoin as they are not assets of the Group. The assets managed by the Group are disclosed at their fair value and fall into the following categories:

In thousands of Russian Roubles	**2009**	**2008**
Corporate bonds	990 976	131 780
Cash funds	644 864	469 707
Promissory notes	150 000	-
Corporate shares	100 585	260 264
Municipal bonds and bonds of the Russian Federation's regions	36 869	56
Other	-	224 786
Total assets in trust management	**1 923 294**	**1 086 593**

Fiduciary assets. These assets are not included in the consolidated statement of financial position as they are not assets of the Group. Investment units are recorded at their estimated fair value. Other securities are disclosed at nominal value. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

In thousands of Russian Roubles	**2009**	**2008**
Corporate bonds	2 215 208	8 096 415
Corporate shares	1 460 759	1 725 397
Corporate Eurobonds	272 198	1 913 311
Promissory notes	10 533	10 796
Municipal bonds and bonds of the Russian Federation's regions	497	-
Federal loan bonds (OFZ)	-	55 277

30 Contingencies and Commitments (Continued)

Assets pledged and restricted. At 31 December 2009, the Group has the following assets pledged as collateral:

In thousands of Russian Roubles	Note	2009 Asset pledged	2009 Related liability	2008 Asset pledged	2008 Related liability
Trading securities pledged for the credit limit of the CBRF	8	81 259	-	-	-
Restricted trading securities	8	-	-	209 908	-
Investment securities available for sale pledged for the credit limit of the CBRF	11	2 546 420	-	2 540 525	404 643
Trading securities pledged under sale and repurchase agreements	12, 15	-	-	495 936	461 598
Investment securities available for sale pledged under sale and repurchase agreements	12, 15	-	-	2 423 639	2 386 236
Loans pledged under sale and repurchase agreements	12, 15	-	-	229 138	167 466
Securities purchased under reverse sale and repurchase agreements and pledged under sale and repurchase agreements	15	-	-	1 546 823	1 000 000
Premises and equipment pledged against attracted customer deposits	13	137 561	164 794	-	-
Term placements of other banks	9, 15	276 156	276 930	295 418	293 318

In addition, as at 31 December 2009 the Group pledged for credit limit of CBRF bonds of OAO Bank Petrocommerce denominated in Russian roubles with fair value of RR 243 087 thousand (2008: RR 60 571 thousand).

31 Derivative Financial Instruments

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The principal or agreed amounts and fair values of derivative financial instruments held are set out in the following table. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective end of the reporting period. The contracts are short term in nature.

31 Derivative Financial Instruments (Continued)

In thousands of Russian Roubles	2009 Principal or agreed amount	2009 Positive fair value	2009 Negative fair value	2008 Principal or agreed amount	2008 Positive fair value	2008 Negative fair value
Forwards						
Foreign currency						
- purchase of USD for RR	1 798 579	7 325	(326)	102 000	9 935	-
- purchase of USD for EUR	261 401	1 071	-	-	-	-
- purchase of EUR for USD	3 471 064	-	(104 931)	-	-	-
- purchase of RR for USD	9 356 734	4 688	(39 867)	486 200	-	(178 570)
- purchase of RR for EUR	991 800	43	(6 174)	-	-	-
- other	-	-	-	60 765	270	-
Securities						
- sale of securities	367 922	-	(30 750)	794 755	190 154	-
Futures						
Foreign currency						
- purchase of USD	-	-	-	1 525 000	-	-
- sale of USD	-	-	-	1 677 568	-	-
Total derivative financial instruments		**13 127**	**(182 048)**		**200 359**	**(178 570)**

32 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading securities, investment securities available for sale, derivative financial instruments and repurchase receivable are carried on the consolidated statement of financial position at their fair value.

The best evidence of fair value is price quotations in an active market. Where quoted market prices are not available, the Group used valuation techniques. Certain valuation techniques required assumptions that were not supported by observable market data. Changing any such used assumptions to a reasonably possible alternative can result in a different profit, income, total assets or total liabilities.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. Due from other banks and other financial assets are carried at amortised cost which approximates their current fair value. The fair value of loans and advances to customers were estimated as follows:

- Non-risk rate was determined (for rouble-denominated loans – yield curve rates of OFZ with corresponding maturities);

32 Fair Value of Financial Instruments (Continued)

- This non-risk rate, depending on the degree of impairment of the loan, was increased by the fair cost of the risk estimated by the Group;
- Future cash flows of the loan were discounted using the above calculated rate.

