OJSC “Bank Saint Petersburg” Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditors’ Report

31 December 2009

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ZAO KPMG
Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya
Moscow 123317
Russia

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400 99
Internet www.kpmg.ru

Independent Auditors' Report

To the Supervisory Board of OJSC "Bank Saint Petersburg" Group

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OJSC "Bank Saint Petersburg" and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

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

ZAO KPMG

ZAO KPMG
1 April 2010

OJSC "Bank Saint Petersburg" Group
Consolidated Balance Sheet as at 31 December 2009

In thousands of Russian Roubles	Note	2009	2008
ASSETS			
Cash and cash equivalents	7	21 419 473	36 841 326
Mandatory cash balances with the Central Bank of the Russian Federation		1 373 815	212 921
Trading securities	8	29 075 842	2 692 385
Trading securities pledged under sale and repurchase agreements	9	640 540	1 470 526
Amounts receivable under reverse repurchase agreements	10	3 576 299	-
Due from banks	11	5 867 355	19 175 864
Loans and advances to customers	12	158 200 489	144 882 501
Investment securities available-for-sale	13	88 245	53 978
Investment securities held-to-maturity	14	180 908	777 591
Other financial assets	15	149 014	160 583
Deferred tax asset	32	305 598	-
Investment property	16	2 000 008	-
Premises and equipment	17	10 111 954	6 945 944
Intangible assets	17	756	974
Other assets	18	478 059	362 811
Long-term assets held-for-sale	19	2 137 985	2 137 985
TOTAL ASSETS		**235 606 340**	**215 715 389**
LIABILITIES			
Due to banks	20	16 001 844	32 320 089
Customer accounts	21	175 990 284	139 824 479
Bonds issued	22	3 113 581	9 933 581
Other debt securities in issue	23	5 150 774	4 336 891
Other borrowed funds	24	9 206 645	9 598 851
Other financial liabilities	25	414 554	231 703
Income tax liability		15 543	1 025
Deferred tax liability	32	-	67 125
Other liabilities	26	428 564	596 896
TOTAL LIABILITIES		**210 321 789**	**196 910 640**
EQUITY			
Share capital	27	3 629 541	3 564 330
Share premium	27	15 744 164	9 725 450
Revaluation reserve for premises		1 966 015	2 209 624
Revaluation reserve for investment securities available-for-sale		32 430	-
Retained earnings		3 912 401	3 305 345
TOTAL EQUITY		**25 284 551**	**18 804 749**
TOTAL LIABILITIES AND EQUITY		**235 606 340**	**215 715 389**

Approved for issue and signed on behalf of the Supervisory Board on 1 April 2010.

A.V. Saveliev
Chairman of the Board

S.E. Lobach
Chief Accountant

Открытое акционерное общество «Банк «Санкт-Петербург» (ОАО «Банк «Санкт-Петербург») • ОГРН 1027800000140 • Санкт-Петербург • ИНН 7831000027

The notes on pages 6 to 93 are an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Note	2009	2008
Interest income	29	25 597 942	19 130 078
Interest expense	29	(15 176 530)	(9 626 639)
Net interest income		**10 421 412**	**9 503 439**
Provision for loan impairment	11, 12	(10 511 603)	(3 395 949)
Net interest (expense) income after provision for loan impairment		**(90 191)**	**6 107 490**
Gains less losses (losses less gains) from trading securities		1 712 056	(1 258 323)
Gains less losses from investment securities available-for-sale		1 593	-
Gains less losses from trading in foreign currencies		648 601	979 997
Foreign exchange translation gains less losses		579 524	381 546
Fee and commission income	30	1 906 770	1 715 123
Fee and commission expense	30	(417 272)	(329 082)
(Provision) recovery of provision for credit related commitments	25	(146 439)	61
Recovery of provision (provision) for impairment of investment securities held-to-maturity	14	290	(19 840)
Losses on redemption of securities		(132 001)	-
Gain from early redemption of indebtedness		266 719	-
Other net operating income		204 706	119 603
Administrative and other operating expenses:	31		
- Staff costs		(1 706 192)	(2 060 460)
- Costs related to Group's premises and equipment		(533 348)	(471 365)
- Other administrative and operating expenses		(1 533 719)	(1 319 732)
Profit before tax		**761 097**	**3 845 018**
Income tax expense	32	(120 793)	(1 071 252)
Profit for the year		**640 304**	**2 773 766**
Other comprehensive income			
Gain from revaluation of securities available-for-sale		40 537	-
Net changes in revaluation reserve for premises		(304 511)	1 259 409
Deferred income tax recognised in equity related to comprehensive income		52 795	(251 882)
Effect of change in income tax rate		-	60 105
Comprehensive income for the year		**429 125**	**3 841 398**
Basic earnings per ordinary share (in Russian Roubles per share)	33	**2.26**	**9.82**
Diluted earnings per ordinary share (in Russian Roubles per share)	33	**2.25**	**9.82**

		Attributable to equity holders of the Bank					
In thousands of Russian Roubles	**Note**	**Share capital**	**Share premium**	**Revaluation reserve for premises**	**Revaluation reserve for investment securities available-for-sale**	**Retained earnings**	**Total equity**
Balance as at 1 January 2008		**3 564 330**	**9 725 450**	**1 141 992**	**-**	**573 291**	**15 005 063**
Other comprehensive income recognised directly in equity		-	-	1 067 632	-	-	1 067 632
Profit for the year		-	-	-	-	2 773 766	2 773 766
Total comprehensive income for the year ended 31 December 2008		**-**	**-**	**1 067 632**	**-**	**2 773 766**	**3 841 398**
Dividends declared							
- ordinary shares	34	-	-	-	-	(39 501)	(39 501)
- preference shares	34	-	-	-	-	(2 211)	(2 211)
Balance as at 31 December 2008		**3 564 330**	**9 725 450**	**2 209 624**	**-**	**3 305 345**	**18 804 749**
Other comprehensive income (expense) recognised directly in equity		-	-	(243 609)	32 430	-	(211 179)
Profit for the year		-	-	-	-	640 304	640 304
Total comprehensive income (expense) for the year ended 31 December 2009		**-**	**-**	**(243 609)**	**32 430**	**640 304**	**429 125**
Shares issued	27	65 211	6 018 714	-	-	-	6 083 925
Dividends declared							
- ordinary shares	34	-	-	-	-	(31 037)	(31 037)
- preference shares	34	-	-	-	-	(2 211)	(2 211)
Balance as at 31 December 2009		**3 629 541**	**15 744 164**	**1 966 015**	**32 430**	**3 912 401**	**25 284 551**

In thousands of Russian Roubles	**Note**		**2008**
Cash flows from operating activities			
Interest income received on loans and correspondent accounts		23 222 000	17 687 462
Interest income received on securities		1 685 900	889 472
Interest on securities pledged under sale and repurchase agreements		164 515	498 700
Interest expense paid on due to banks		(2 931 606)	(687 830)
Interest expense paid on customer deposits		(10 208 535)	(6 270 843)
Interest expense paid on other debt securities in issue		(314 014)	(577 452)
Net receipts (payments) from securities trading		1 008 034	(1 093 151)
Net receipts from trading in foreign currencies		701 233	1 109 590
Fees and commissions received		1 902 673	1 713 520
Fees and commissions paid		(417 272)	(329 082)
Other operating income received		236 073	103 606
Payments for staff costs		(1 865 624)	(1 918 069)
Payments related to premises and equipment		(188 817)	(227 321)
Payments for other administrative and operating expenses		(1 527 295)	(1 333 502)
Income tax paid		(426 203)	(1 349 064)
Cash flows from operating activities before changes in operating assets and liabilities		**11 041 062**	**8 216 036**
Changes in operating assets and liabilities			
Net (increase) decrease in mandatory cash balances with the Central Bank of the Russian Federation		(1 160 894)	1 338 992
Net (increase) decrease in trading securities		(25 707 501)	5 212 332
Net decrease in other securities at fair value through profit or loss		-	24
Net decrease (increase) in trading securities pledged under sale and repurchase agreements		871 471	(6 337 914)
Net (increase) decrease in amounts receivable under reverse repurchase agreements		(3 575 382)	916 150
Net decrease (increase) in due from banks		13 176 679	(9 265 017)
Net increase in loans and advances to customers		(21 138 360)	(48 155 762)
Net increase in other financial assets		(27 266)	(8 109)
Net increase in other assets		(122 923)	(50 896)
Net (decrease) increase in due to banks		(16 280 154)	31 154 311
Net increase in customer accounts		34 805 697	45 472 216
Net increase (decrease) in other debt securities in issue		767 198	(3 071 748)
Net decrease in other financial liabilities		(15 721)	(2 901)
Net (decrease) increase in other liabilities		(10 298)	164 830
Net cash (used in) received from operating activities		**(7 376 392)**	**25 582 544**
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets	17	(3 819 552)	(2 690 703)
Proceeds from disposal of premises and equipment and intangible assets		4 718	193 627
Net proceeds from sale (purchase) of investment securities available-for-sale		7 863	(42 638)
Proceeds from redemption of investment securities held-to-maturity		597 080	-
Purchase of investment property	16	(2 000 008)	-
Dividend income received		8 205	15 997
Net cash used in investing activities		**(5 201 694)**	**(2 523 717)**