These rates are analysed below:

	2009		2008	
In % p.a.	**from**	**to**	**from**	**to**
ASSETS				
Due from other banks				
Term placements with other banks with original maturities of more than three months	0.0	23.0	2.0	30.0
Loans and advances to customers				
Corporate entities				
Commercial loans	3.5	36.0	2.5	36.0
Factoring	8.5	23.5	14.2	25.6
Reverse repurchase agreements	3.5	9.0	14.2	14.2
Individuals				
Loans to individuals	3.5	38.0	6.4	40.0
Reverse repurchase agreements	8.5	8.5	14.2	14.2

Liabilities carried at amortised cost. The fair value of bonds and Eurobonds in issue is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due from other banks and other financial liabilities are carried at amortised cost which approximates their current fair value. The fair value of customer deposits was determined as follows:

- Transfer rate which was determined in the Group at the moment of fair value calculation was defined based on maturity and currency;
- Future cash flows of the deposit were discounted using a transfer rate which matches the maturity at the date of calculation and currency of the deposit.

These rates are analysed below:

	2009		2008	
In % p.a.	**from**	**to**	**from**	**to**
LIABILITIES				
Due to other banks				
Correspondent accounts and overnight placements of other banks	0.0	0.5	0.0	0.6
Term deposits of other banks	0.0	9.0	2.3	18.0
Term deposits of the CBRF	8.8	8.8	8.7	13.8
Sale and repurchase agreements with other banks	-	-	14.0	14.0
Sale and repurchase agreements with the CBRF	-	-	9.9	10.0
Customer accounts	0.0	22.5	0.0	25.0
Debt securities in issue				
Promissory notes	0.0	16.3	0.0	14.0
Deposit and saving certificates	10.6	16.0	9.6	15.0
Other borrowed funds				
Syndicated Loans	1.7	1.7	3.0	3.3
Subordinated debt	5.5	5.5	6.4	6.4

32 Fair Value of Financial Instruments (Continued)

Fair values of financial instruments carried at amortised cost are as follows:

	2009		2008	
In thousands of Russian Roubles	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets carried at amortised cost				
Cash and cash equivalents				
Cash on hand	7 584 642	7 584 642	8 042 087	8 042 087
Cash balances with central banks (other than mandatory reserve deposits)	7 495 909	7 495 909	20 069 293	20 069 293
Correspondent accounts and overnight placements with other banks				
- Russian Federation	680 913	680 913	6 864 650	6 864 650
- other countries	10 989 041	10 989 041	3 782 361	3 782 361
Placements with other banks with original maturities of less than three months	18 369 009	18 369 009	9 306 281	9 306 281
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	834 231	834 231	-	-
Settlement accounts with trading systems	2 330 713	2 330 713	1 970 529	1 970 529
Mandatory cash balances with central banks	**1 147 194**	**1 147 194**	**374 350**	**374 350**
Due from other banks				
Term placements with other banks with original maturities of more than three months	593 056	593 056	1 660 890	1 660 890
Loans and advances to customers				
Corporate entities				
Commercial loans	69 941 329	65 452 124	97 763 278	95 011 710
Factoring	4 848 875	4 415 301	8 316 602	8 184 997
Reverse repurchase agreements	15 103 600	14 839 839	1 547 740	1 543 452
Corporate bonds	-		327 860	268 243
Individuals				
Loans to individuals	9 587 170	9 545 696	14 519 882	13 977 913
Reverse repurchase agreements	137 649	137 591	695 110	693 970
Repurchase receivables	**-**	**-**	**229 138**	**206 419**
Other financial assets				
Receivables on commissions	195 967	195 967	158 890	158 890
Receivables on plastic cards operations	93 237	93 237	131 732	131 732
Dividends receivable	5 668	5 668	48 753	48 753
Cash transfers	9 346	9 346	6 114	6 114
Conversion deals settlements and deferred deals	30	30	613 311	613 311
Term deals settlements deposits	-	-	5 049	5 049
Other financial assets	11 695	11 695	12 034	12 034
Total financial assets carried at amortised cost	**149 959 274**	**144 731 202**	**176 445 934**	**172 933 028**