In thousands of Russian Roubles	**Note**		**2008**
Cash flows from financing activities			
Issue of preference shares:			
- share capital	27	65 211	-
- share premium	27	6 018 714	-
Issue of bonds		-	2 176 750
Repurchase of bonds		(7 249 974)	-
Proceeds from other borrowed funds		4 424 168	5 633 730
Repayment of other borrowed funds		(5 188 588)	(4 329 800)
Interest paid on issued bonds		(685 952)	(756 481)
Interest paid on other borrowed funds		(917 092)	(611 966)
Dividends paid	34	(32 350)	(40 597)
Net cash (used in) received from financing activities		**(3 565 863)**	**2 071 636**
Effects of exchange rate changes on cash and cash equivalents		**722 096**	**2 098 415**
Net (decrease) increase in cash and cash equivalents		**(15 421 853)**	**27 228 878**
Cash and cash equivalents at the beginning of the year		36 841 326	9 612 448
Cash and cash equivalents at the end of the year	7	**21 419 473**	**36 841 326**

1 Introduction

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2009 for OJSC “Bank Saint Petersburg” (the “Bank”) and a controlled special purpose entity BSPB Finance plc (together referred to as the “Group” or OJSC “Bank Saint Petersburg” Group”).

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as the result of the privatisation process of the former Leningrad regional office of Zhilsotsbank. The Bank is an open joint stock company.

As at 31 December 2009, 29.9% of the ordinary shares of the Bank are controlled by Mr. A.V. Saveliev (2008: 29.9%), 8.0% of the ordinary shares are owned by ISSARDY HOLDINGS LIMITED, which is controlled by Mr. V. G. Reutov (80.1%) and Mr. A. V. Saveliev (19.9%) (2008: this company was not a shareholder of the Bank). The rest of the management of the Bank controls a further 10.0% of the ordinary shares of the Bank (2008: 10.7%). As at 31 December 2009, the company “Systemnye Tehnologii” owns 19.4% of the ordinary shares of the Bank (2008: 14.5%). Mr. A. V. Saveliev purchased 19.0% of “Systemnye Tehnologii”. In addition Mr. A. V. Saveliev has an option to purchase 81.0% of “Systemnye Tehnologii”. This option was signed in 2007 and can be exercised at any time before 1 April 2011. There is no contractual agreement between any members of the management team and Mr. A. V. Saveliev on joint control of the Bank.

Other shareholders of the Bank are: 8.0% of the shares are owned by RUSSIAN DEALERSHIPS HOLDING (RDH) LIMITED, controlled by Mr. U. I. Pilipenko (2008: 4.6% of the shares were controlled by Mr. D. E. Troitskiy and 11.4% of the shares were controlled by Mr. D. V. Korzhev). The remaining 24.7% (2008: 28.9%) of the shares are widely held.

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a general banking license issued by the Central Bank of the Russian Federation (“CBRF”) since 1997. The Bank takes part in the state deposit insurance system introduced by Federal Law No.177-FZ “On Retail Deposit Insurance in the Russian Federation” dated 23 December 2003. Indemnity of the deposits placed in respect of which an insured event happens, is paid to a depositor in the amount of 100% of total deposits, but limited to RR 700 thousand (as amended by Federal Law No.174-FZ dated 13 October 2008).

As at 31 December 2009, the Bank has 5 branches within the Russian Federation (3 branches are located in North-West region of Russia, 1 branch is in Moscow, 1 branch is in Nizniy Novgorod) and 31 supplementary offices. In 2008 the Bank had 4 branches within the Russian Federation (2 branches were located in North-West region of Russia, 1 branch was in Moscow, 1 branch was in Nizniy Novgorod) and 32 supplementary offices).

Special purpose entity BSPB Finance plc is used by the Bank for its Eurobond issue (see Note 22). Close-ended real estate mutual investment fund “Nevskiy - Second Real Estate Fund” and close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund” are used by the Bank for activities with non-core assets (refer to notes 16 and 19).

Registered address and place of business. The Bank’s registered address and place of business is: 193167, Russian Federation, Saint Petersburg, Nevskiy Prospect, 178, A.

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

2 Operating Environment of the Group

The Russian Federation has been experiencing political and economic changes in recent years that have substantially affected, and may continue to affect, the activities of enterprises operating in the Russian Federation.

Despite the significant influence of the crisis on the Russian economy, currently the positive changes in the majority of macroeconomic indices (including low inflation rate and higher oil prices) testify to the fact that the economy of the Russian Federation is in the phase of gradual recovery after the crisis of 2008-2009.

2 Operating Environment of the Group (continued)

Principal negative and positive factors affecting the development of the situation in the economics of the Russian Federation are as follows:

Negative factors

- Low level of investments and, as a result, low lending recovery,
- Low consumption,
- High level of credit risks in the corporate and retail segments.

Positive factors

- Higher level of prices for principal exports of the Russian Federation (in particular, oil prices),
- Continuation of growth of real GDP of the Russian Federation (in particular, industrial production),
- Low inflation rate,
- Active and on the whole effective anti crisis measures of the government aimed to support the economy.

In addition, a significant factor affecting the economy is the continuing strengthening of the ruble to the bi-currency basket from the second half of 2009.

Management cannot forecast all the tendencies that can affect the development of the banking sector and the economy as a whole as well as the effect (if any) they can have on the financial position of the Group in the future.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently. 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 difficulties experienced 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.

The accompanying consolidated financial statements reflect management’s assessment of the possible impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

3 Basis of Preparation and 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 initial financial instruments fair value recognition, fair value of trading securities and financial assets available-for-sale and the revaluation of premises. The principles of accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied to all the periods presented in these consolidated financial statements.

Consolidation. Subsidiaries are 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 and 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 de-consolidated from the date that control ceases.

3 Basis of Preparation and Significant Accounting Policies (continued)

The Group holds zero interest in the share capital of a fully consolidated special purpose entity BSPB Finance plc. However, the Group obtains all the benefits and bear all the risks from the activities of this company. Refer to Note 41.

The Group holds 100% interest in a fully consolidated close-ended real estate mutual investment fund “Nevskiy - Second Real Estate Fund” and 100% interest in a fully consolidated close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund”. Refer to Note 41.

Intercompany transactions, balances and unrealized gains arising from intercompany transactions are eliminated; unrealized 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.

Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value, or amortized cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. *Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental 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 stock exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable independent 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 that 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 flow models or models based on recent arm’s length transactions or current value of investments are used for determination of the fair value of financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

Amortised cost is the historical value of an asset less any principal repayments, plus accrued interest, and for financial assets less any write-off for impairment losses incurred. Accrued interest includes amortization of transaction costs deferred at initial recognition and amortisation of any premium or discount to maturity 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 balance sheet items.

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 discounted value calculation includes all fees and charges paid and received between the parties to the contract that form an integral part of the effective interest rate (refer to Income and Expense Recognition Policy).

3 Basis of Preparation and Significant Accounting Policies (continued)

Initial recognition of financial instruments. Trading securities, derivatives and other securities at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value including transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss at 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 when the Group commits to buy or sell financial asset. All other acquisition transactions are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial assets. The Group derecognizes 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 transfer arrangement while (i) also transferring substantially all the risks and benefits of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and benefits of ownership but not retaining control of the assets. 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 imposing additional restrictions on the sale.

Foreign currency translation. The functional currency of the Group's entities is the currency of the primary economic environment in which the Group operates. The Bank's and its subsidiaries' functional currency and the Group's presentation currency is the national currency of the Russian Federation, i.e. Russian Rouble.

Currency monetary assets and liabilities are translated into Russian Roubles at the official CBRF exchange rate at the respective balance sheet date. Positive and negative translation differences on monetary assets and liabilities at the CBRF official exchange rate as at the end of the year are included in the profit or loss for the year (as foreign exchange translation gains less losses). Translation at the rates effective as at the end of the reporting period does not apply to non-monetary items. Non-monetary items are translated at historical rates. Effects of exchange rate differences on the fair value of equity securities are recorded as part of the fair value translation gain or loss.