32 Fair Value of Financial Instruments (Continued)

(continued) *In thousands of Russian Roubles*	2009 Carrying value	2009 Fair value	2008 Carrying value	2008 Fair value
Financial liabilities carried at amortised cost				
Due to other banks				
Correspondent accounts and overnight placements of other banks	455 357	455 357	436 872	436 872
Term deposits of other banks	6 877 142	6 877 142	15 382 758	15 382 758
Term deposits of the CBRF	1 000 719	1 000 719	6 061 256	6 061 256
Sale and repurchase agreements with the CBRF	-	-	3 015 300	3 015 300
Sale and repurchase agreements with other banks	-	-	1 000 000	1 000 000
Customer accounts				
State and public organisations				
- Current/settlement accounts	3 288	3 288	17 460	17 460
- Term deposits	149	149	3 889	3 889
Corporate entities				
- Current/settlement accounts	19 691 336	19 691 336	21 219 120	21 219 120
- Term deposits	33 921 495	34 472 649	36 243 462	35 862 814
Individuals				
- Current/demand accounts	11 125 549	11 125 549	8 617 107	8 617 107
- Term deposits	47 385 962	46 950 641	37 328 439	36 475 339
Debt securities in issue				
Debentures	11 846 962	12 088 535	5 973 318	5 453 976
Promissory notes	5 427 262	5 737 442	5 308 108	5 733 485
Deposit and saving certificates	492 375	492 375	750 649	750 649
Other borrowed funds				
Term borrowings	-	-	18 418 544	18 824 483
Syndicated loans	376 265	390 668	3 695 732	3 893 026
Other financial liabilities				
Settlements on factoring operations	450 805	450 805	225 788	225 788
Payables on plastic card operations	104 366	104 366	144 576	144 576
Accrued liabilities	33 498	33 498	75 847	75 847
Cash transfers	5 629	5 629	2 193	2 193
Other financial liabilities	13 684	13 684	22 542	22 542
Subordinated debt	4 229 972	4 229 972	4 181 535	4 181 535
Total financial liabilities carried at amortised cost	**143 441 815**	**144 123 804**	**168 124 495**	**167 400 015**

32 Fair Value of Financial Instruments (Continued)

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows:

	2009			2008		
In thousands of Russian Roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observa-ble in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observa-ble in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**
Financial assets						
Trading securities						
Municipal bonds and bonds of the Russian Federation's regions	1 872 542	-	-	175 938	-	-
Corporate bonds	1 046 124	-	-	1 558 435	-	-
Promissory notes	811 387	-	-	500 670	-	-
Federal loan bonds (OFZ)	220 156	-	-	1 987	-	-
Corporate Eurobonds	-	-	145 663	54 442	-	-
Quoted corporate shares	930 006	-	-	286 029	-	-
American depository receipts	-	-	-	24 856	-	-
Global depository receipts	7 145	-	-	1 146	-	-
Repurchase receivable						
Federal loan bonds (OFZ)	-	-	-	1 377 130	-	-
Municipal bonds and bonds of the Russian Federation's regions	-	-	-	1 023 257	-	-
Corporate bonds	-	-	-	519 188	-	-
Investment Securities Available for Sale						
Federal loan bonds (OFZ)	7 444 626	-	-	2 787 345	-	-
Corporate bonds	2 548 199	8 322	-	479 911	8 489	-
CBRF bonds	785 146	-	-	-	-	-
Municipal bonds and bonds of the Russian Federation's regions	414 764	-	-	364 385	-	-
State debt securities of non-OECD countries	-	93 117	-	-	62 446	-
Debt securities of central banks of non-OECD countries	-	16 974	-	-	140 373	-
Corporate Eurobonds	-	-	-	124 273	-	-
Private equity fund investments	-	423 357	-	-	615 557	-
Quoted corporate shares	4 316	-	-	1 357	-	-
Unquoted corporate shares	-	-	2 271	-	-	2 477
Other financial assets						
Derivative financial instruments (foreign exchange forward contracts)	-	13 127	-	-	10 205	-
Derivative financial instruments (forward contracts on securities' sale)	-	-	-	190 154	-	-
Total financial assets carried at fair value	**16 084 411**	**554 897**	**147 934**	**9 470 503**	**837 070**	**2 477**

32 Fair Value of Financial Instruments (Continued)

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. Significance of a valuation input is assessed against the fair value measurement in its entirety.