As at 31 December 2009, the official rate of exchange used for translating foreign currency balances was USD 1 = RR 30.2442 and EURO 1 = RR 43.3883 (2008: USD 1 = RR 29.3804 and EURO 1 = RR 41.4411).

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day and are subject to insignificant change in value. All short term interbank placements, including overnight deposits, are included in cash and cash equivalents, all other interbank placements are recognized in due from banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortized cost and represent non-interest bearing deposits in the CBRF that 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 statement of cash flows.

3 Basis of Preparation and Significant Accounting Policies (continued)

Trading securities. Trading securities include financial assets at fair value through profit or loss that are classified as held for trading, as they are 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. within the period from one to six months.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss as interest income. Dividends are included in other operating income when the Group’s right to receive the dividend payment is established and provided the dividend is likely to be received. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Due from banks. Amounts due from banks are recorded when the Group advances money to counterparty banks with no intention of trading the instrument. Amounts due from banks are carried at amortized cost.

Loans and advances to customers. Loans and advances to customers 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 amortized cost.

Impairment of financial assets carried at amortized cost. Impairment losses are recognized 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 that have an impact on the amount or timing of the estimated future cash flows 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 when assessing whether a financial asset is impaired is its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine that there is an 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 significant financial difficulty as evidenced by 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;
- implementation of the borrower’s investment plans is delayed; or
- the Group expects difficulties in servicing the borrower’s debt due to volatility of the borrower’s cash flows caused by its cyclic activity or irregularity of proceeds.

3 Basis of Preparation and Significant Accounting Policies (continued)

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.

Impairment losses are recognised through an allowance account to decrease the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been currently incurred) discounted at the effective interest rate of the asset. The calculation of the discounted 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 profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset fully or partially have been completed and the amount of the loss has been determined.

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. For certain types of investment securities available-for-sale the Group cannot measure their fair value with sufficient level of reliability, so these investments are carried at cost. Dividends on available-for-sale equity investments 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 components of changes in the fair value are recognised directly in equity until the investments are derecognised or impaired, when the cumulative gain or loss previously recognised in other comprehensive income is recognized in profit or loss.

Impairment losses are recognised in profit or loss for a year 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. Accumulated impairment losses calculated as the difference between the acquisition cost and the current fair value less impairment loss for the asset that was initially recognized in profit or loss are transferred from other comprehensive income to profit or loss. Impairment losses on equity instruments are not recovered and subsequent income is recognized in other comprehensive income. 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 profit or loss for the year.

Advances payable. Advances payable are recognised, if the Group makes a prepayment under a contract for services that are not yet provided, and are recorded at amortised cost.

3 Basis of Preparation and Significant Accounting Policies (continued)

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 balance sheet unless the transferee has the right by a contract or custom to sell or repledge the securities, in which case they are reclassified as trading securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customer accounts, as appropriate.

Securities purchased under agreements to resell (“reverse repo agreements”), which provide the Group with a creditor’s return, are recorded as amounts receivable under reverse repurchase agreements. The difference between the sale and repurchase price is treated as interest income and accrued over the life of the repo agreements using the effective interest method.

Investment securities held-to-maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturity, which management has the firm intention and ability to hold to maturity. Management determines the classification of investment securities held-to-maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. Investment securities held-to-maturity are measured at amortised cost.

Promissory notes purchased. Promissory notes purchased are included in due from banks and loans and advances to customers, based on their economic substance and are recorded and subsequently remeasured and accounted in accordance with the accounting policies for this category 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, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued. Any increase in the carrying value as a result of revaluation is recognized in other comprehensive income and in revaluation reserve in equity. Any decrease in value accounted against previous increases of the same asset is recognized in other comprehensive income and reduces the revaluation reserve previously recognized in equity. All other decreases in value are recognized in profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset.

Construction in progress is carried at cost less provision for impairment where required. 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.

All other items of premises and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

3 Basis of Preparation and Significant Accounting Policies (continued)

If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to 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 for the year.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

Premises: 50 years;

Office and computer equipment: 5 years;

Leasehold improvements: over the term of the underlying lease.

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 was 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 to the end of its physical life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets. All intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 4 years. All other costs associated with computer software, e.g. its maintenance, are recognised when incurred.

Investment property. Investment property is property not occupied by the Group and held either to earn rental income or for capital appreciation or for both.

Investment property is recognised at acquisition cost less accumulated amortisation and provision for impairment (if necessary). In case of indications of impairment of investment property the Group evaluates its recoverable amount, which is calculated as the higher of its value in use and fair value less disposal costs. A decrease in carrying value of investment property to its recoverable amount is recognised in profit or loss. Impairment loss recognised in previous years is recovered if there was a change in estimates used to evaluate the recoverable amount of the asset.

Subsequent expenditure is capitalised only when there is a possibility that the Group receives the related future economic benefits and that their cost may be reliably measured. All other repair and maintenance costs are recognised as an expense as incurred. If the owner occupies the investment property, it is transferred to the category “Premises and Equipment”.

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

3 Basis of Preparation and Significant Accounting Policies (continued)

Long term assets held-for-sale. Long term assets and disposal groups (which may include both long-term and short term assets) are presented in the balance sheet as long term assets held for sale if their carrying amount will be recovered principally through a sale transaction within twelve months after the balance sheet date. These assets are reclassified when all of the following conditions are met: (a) assets are available for immediate sale in their present condition; (b) management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Long-term assets or disposal groups classified as held-for-sale in the current period’s balance sheet are not reclassified or re-presented in the comparative balance sheet to reflect the classification at the end of the current reporting period.

Long term assets and disposal groups held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Held-for-sale premises and equipment (included in the disposal group) are not depreciated or amortised.

Liabilities directly associated with the disposal groups that will be transferred in the disposal transaction are presented separately in the balance sheet.

Due to banks. Amounts due to banks are recorded when cash or other assets are advanced to the Group by counterparty banks. The non-derivative financial liability is carried at amortised cost.

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

Other debt securities in issue. Other debt securities in issue include bonds, promissory notes and certificates of deposit 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 balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in other income.

Other borrowed funds. Other borrowed funds include liabilities to credit and corporate entities and financial institutions attracted for purpose financing and are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments are carried at their 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 recognised as gains less losses in accordance with the nature of transaction in profit or loss. The Group does not enter into derivative instruments for hedging purposes.

Income taxes. Tax expenses are provided for in the consolidated financial statements in accordance with the effective Russian legislation using tax rates and legislative regulations enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax charge and deferred tax and is recognised in profit or loss except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, 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 previous periods. Taxable profits or losses are based on estimates if financial statements are approved prior to filing relevant tax returns. Taxes, other than on income, are recorded in administrative and other operating expenses.

3 Basis of Preparation and Significant Accounting Policies (continued)

Deferred income tax is calculated using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability 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 balance sheet date which are expected to apply in the period when the temporary differences or deferred tax losses will be realized. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. Uncertain tax positions are reassessed by management at every balance sheet date. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date 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 balance sheet date.

Provisions for liabilities and future expenses. Provisions for liabilities and future expenses are non-financial liabilities of uncertain timing or amount. Related provisions are provided for in the financial statements where the Group has liabilities (legal or constructive) as a result of a past event, 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 performed its obligations under the contract and are carried at amortised cost.

Credit related commitments. The Group enters into credit related commitments, including commitments to provide loans, letters of credit and financial guarantees. Financial guarantees and letters of credit represent irrevocable commitments 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 letters of credit 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. In the case of commitments to provide loans, if there is a probability that the Group concludes certain loan agreements and is not planning to disburse the loan immediately, such commission income is recognised as future period profit and is included in the loan’s carrying amount upon initial recognition. At each balance sheet date, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date.

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Preference shares. Preference shares that are not mandatorily redeemable and with discretionary dividends, are classified as equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the balance sheet date and before the financial statements are approved for issue are disclosed in the subsequent events note. The statutory accounting reports are the basis for payment of dividends and other profit distribution. Russian legislation identifies the basis of profit distribution as the current year net profit.

3 Basis of Preparation and Significant Accounting Policies (continued)

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

Fee and commission income attributable to the effective interest rate include fees received or paid in connection with 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.

When loans or other debt instruments become doubtful of timely collection, they are written off to recoverable value with subsequent recognition of interest income based on the effective interest rate that was used to discount future cash flows with the purpose of determination of recoverable value.

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.