In thousands of Russian Roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observa-ble in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observa-ble in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**
Other financial liabilities						
Derivative financial instruments (foreign exchange forward contracts)	-	151 298	-	-	178 570	-
Derivative financial instruments (forward contracts on securities' sale)	30 750	-	-	-	-	-
Total financial liabilities carried at fair value	**30 750**	**151 298**	**-**	**-**	**178 570**	**-**

33 Presentation of Financial Instruments by Measurement Category

Under IAS 39, *Financial instruments: recognition and measurement*, the Group assigns its financial assets to the following categories: (a) loans and receivables; (b) financial assets available for sale; (c) financial assets held to maturity; and (d) financial assets at fair value through profit and loss ('FVTPL'). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2009:

In thousands of Russian Roubles	**Loans and receivables**	**Assets available for sale**	**Trading assets**	**Total**
Assets				
Cash and cash equivalents	48 284 458	-	-	48 284 458
Mandatory cash balances with central banks	1 147 194	-	-	1 147 194
Trading securities	-	-	5 033 023	5 033 023
Due from other banks	593 056	-	-	593 056
Loans and advances to customers	99 618 623	-	-	99 618 623
Investment securities available for sale	-	11 741 092	-	11 741 092
Other financial assets	315 943	-	13 127	329 070
Total financial assets	**149 959 274**	**11 741 092**	**5 046 150**	**166 746 516**

33 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2008:

In thousands of Russian Roubles	**Loans and receivables**	**Assets available for sale**	**Trading assets**	**Total**
Assets				
Cash and cash equivalents	50 035 201	-	-	50 035 201
Mandatory cash balances with central banks	374 350	-	-	374 350
Trading securities	-	-	2 603 503	2 603 503
Due from other banks	1 660 890	-	-	1 660 890
Loans and advances to customers	123 170 472	-	-	123 170 472
Investment securities available for sale	-	4 586 613	-	4 586 613
Repurchase receivables	229 138	2 423 641	495 934	3 148 713
Other financial assets	975 883	-	200 359	1 176 242
Total financial assets	**176 445 934**	**7 010 254**	**3 299 796**	**186 755 984**

As of 31 December 2009 and 31 December 2008 all of the Group's financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

34 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As set out in Note 1, the main shareholder of the Group is the financial group IFD Kapital. A majority stake in IFD Kapital Group is beneficially owned by Mr. Alekperov and Mr. Fedun (the "ultimate beneficiaries") and is managed by a professional asset management company, which is not owned by the ultimate beneficiaries. Transactions with related parties are entered into in the normal course of business with the Bank's significant shareholders, ultimate beneficiaries, directors and companies with which the Bank has significant shareholders in common. These transactions include settlements, loans, deposit taking, guarantees, trade finance and foreign currency transactions. These transactions are priced at market rates.

34 Related Party Transactions (Continued)

At 31 December 2009 and 31 December 2008 the outstanding balances with related parties were as follows:

	2009		2008	
In thousands of Russian Roubles	**Shareholders**	**Other**	**Shareholders**	**Other**
Correspondent accounts and overnight deposits with other banks (contractual interest rate: 2009: 0.0%; 2008: 0.0%)	-	14 178	-	16 008
Trading securities	-	-	-	58 829
Loans and advances to customers				
Loans and advances (contractual interest rate: 2009: 5.0% - 26.0%; 2008: 11.5% - 20.0%)	67 740	10 335 158	60 400	1 237 690
Impairment provision for loans and advances to customers	(2 091)	(13 181)	(629)	(3 463)
Debt investment securities available for sale (contractual interest rate: 2009: 7.2% - 9.5%; 2008: 11.8% - 13.0%)	-	1 440 980	-	249 660
Equity investment securities available for sale	-	2 271	-	3 110
Due to other banks				
Correspondent accounts and overnight deposits of other banks (contractual interest rate: 2009: 0%; 2008: 0%)	-	69	-	737
Customer accounts				
Current/settlement accounts (contractual interest rate: 2009: 0.0% - 2.5%; 2008: 0.0% - 4.75%)	35 349	5 684 255	354 825	4 478 280
Term deposits (contractual interest rate: 2009: 0.5% - 20.5%; 2008: 0.5%-18.5%)	7 582 118	21 194 062	6 372 501	21 795 514
Debt securities in issue (contractual interest rate: 2009: 0.0% - 11.64%; 2008: 0.0% - 12.0%)	-	530 637	-	570 989
Other liabilities				
Derivative financial instruments	-	30 750	-	-
Subordinated debt (contractual interest rate: 2009: 5.6%; 2008: 6.4%)	-	4 229 972	-	4 181 535
Guarantees issued by the Group	-	2 836 039	-	1 844 433
Guarantees received by the Group	-	161 442	-	556 682
Import letters of credit	-	214 838	-	84 037
Letters of credit for payments in the Russian Federation	-	245 948	-	200 643
Assets in trust management	962 148	3 922	554 097	252 929