Fiduciary assets. Assets held by the Group in its own name, but on the account and at the expense of third parties, are not reported in the consolidated balance sheet. The analysis of such balances and transactions is given in Note 38. 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 balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting for the effects of hyperinflation. The Russian Federation 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 balance sheet date. It states that reporting operating results and financial position in the local currency of a hyperinflationary economy without respective adjustment in the financial statements 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 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, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

3 Basis of Preparation and Significant Accounting Policies (continued)

Segment reporting. Segment reporting is prepared based on the internal reports regularly reviewed by the chief operating decision maker in order to assess each segment’s performance and to allocate resources to them. Segments with a majority of revenue, financial result or assets equal to at least ten percent of those from all the segments are reported separately.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts of assets and liabilities recognised in the consolidated financial statements. 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 professional judgments and estimates 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:

Investment securities held-to-maturity. Management determines whether to classify financial assets as held-to-maturity and in particular to demonstrate its intention and ability to hold these assets to maturity. If the Group fails to hold these investments to maturity (except for a particular circumstance – such as sale of insignificant amount of investments shortly before the date of maturity) the Group will have to reclassify all securities of this type into the category of assets available for sale Such reclassified investments will be measured at fair value, not at amortised cost. If all held-to-maturity securities were to be reclassified, their carrying value will decrease by RR 28 757 thousand (2008: RR 36 956 thousand).

Impairment losses on loans and advances. The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss for the year, the Group makes professional 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. To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/- one month, the provision would be approximately RR 106 021 thousand higher or lower (2008: RR 85 590 thousand higher or thousand lower).

Revaluation of premises. The fair values of premises are determined by using valuation methods and are based on their market value. Market values of premises are obtained from the report of independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value was assessed using *sales comparison* approach i.e. comparison with other premises that were sold or are offered for sale. For details please refer to Note 17. To the extent that the assessed change in the fair value premises differs by 10%, the effect of the revaluation adjustment would be RR 425 096 thousand (before deferred tax) as at 31 December 2009 (2008: RR 426 935 thousand).

Frequency of revaluation of premises. Premises are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. Management uses judgement for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Tax legislation. The tax legislation of the Russian Federation is subject to varying interpretations, and changes, which can occur frequently. Refer to Note 38.

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. Professional 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.

Special Purpose Entities. Professional judgment 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.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs and interpretations 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 organization in connection with issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, the segment information must be presented on the same basis as used for the purposes of internal reporting. The adoption of IFRS 8 did not affect the amount of the reported operating segments.

IAS 23, Borrowing Costs (revised March 2007). The main change is removal of the option for immediate recognition as an expense of borrowing costs that relate to assets that take a substantial period of time to prepare for use or sale. Borrowing costs directly attributable to acquisition, construction or manufacturing of an asset, that are not accounted at fair value and that require significant time for preparation for intended use and disposal (qualifying asset), are included in the cost of such asset if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognized in expense using an effective interest method.

IAS 1, Presentation of Financial Statements (revised September 2007). The main change to IAS 1 is replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group decided to present only the 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 affected the presentation of the Group’s financial statements, but had no impact on the recognition or measurement of specific transactions and balances.

5 Adoption of New or Revised Standards and Interpretations (continued)

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the Board of the International Accounting Standards Committee(IASC) decided to start annual improvement projects intended to update standards as a means of essential but non-urgent amendments to IFRS. These amendments represent a combination of significant changes, clarifications and terminological corrections of various standards. None of the changes has a significant influence on the consolidated financial statement.

Improvements in financial instruments disclosures – *Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009).* The amendment requires disclosure of additional information concerning fair value measurement and liquidity risk. Companies are to present financial instruments analysis using a three-level fair value measurement hierarchy. In respect of liquidity risk this amendment (a) explains that maturity analysis of liabilities must include issued financial guarantee contracts by maximum guarantee amount in the earliest period, when it can be used; (b) requires disclosure of contractual maturities of derivative financial instruments, if contractual maturities are important for understanding of timing of cash flows. In addition, companies are to present maturity analysis of financial instruments held for the purposes of liquidity risk management, if this information is essential for evaluation of the nature and level of liquidity risk by users of the financial statements. These financial statements disclose the specified additional information.

Embedded derivatives – Amendments to IFRIC 9 and IAS 39 (issued in March 2009). The amendments clarify that in case a financial asset is transferred from the at fair value though profit or loss category, all embedded derivatives are to be measured and, if necessary, accounted for separately. This amendment did not affect the these financial statements.

6 New Accounting Pronouncements

Certain new standards and amendments have been published that are mandatory for accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not adopted in preparation of these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. The Group has not yet fully analysed the likely impact of these new standards on its consolidated financial statements.

IAS 27, Consolidated and Separate Financial Statements *(revised January 2008; effective for periods beginning on or after 1 July 2009).* The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent company 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 company covering these losses in most cases. The revised standard also specifies that changes in a parent company’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.

6 New Accounting Pronouncements (continued)

IFRS 3, Business Combinations *(revised in 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).* The revised IFRS 3 allows entities to choose to measure minority interest 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 must 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 for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer must recognise a liability for any contingent purchase consideration as on the acquisition date. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRS, 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.

Eligible Hedged Items - Amendment to IAS 39, Financial Instruments: Recognition and Measurement *(effective retrospectively for annual periods beginning on or after 1 July 2009, early application is allowed).* 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 Group does not expect this amendment to significantly affect the financial statements, as the Group does not use hedge accounting.

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 starting 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 starting on or after 1 January 2010). These amendments represent a combination of significant changes and clarifications of standards and interpretations. Companies' contributions to operations under common control and creation of joint ventures are not included in the scope of application of IFRS 2; clarification of disclosure requirements listed in IFRS 5 and other standards for long-term assets (or disposal groups) included in held-for-sale or discontinued operations categories; requirement to reflect in the financial statements indices of total amounts of assets and liabilities for each operating segment in accordance with IFRS 8 only if these amounts are regularly submitted to the chief executive officer responsible for operating decisions; introduction of changes to IAS 1 that permit classification of certain liabilities which are settled with the entity's own equity instruments, as long-term; introduction of changes to IAS 7, according to which only expenses leading to creation of a recognized asset can be classified as investment activities; permission to classify certain long-term land lease operations as financial lease in accordance with IAS 17 even without transfer of ownership of the land by the end of lease; inclusion of additional instructions to IAS 18 to identify whether the company acts as a principal or an agent; clarification to IAS 36 regarding the fact that a cash generating unit cannot be larger than the operating segment before the combination; introduction of an addition to IAS 38 concerning the evaluation of fair value of intangible assets acquired in the process of business combination; amendment to IAS 39 in respect of (i) inclusion of option contracts that can lead to business combinations in its scope of applicability; (ii) clarifications of the period of transfer of gains and losses on cash flow hedging instruments from equity to profit or loss for a year; and (iii) the assertion that early redemption right is closely connected with the basic contract if in exercising it the borrower compensates the creditor's economic loss; amendment to IFRIC 9 excluding from its scope of application embedded derivatives in the contracts, acquired under operations under common control and creation of joint ventures; and elimination of restriction in IFRIC 16 regarding the fact that hedging instruments cannot be kept within the limits of foreign activity, which in its turn is subject to hedging. The Group does not expect these amendments to significantly affect the financial statements.

6 New Accounting Pronouncements (continued)

Amendment to IAS 24, Related Party Disclosures *(issued in November 2009, effective for annual periods beginning on or after 1 January 2011).* IAS 24 was revised in 2009: (a) to simplify the definition of a related party, specify its meaning and eliminate contradictions; (b) introduces a partial exemption from the basic disclosure requirements for government-related entities.

IFRS 9 Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces sections of IAS 39 related to classification and measurement of financial assets. Its major differences include:

- Financial assets are subject to classification into two measurement categories: subsequently measured at fair value and subsequently measured at amortised cost. The decision on classification is to be taken at initial recognition. The classification depends on the company's business-model of financial instruments management and on the characteristics of contractual cash flows on the instrument.
- The instrument is subsequently measured at amortised cost only if it is a debt instrument and (i) the company's business-model is aimed at holding the asset for the purpose of receiving contractual cash flows and simultaneously (ii) contractual cash flows on the asset are only payments of the principal amount and interest only (i.e. a financial instrument has only "basic loan characteristics"). All other debt instruments are to be measured at fair value through profit or loss accounts.
- All equity instruments are to be subsequently measured at fair value. Equity instruments held-for-sale will be measured and recognised through the profit or loss account. For other equity investments the decision may be made at initial recognition to recognise unrealised and realised gain or loss on revaluation at fair value in other comprehensive income. In such cases gains and losses arising on revaluation are not transferred to profit or loss. This decision can be made separately for each financial instrument. Dividends are recorded in profit or loss as they represent investment yield.
- Adoption of IFRS 9 is obligatory starting from 1 January 2013. Early adoption is allowed.

Currently the Group is analysing the effect of the adoption of this standard, its influence on the Group and the date of adoption of the standard.

Except for cases described above, the new standards and interpretations are not expected to significantly affect the consolidated financial statements.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	2009	2008
Cash on hand	4 186 146	6 026 512
Cash balances with the CBRF (other than mandatory reserve deposits)	5 834 518	12 901 049
Correspondent accounts and overnight placements with banks		
- Russian Federation	4 343 943	1 574 146
- other countries	5 017 238	580 493
Settlement accounts with trading systems	2 037 628	15 759 126
Total cash and cash equivalents	**21 419 473**	**36 841 326**

Currency and interest rate analysis of cash and cash equivalents are disclosed in Note 36.

8 Trading Securities

In thousands of Russian Roubles	2009	2008
Corporate bonds	16 610 633	1 094 549
Municipal bonds	4 329 720	1 712
Federal loan bonds (OFZ bonds)	3 983 378	266 382
Corporate Eurobonds	2 918 163	338 931
Russian Federation Eurobonds	964 298	956 815
Total debt securities	**28 806 192**	**2 658 389**
Corporate shares	269 650	33 996
Total trading securities	**29 075 842**	**2 692 385**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies and are tradable in the Russian market. These bonds have maturity dates from 22 February 2010 to 14 November 2019 (2008: from 26 February 2009 to 12 June 2018); coupon rates of 7.1% - 18.5% p.a. (2008: 7.0% - 15.2% p.a.) and yields to maturity from minus 6.1% to 13.5% p.a. as at 31 December 2009 (2008: from 6.3% to 34.7% p.a.), depending on the type of bond issue.

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, Moscow Region, Irkutsk and Samara Regions (2008: municipal administrations of Moscow, Moscow Region, Irkutsk and Samara Regions). These bonds are sold at a discount to nominal value, have maturity dates from 15 March 2010 to 9 June 2014 (2008: from 21 April 2009 to 16 April 2014); coupon rates of 7.6% to 16.0% p.a. (2008: 7.6% to 11.0% p.a.) and yields to maturity from 7.0% to 12.6% p.a. as at 31 December 2009 (2008: from 9.2% to 34.8% p.a.), depending on the type of bond issue.

Federal loan bonds (OFZ bonds) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 6 July 2011 to 27 March 2013 (2008: from 20 January 2010 to 2 November 2012); coupon rates of 6.2% to 12.0% p.a (2008: 6.0% to 10.0% p.a.) and yields to maturity from 7.8% to 8.0% p.a. as at 31 December 2009 (31 December 2008: from 9.9% to 11.7% p.a.), depending on the type of bond issue.

8 Trading Securities (continued)

Corporate Eurobonds are interest bearing securities denominated in USD issued by Russian companies and tradable in the Russian market. Corporate Eurobonds have maturity dates from 11 February 2010 to 1 February 2020; coupon rates of 6.9% to 11.8% p.a. and yields to maturity from 2.2% to 15.3% p.a. as at 31 December 2009 (2008: maturity dates from 15 January 2009 to 22 October 2011, coupon rates of 8.4% to 10.8% p.a. and yields to maturity from 10.3% to 22.5% as at 31 December 2008).

Russian Federation Eurobonds are interest bearing securities denominated in USD, issued by the Ministry of Finance of the Russian Federation, and are tradable internationally. These bonds have maturity dates from 31 March 2010 to 31 March 2030 (2008: 31 March 2030); coupon rates of 7.5% to 8.3% p.a. (2008: 8.3% p.a.); and yields to maturity of 0.2% to 5.4% p.a. as at 31 December 2009 (2008: 3.3% p.a.).

Corporate shares are shares of Russian companies and global depositary receipts on shares of Russian companies.

Trading securities are carried at fair value which also reflects the credit risk of these securities.

Analysis by credit quality of debt trading securities outstanding at 31 December 2009 is as follows:

In thousands of Russian Roubles	**Corporate bonds**	**Municipal bonds**	**Federal loan bonds**	**Corporate Eurobonds**	**Russian Federation Eurobonds**	**Total**
Not overdue or impaired (at fair value)						
Group A	12 140 750	4 329 698	3 983 378	1 093 987	964 298	22 512 111
Group B	4 469 870	22	-	1 824 176	-	6 294 068
Total debt trading securities not overdue or impaired	**16 610 620**	**4 329 720**	**3 983 378**	**2 918 163**	**964 298**	**28 806 179**
Overdue (at fair value)						
- overdue from 181 to 365 calendar days	13	-	-	-	-	13
Total overdue debt trading securities	**13**	**-**	**-**	**-**	**-**	**13**
Total debt trading securities	**16 610 633**	**4 329 720**	**3 983 378**	**2 918 163**	**964 298**	**28 806 192**

As at 31 December 2009, 76% of Group B comprise securities with rating BB- and above.

Analysis by credit quality of debt trading securities outstanding at 31 December 2008 is as follows:

In thousands of Russian Roubles	**Federal loan bonds**	**Russian Federation Eurobonds**	**Municipal bonds**	**Corporate bonds**	**Corporate Eurobonds**	**Total**
Group A	266 382	956 815	925	998 489	153 993	2 376 604
Group B	-	-	787	96 060	184 938	281 785
Total debt trading securities	**266 382**	**956 815**	**1 712**	**1 094 549**	**338 931**	**2 658 389**

8 Trading Securities (continued)

Debt trading securities are divided by credit quality types and parameters into the following groups:

Group A – debt financial instruments with credit rating of the issuer at least BBB-, according to S&P rating agency or equivalent rating of other agencies.

Group B – other debt instruments.

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Currency and maturity analyses of trading securities are disclosed in Note 36.

In 2008 the Group reclassified certain financial assets from trading securities to securities held-to-maturity, loans and advances to customers and due from banks. Refer to Notes 11, 12 and 14.

Management believes that the decrease in market prices that occurred in the third quarter of 2008 can be considered a rare event, as it does not reflect the overall volatility on the market that was observed in past periods. The Bank determined that the deterioration of the financial markets during the third quarter of 2008 constituted rare circumstances that permit reclassification out of the trading category as at 30 September 2008.

The carrying value and fair value of all reclassified financial assets from trading securities are as follows:

In thousands of Russian Roubles	**30 September 2008**		**31 December 2008**		**31 December 2009**	
	Carrying value	**Fair value**	**Carrying value ***	**Fair value**	**Carrying value ***	**Fair value**
Loans and advances to customers	5 528 751	5 528 751	5 412 330	4 853 814	3 532 768	3 409 962
Due from banks	2 765 954	2 765 954	2 777 232	2 753 093	1 257 792	1 289 476
Investment securities held-to-maturity	797 019	797 019	797 431	740 635	200 458	171 701
Total	**9 091 724**	**9 091 724**	**8 986 993**	**8 347 542**	**4 991 018**	**4 871 139**

** Carrying value is shown before provision for impairment.*

8 Trading Securities (continued)

Income and expense on financial assets through profit or loss related to the period prior to reclassification, to the period after reclassification and income and expense (after the date of reclassification) which would have been recognised through profit or loss if the reclassification had not been made are as follows:

In thousands of Russian Roubles	Income (expenses), recognised in 2008 prior to the date of reclassification	Income (expenses), recognised after the date of reclassification		Income (expenses), which would have been recognised, if the reclassification had not been made (after the date of reclassification)	
		2008	**2009**	**2008**	**2009**
Interest income	246 789	116 249	645 239	208 736	662 281
Gain less losses on operations with securities	(513 154)	10 347	(132 003)	(530 815)	(153 278)
Provision for loan impairment	-	(160 743)	(68 056)	-	-
Provision for impairment of held-to-maturity investment securities	-	(19 840)	(19 550)	-	-
Total effect on profit	**(266 365)**	**(53 987)**	**425 630**	**(322 079)**	**509 003**

9 Trading Securities Pledged Under Sale and Repurchase Agreements

In thousands of Russian Roubles	**2009**	**2008**
Federal loan bonds (OFZ bonds)	515 792	-
Corporate shares	124 748	-
Corporate bonds	-	1 364 973
Municipal bonds	-	105 553
Total trading securities pledged under sale and repurchase agreements	**640 540**	**1 470 526**

Trading securities pledged under sale and repurchase agreements are represented by Federal loan bonds (OFZ bonds) and corporate shares (2008: represented by corporate and municipal bonds issued by the municipal administration of Moscow).