34 Related Party Transactions (Continued)

The income and expense items with related parties for the year 2009 and 2008 were as follows:

	2009		2008	
In thousands of Russian Roubles	**Shareholders**	**Other**	**Shareholders**	**Other**
Interest income:				
- Debt securities	-	2 190	-	14 653
- Loans to customers	7 068	108 908	11 424	92 498
- Debt investment securities available for sale	-	79 743	-	16 458
- Reverse repurchase agreements	-	80 627	-	582
Interest expense:				
- Due to other banks	-	(4)	-	(9)
- Customer accounts	(712 684)	(1 324 529)	(584 876)	(1 357 353)
- Debt securities in issue	-	(11 130)	-	(157 070)
- Subordinated debt	-	(156 146)	-	(71 579)
Gains less losses from trading securities	-	29 510	-	10 701
Gains less losses from disposal of investment securities available for sale	-	14 417	-	199 257
Losses net of gains from financial derivatives	-	(94 593)	-	(176 474)
Gains less losses/(losses less gains) from trading in foreign currencies	507	(834 118)	43 985	(210 479)
Gains less losses from disposals of loans	-	4 165 405	-	-
Fee and commission income	493	425 623	353	386 034
Fee and commission expense	-	(3)	-	(448)

Aggregate amounts lent to and repaid by related parties during 2009 and 2008 were:

	2009		2008	
In thousands of Russian Roubles	**Shareholders**	**Other**	**Shareholders**	**Other**
Amounts lent to related parties during the period	18 773	19 927 155	8 808	4 627 059
Amounts repaid by related parties during the period	18 485	10 826 750	11 257	3 962 400

The “Shareholders” column in the table mainly represents IFD Kapital Group and its ultimate beneficiaries and companies which are controlled by IFD Kapital Group and have direct ownership in the Bank. The “Other” column in the table mainly represents companies that are not shareholders of the Bank, but are controlled by Lukoil Group or IFD Kapital Group.

As at 31 December 2009, included in customer accounts are amounts of RR 1 970 717 thousand (2008: RR 1 859 308 thousand) belonging to ultimate beneficiaries of IFD Kapital Group. Interest expense on these customer accounts for the reporting period comprised RR 178 218 thousand (2008: RR 140 532 thousand).

In 2009, the remuneration of members of the Executive Board comprised salaries, discretionary bonuses and other short-term benefits of RR 84 290 thousand (2008: RR 125 293 thousand).

35 Principal Subsidiaries

Name	Nature of business	Percentage of the Bank's direct ownership	Percentage of the Group's control	Country of registration
Komi Regional Bank "UKHTABANK"	Banking	100.00	100.00	Russia
Petrocommerce-Ukraine Bank	Banking	90.06	98.24	Ukraine
Stavropolpromstroybank	Banking	77.27	91.50	Russia
UNIBANK	Banking	-	100.00	Moldova
Petrocommerce Invest S.A.	Financial activity	100.00	100.00	Luxembourg

The Group does not have direct ownership in Unibank, but exercises control as the Supervisory Council consists of Vice-presidents of the Bank. In addition to the above subsidiaries, the Group controls a number of special purpose entities. The principal activity of these special purpose entities is operations with securities on the Russian market.

In July 2008, the Group's interest in the share capital of ZAO Petrocommerce-Ukraine Bank increased up to 98.24% due to acquisition of 68 175 000 ordinary registered shares of the additional issue.

In August 2008 due to the repurchase of 364 199 shares (113 199 ordinary shares and 251 000 preference shares) from minority shareholders the Group increased its interest in the share capital of OAO Komi Regional Bank Ukhtabank up to 100%. The repurchase was made after the Bank (as owner of more than 95% of the total preference and ordinary shares of OAO Komi Regional Bank Ukhtabank) sent a requirement on repurchase of securities in compliance with the legislation of the Russian Federation.

In September 2008, the Group increased its share in Joint Stock Investment Commercial Industrial and Construction Bank Stavropolie up to 91.5% due to acquisition of 5 520 011 ordinary shares.

36 Events After the end of the reporting period

In January 2010, the subsidiary Petrocommerce Invest S.A., country of registration – Luxembourg, was liquidated. The main activity of the company was attraction of medium- and long-term funds in international financial markets for the benefit of the Group.

In March 2009, the Group fulfilled its obligations on borrowed funds. Liquidation of the company did not have any significant effect on the Bank's consolidated financial statements.