Federal loan bonds (OFZ bonds) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 6 July 2011; coupon rates of 10.6% p.a. and yields to maturity of 7.9% p.a. as at 31 December 2009. The term of the corresponding repurchase agreements is 12 calendar days with an effective rate of 4.2% p.a. (2008: no Federal loan bonds).

9 Trading Securities Pledged Under Sale and Repurchase Agreements (continued)

Corporate shares are shares of Russian companies. The terms of the corresponding repurchase agreements are from 12 to 13 calendar days with an effective rate from 4.2% to 6.4% p.a. (2008: no corporate shares).

As at 31 December 2008 corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies, and are tradable in the Russian market. These bonds have yields to maturity from 7.2% to 20.2% p.a. depending on the type of bond issue. The term of the corresponding repurchase agreements is 12 days with an effective rate of 9.7% p.a.

As at 31 December 2008 municipal bonds are sold at a discount to nominal value. These bonds have yields to maturity of 8.0%. The term of sale and repurchase transactions is 12 days with the effective rate of 5.0% p.a.

Analysis by credit quality of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2009 is as follows:

In thousands of Russian Roubles	**Federal loan bonds (OFZ bonds)**	**Total**
Group A	515 792	**515 792**
Total debt trading securities pledged under sale and repurchase agreements	**515 792**	**515 792**

For definition of Group A refer to Note 8.

Analysis by credit quality of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2008 is as follows:

In thousands of Russian Roubles	**Municipal bonds**	**Corporate bonds**	**Total**
Group A	105 553	401 809	507 362
Group B	-	963 164	963 164
Total debt trading securities pledged under sale and repurchase agreements	**105 553**	**1 364 973**	**1 470 526**

For definition of Group A and Group B refer to Note 8.

As at 31 December 2009 included in due to banks are sale and repurchase agreements with credit institutions in the amount of RR 500 058 thousand. (2008: included in due to banks sale and repurchase agreements with credit institutions in the amount of RR 1 221 725 thousand). Refer to Note 20.

As at 31 December 2009 included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 99 245 thousand (2008: included in customer accounts sale and repurchase agreements with legal entities in the amount of RR 239 895 thousand). Refer to Note 21.

Currency and maturity analyses of trading securities pledged under sale and repurchase agreements are disclosed in Note 36.

10 Amounts Receivable Under Reverse Repurchase Agreements

In thousands of Russian Roubles	2009	2008
Amounts receivable under reverse repurchase agreements with clients	2 229 032	-
Amounts receivable under reverse repurchase agreements with banks	1 347 267	-
Total amounts receivable under reverse repurchase agreements	**3 576 299**	**-**

As at 31 December 2009 amounts receivable under reverse repurchase agreements represent agreements with customers and banks that are secured by municipal bonds, corporate bonds and corporate shares. As at 31 December 2009 the fair value of securities that serve as collateral under reverse repurchase agreements is RR 3 352 416 thousand (2008: no amounts receivable under reverse repurchase agreements).

Corporate shares with a fair value of RR 2 457 684 thousand and corporate bonds with a fair value of RR 894 732 thousand received as collateral under these agreements are pledged under reverse repurchase agreements.

Currency and maturity analyses of amounts receivable under reverse repurchase agreements is disclosed in Note 36.

11 Due from Banks

In thousands of Russian Roubles	2009	2008
Term placements with banks	5 870 730	19 203 410
Provision for impairment	(3 375)	(27 546)
Total due from banks	**5 867 355**	**19 175 864**

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

In thousands of Russian Roubles	2009	2008
Provision for impairment as at 1 January	**27 546**	**2 467**
(Recovery of provision) Provision for impairment during the year	(24 171)	25 079
Provision for impairment as at 31 December	**3 375**	**27 546**

As at 31 December 2009, due from banks in the amount of RR 2 036 thousand (2008: RR 295 thousand) are impaired.

As at 31 December 2009, the carrying value of securities reclassified to due from banks amounts to RR 1 257 792 thousand before provision for impairment (2008: RR 2 777 232 thousand). Refer to Note 8.

11 Due from Banks (continued)

Securities reclassified to due from banks were analysed for indications of significant decrease in future cash flows and where necessary a provision for impairment was made. As at 31 December 2009, the amount of provision for impairment was is 1 339 thousand (2008: RR 27 251 thousand). The remaining due from banks are current.

As at 31 December 2009, there are no securities pledged under sale and repurchase agreements included in due to banks (2008: securities with the carrying value of RR 2 288 931 thousand were securities pledged under sale and repurchase agreements included in due to banks).

The Bank uses a system of limits for granting loans to banks, as shown in Note 36. The current interbank loan portfolio is an instrument of short-term placement of temporarily available cash.

Management believes that the Group is not exposed to significant credit risk in relation to current amounts due from banks. When making lending decisions, the loans to banks are assessed based on a range of factors. After the loan is granted the Group monitors the borrowers’ financial positions for impairment. For the purpose of credit quality evaluation all loans to banks are classified as “prime” unless they have any signs of impairment and any overdue amounts.

Loans to banks are not collateralised.

As at 31 December 2009, the estimated fair value of due from banks amounts to RR 5 900 378 thousand (2008: the estimated fair value of due from banks amounted to RR 19 178 975 thousand). Refer to Note 39.

As at 31 December 2009, the fair value of securities reclassified to due from banks amounts to RR 1 289 476 thousand (2008: the fair value of securities reclassified to due from banks amounted to RR 2 753 093 thousand). Refer to Note 8.

Currency and maturity and interest rate analyses of due from banks are disclosed in Note 36.

12 Loans and Advances to Customers

In thousands of Russian Roubles	**2009**	**2008**
Corporate loans		
- loans to finance working capital	108 831 347	88 143 276
- investment loans	47 609 610	39 590 339
- loans to entities financed by the government	3 021 198	6 251 258
Loans to individuals		
- mortgage loans	8 611 732	9 495 278
- car loans	1 072 441	1 762 898
- consumer loans to VIP clients	3 737 107	3 762 402
- other loans to individuals	1 226 802	1 718 952
Provision for impairment	(15 909 748)	(5 841 902)
Total loans and advances to customers	**158 200 489**	**144 882 501**

As at 31 December 2009 the carrying value of securities reclassified to loans and advances to customers amounts to RR 3 532 768 thousand before impairment (2008: RR 5 412 330 thousand).

12 Loans and Advances to Customers (continued)

Securities reclassified to loans and advances to customers were analysed by the Group for indications of significant decrease in future cash flows and where necessary a provision for impairment was made. As at 31 December 2009, the amount of provision for impairment is RR 66 717 thousand (2008: RR 133 492 thousand). The remaining securities recognised in loans and advances to customers are current.

As at 31 December 2009, there are no securities reclassified to loans and advances to customers pledged under sale and repurchase agreements (2008: the carrying amount of RR 2 595 911 thousand represented securities pledged under sale and repurchase agreements included in due to banks; the carrying amount of RR 313 572 thousand represented securities pledged under sale and repurchase agreements included in customer accounts). Refer to Note 20, 21.

Movements in the provision for loan impairment during 2009 are as follows:

	Corporate loans			**Loans to individuals**				
In thousands of Russian Roubles	Loans to finance working capital	Investment loans	Loans to entities financed by the government	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	**Total**
Provision for impairment at 31 December 2008	**3 089 152**	**2 159 911**	**113 365**	**251 174**	**79 791**	**95 760**	**52 749**	**5 841 902**
Provision for impairment during the year	8 529 961	1 502 968	(87 252)	145 646	31 504	351 895	61 052	**10 535 774**
Amounts written off as uncollectible	(396 967)	-	-	-	-	-	(70 961)	**(467 928)**
Provision for impairment at 31 December 2009	**11 222 146**	**3 662 879**	**26 113**	**396 820**	**111 295**	**447 655**	**42 840**	**15 909 748**

Movements in the provision for loan impairment during 2008 are as follows:

	Corporate loans			**Loans to individuals**				
In thousands of Russian Roubles	Loans to finance working capital	Investment loans	Loans to entities financed by the government	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	**Total**
Provision for impairment at 31 December 2007	**1 298 157**	**1 044 642**	**89 582**	**81 282**	**35 076**	**27 146**	**16 935**	**2 592 820**
Provision for impairment during the year	1 910 753	1 115 269	23 783	169 892	44 715	68 614	37 844	3 370 870
Amounts written off as uncollectible	(119 758)	-	-	-	-	-	(2 030)	(121 788)
Provision for impairment at 31 December 2008	**3 089 152**	**2 159 911**	**113 365**	**251 174**	**79 791**	**95 760**	**52 749**	**5 841 902**

12 Loans and Advances to Customers (continued)

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

	2009		2008	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Heavy machinery and ship-building	31 004 948	17.8	23 055 028	15.3
Trade	25 246 314	14.5	16 396 988	10.9
Construction	21 149 810	12.1	18 762 462	12.4
Real estate	18 508 914	10.6	18 420 612	12.2
Individuals	14 648 082	8.4	16 739 530	11.1
Leasing and financial services	14 495 663	8.3	16 174 120	10.7
Production and food industry	10 983 231	6.3	12 662 783	8.4
Extraction and transportation of oil and gas	8 496 896	4.9	-	-
Transport	5 682 991	3.3	6 383 059	4.2
Sports and health and entertainment organisations	5 031 747	2.9	3 943 549	2.6
Organisations financed by the government	3 021 198	1.7	6 249 267	4.1
Chemical industry	3 784 420	2.2	2 348 154	1.6
Telecommunications	1 626 836	0.9	2 271 117	1.5
Energy	1 350 055	0.8	1 511 136	1.0
Other	9 079 132	5.3	5 806 598	4.0
Total loans and advances to customers (before impairment)	**174 110 237**	**100.0**	**150 724 403**	**100.0**

As at 31 December 2009, the 20 largest groups of borrowers have aggregated loan amounts of RR 61 266 801 thousand (2008: RR 41 290 618 thousand), or 35.2% (2008: 27.4%) of the loan portfolio before impairment.

Most loans to customers are secured by collateral. Collateral for loans can comprise deposits with the Bank, promissory notes issued by the Bank, real estate, premises and equipment and other collateral.

Mortgage loans are secured by the underlying real estate.

Car loans are secured by the underlying car.

Impaired and overdue loans of RR 22 008 730 thousand are secured by collateral with a carrying value of RR 41 852 465 thousand. For the remaining impaired and overdue loans of RR 3 225 500 thousand there is no collateral or it is impracticable to determine the fair value of collateral.

12 Loans and Advances to Customers (continued)

Loans and advances to customers and the related provisions for impairment as well as their credit quality analysis as at 31 December 2009 are as follows:

In thousands of Russian Roubles	Gross loans and advances to customers	Provision for impairment	Net loans and advances to customers	Provision for impairment to current loans, %
Loans and advances to legal entities:				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	128 096 458	(5 338 874)	122 757 584	4.17
Watch list loans not past due	7 606 405	(625 206)	6 981 199	8.22
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	12 423 746	(3 010 721)	9 413 025	24.23
Overdue:				
less than 5 calendar days	1 023 182	(43 325)	979 857	4.23
6 to 30 calendar days	175 583	(11 392)	164 191	6.49
31 to 60 calendar days	51 300	(3 451)	47 849	6.73
61 to 90 calendar days	53 799	(7 483)	46 316	13.91
91 to 180 calendar days	176 358	(45 640)	130 718	25.88
181 to 365 calendar days	6 792 714	(2 762 436)	4 030 278	40.67
Uncollectible loans	3 062 610	(3 062 610)	-	100.00
Total loans and advances to legal entities	**159 462 155**	**(14 911 138)**	**144 551 017**	**9.35**
Loans and advances to individuals:				
- mortgage loans	8 611 732	(396 820)	8 214 912	4.61
- car loans	1 072 441	(111 295)	961 146	10.38
- consumer loans to VIP clients	3 737 107	(447 655)	3 289 452	11.98
- other loans to individuals	1 226 802	(42 840)	1 183 962	3.49
Total loans and advances to individuals	**14 648 082**	**(998 610)**	**13 649 472**	**6.82**
Total loans and advances to customers	**174 110 237**	**(15 909 748)**	**158 200 489**	**9.14**

12 Loans and Advances to Customers (continued)

In thousands of Russian Roubles	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total loans and advances to individuals
Loans to individuals					
Standard loans not past due	7 970 049	953 238	3 114 054	1 135 803	13 173 144
Overdue:					
- less than 5 calendar days overdue	13 486	7 068	-	22 599	43 153
- 6 to 30 calendar days	196 769	20 920	-	5 961	223 650
- 31 to 60 calendar days	21 787	8 632	-	2 721	33 140
- 61 to 90 calendar days	25 779	6 012	-	3 833	35 624
- 91 to 180 calendar days	165 643	12 118	37 000	23 753	238 514
- 181 to 365 calendar days	127 736	34 156	586 053	21 194	769 139
- more than 365 calendar days	90 483	30 297	-	10 938	131 718
Total loans and advances to individuals	**8 611 732**	**1 072 441**	**3 737 107**	**1 226 802**	**14 648 082**
Provision for impairment	**(396 820)**	**(111 295)**	**(447 655)**	**(42 840)**	**(998 610)**
Total loans and advances to individuals	**8 214 912**	**961 146**	**3 289 452**	**1 183 962**	**13 649 472**

12 Loans and Advances to Customers (continued)

Loans and advances to customers and the related provisions for impairment as well as their credit quality analysis as at 31 December 2008 are as follows:

In thousands of Russian Roubles	Gross loans and advances to customers	Provision for impairment	Net loans and advances to customers	Provision for impairment to current loans, %
Loans and advances to legal entities:				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	111 445 023	(3 078 998)	108 366 025	2.76
Watch list loans not past due	13 017 112	(849 398)	12 167 714	6.53
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	8 775 165	(1 056 507)	7 718 658	12.04
Overdue				
6 to 30 calendar days overdue	214 489	(19 661)	194 828	9.17
31 to 60 calendar days overdue	47 116	(18 211)	28 905	38.65
61 to 90 calendar days overdue	48 749	(22 348)	26 401	45.84
91 to 180 calendar days overdue	239 827	(119 913)	119 914	50.00
Uncollectible loans	197 392	(197 392)	-	100.00
Total loans and advances to legal entities	**133 984 873**	**(5 362 428)**	**128 622 445**	**4.00**
Loans and advances to individuals:				
- mortgage loans	9 495 278	(251 174)	9 244 104	2.65
- car loans	1 762 898	(79 791)	1 683 107	4.53
- consumer loans to VIP clients	3 762 402	(95 760)	3 666 642	2.54
- other loans to individuals	1 718 952	(52 749)	1 666 203	3.07
Total loans and advances to individuals	**16 739 530**	**(479 474)**	**16 260 056**	**2.86**
Total loans and advances to customers	**150 724 403**	**(5 841 902)**	**144 882 501**	**3.88**

12 Loans and Advances to Customers (continued)

In thousands of Russian Roubles	**Mortgage loans**	**Car loans**	**Consumer loans to VIP clients**	**Other loans to individuals**	**Total loans and advances to individuals**
Loans to individuals					
Standard loans not past due	9 267 854	1 674 170	3 762 402	1 681 025	16 385 451
Overdue:					
- less than 5 calendar days	30 950	14 655	-	8 568	54 173
- 6 to 30 calendar days	144 051	37 186	-	2 918	184 155
- 31 to 60 calendar days	16 413	9 783	-	15 054	41 250
- 61 to 90 calendar days	21 546	6 352	-	1 053	28 951
- 91 to 180 calendar days	14 464	10 506	-	4 864	29 834
- 181 to 365 calendar days	-	7 701	-	4 377	12 078
- more than 365 calendar days	-	2 545	-	1 093	3 638
Total loans and advances to individuals	**9 495 278**	**1 762 898**	**3 762 402**	**1 718 952**	**16 739 530**
Provision for impairment	**(251 174)**	**(79 791)**	**(95 760)**	**(52 749)**	**(479 474)**
Total loans and advances to individuals	**9 244 104**	**1 683 107**	**3 666 642**	**1 666 203**	**16 260 056**

The Bank estimates loan impairment for loans to legal entities based on an analysis of the expected future cash flows for impaired loans based primarily on collateral. The principal collateral taken into account in the estimation of future cash flows comprises real estate. Valuations for real estate are discounted by 30 - 50 percent to reflect current market conditions.

For portfolios of loans for which no indications of impairment are identified, in determining the impairment allowance the Bank adjusts historic loss rates to factor in the deterioration of the loan portfolio, as evidenced by the rate of increase in the level of impaired and overdue loans arising from current market conditions. The impairment allowance reflects management’s estimate of the losses in the portfolio as at 31 December 2009.

The Bank estimates loan impairment for loans to individuals based on its past historical loss experience adjusted for current economic conditions.

During the year ended 31 December 2009 the Bank renegotiated commercial loans that would otherwise be past due or impaired of RR 9 883 268 thousand (2008: RR 7 011 644 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. This category includes loans, the terms of agreement of which have been changed, but the analysis of the financial and econimic activities and other information shows that there are no further negative tendencies that can influence on the borrowers’ ability to repay the loan in full. This amount does not include those loans for which prolongation was included in the initial conditions of credit agreement. Renegotiated loans are included in standard loans not past due unless the borrower fails to comply with the renegotiated terms.

Moreover during the year ended 31 December 2009 the Bank renegotiated commercial loans that are currently impaired (there were individual signs of impairment identified for these loans) of RR 6 991 328 thousand (2008: RR 2 823 553 thousand). This amount does not include those loans for which prolongation was included in the initial conditions of credit agreement.

12 Loans and Advances to Customers (continued)

Loans and advances to customers are classified as “Standard loans not past due” when they do not have any overdue payments as at reporting date and the management does not have any information about existence of any factors which can influence the ability of the borrower to repay the loan in full and in time.

Loans and advances to customers are classified as “Watch list loans not past due” when they have moderate credit risk. The comprehensive analysis of operating and financial position of the borrower and other information, including external environment, indicate the stable position of the borrower, however the analysis of the Borrower indicates some negative tendencies that could have a non-significant impact on the ability of the borrower to repay its loan in the future on a timely basis.

The primary factors that the Group considers when deciding whether a loan is individually impaired is its overdue/restructured status and/or occurrence of any factors which may make it doubtful whether the borrowers are able to repay the full amounts owed to the Group on a timely basis.

Interest income on overdue and impaired loans during 2009 amounts to RR 1 961 820 thousand (2008: RR 612 720 thousand).

As at 31 December 2009, the estimated fair value of loans and advances to customers is RR 161 076 105 thousand (2008: RR 147 066 652 thousand). Refer to Note 39.

Currency and maturity and interest rate analyses of loans and advances to customers are disclosed in Note 36. The information on related party balances is disclosed in Note 40.

13 Investment Securities Available-for-Sale

In thousands of Russian Roubles	**2009**	**2008**
Corporate shares	88 245	53 978
Total investment securities available-for-sale	**88 245**	**53 978**

Corporate shares are shares of Russian companies.

Investment securities available-for-sale represent securities carried at cost. The fair value of some of these investment securities may not be reliably estimated since they are neither listed on the market nor traded. Management believes that the difference between the fair value and carrying values of the securities available-for-sale is not material. The Group will sell these securities in case of favorable market movements.

Currency and maturity analyses of investment securities available-for-sale are disclosed in Note 36.

14 Investment Securities Held-to-Maturity

In thousands of Russian Roubles	2009	2008
Corporate bonds	200 458	797 431
Provision for impairment	(19 550)	(19 840)
Total investment securities held-to-maturity	**180 908**	**777 591**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies, and are tradable in the Russian market. These bonds have maturity dates from 21 March 2010 to 2 December 2011 (31 December 2008: 24 February 2009 to 2 March 2010); coupon rates of 12.2% - 16.5% p.a. (31 December 2008: 7.5% -13.8% p.a.) and yields to maturity from 12.6% to 17.3% p.a. as at 31 December 2009 (31 December 2008: from 2.1% to 42.2% p.a.) depending on the type of bond issue.

Movements in the investment securities held-to-maturity portfolio are as follows:

In thousands of Russian Roubles	2009	2008
Carrying value as of 1 January	**797 431**	-
Transfers from trading securities	-	797 019
Redemption of securities	(607 758)	-
Accrued interest income	26 206	31 648
Interest received	(15 421)	(31 236)
Carrying value as of 31 December	**200 458**	**797 431**

Analysis of movements in the provision for impairment of investment securities held-to-maturity during 2009 and 2008 is as follows:

In thousands of Russian Roubles	2009	2008
Provision for impairment at 1 January	**19 840**	**-**
(Recovery) / Provision for impairment	(290)	19 840
Provision for impairment at 31 December	**19 550**	**19 840**

14 Investment Securities Held-to-Maturity (continued)

The Group analyses and monitors impairment indicators in respect of these securities and where necessary a provision for impairment is made. The Group holds overdue securities held-to-maturity of one issuer.

Analysis by credit quality of securities held-to-maturity at 31 December 2009 is as follows:

In thousands of Russian Roubles	**Corporate bonds**
Not past due or impaired debt securities	
- Group B	181 660
Debt securities individually characterised as impaired	
- Overdue from 181 to 365 calendar days	18 798
Total debt investment securities held-to-maturity before provision for impairment	**200 458**

Analysis by credit quality of securities held-to-maturity at 31 December 2008 is as follows:

In thousands of Russian Roubles	**Corporate bonds**
Group B	797 431
Total debt investment securities held-to-maturity before provision for impairment	**797 431**

As at 31 December 2009, the estimated fair value of investment securities held-to-maturity is RR 171 701 thousand (2008: the estimated fair value of investments securities held-to-maturity was RR 740 635 thousand). Refer to Note 39.

Currency and maturity analyses of investment securities held-to-maturity are disclosed in Note 36. Interest rate analysis of investment securities held-to-maturity is disclosed in Note 36.

15 Other Financial Assets

In thousands of Russian Roubles	**Note**	**2009**	**2008**
Plastic cards receivables		105 651	94 241
Fair value of derivative financial instruments	38	26 363	66 342
Settlements on operations with securities		17 000	-
Total other financial assets		**149 014**	**160 583**

Other financial assets do not include individually impaired and overdue assets. In 2009, the Group created no provision for other financial assets (2008: no provision).

The carrying value of all categories of other financial assets approximates their fair value as at 31 December 2009 and 31 December 2008. Refer to Note 39.

Currency and maturity analyses of other financial assets are disclosed in Note 36.

16 Investment Property

In thousands of Russian Roubles	**2009**	**2008**
Investment property	2 000 008	-
Total investment property	**2 000 008**	**-**

Investment property represents land acquired by the Group to benefit from appreciation of the invested capital.

Based on a valuation report by an independent appraiser the fair value of the property is RR 2 000 844 thousand.

Currency and maturity analyses of investment property are disclosed in Note 36.

17 Premises, Equipment and Intangible Assets

	Note	Premises	Office and computer equipment	Construction in progress	Intangible assets	Total
Cost as at 1 January 2008		2 668 103	822 399	315 763	6 386	3 812 651
Accumulated depreciation and impairment losses		(31 150)	(341 654)	-	(5 370)	(378 174)
Net book amount as at 1 January 2008		**2 636 953**	**480 745**	**315 763**	**1 016**	**3 434 477**
Additions		401 356	448 909	1 840 303	135	2 690 703
Transfers between categories		232 613	-	(232 613)	-	-
Disposals		(191 558)	(2 710)	-	-	(194 268)
Depreciation and amortisation charge	31	(69 420)	(173 806)	-	(177)	(243 403)
Revaluation		1 259 409	-	-	-	1 259 409
Net book amount as at 31 December 2008		**4 269 353**	**753 138**	**1 923 453**	**974**	**6 946 918**
Cost as at 31 December 2008		4 269 353	1 251 859	1 923 453	6 521	7 451 186
Accumulated depreciation		-	(498 721)	-	(5 547)	(504 268)
Net book amount as at 31 December 2008		**4 269 353**	**753 138**	**1 923 453**	**974**	**6 946 918**
Additions		42 822	150 896	3 625 834	-	3 819 552
Transfers between categories		48 978	-	(48 978)	-	-
Disposals		(2 542)	(3 260)	-	-	(5 802)
Depreciation and amortisation charge	31	(111 051)	(232 178)	-	(218)	(343 447)
Revaluation		(304 511)	-	-	-	(304 511)
Net book amount as at 31 December 2009		**3 943 049**	**668 596**	**5 500 309**	**756**	**10 112 710**
Cost as at 31 December 2009		3 943 049	1 376 049	5 500 309	6 521	10 825 928
Accumulated depreciation		-	(707 453)	-	(5 765)	(713 218)

Construction in progress mainly consists of construction of head office and refurbishment of branch and outlet premises. Upon completion, assets are transferred to premises and equipment.

The premises are revalued as at 31 December 2009. The revaluation was performed by an independent professional real estate appraisal company, which is registered in St Petersburg. The basis for the appraisal was market value using the sales comparison approach.

The sales comparison approach is based on the direct comparison of the revalued object with other objects sold or offered for sale. The market value of premises is determined by the price which an independent party would pay for an object similar by its quality and use. The market value of premises was estimated based on information on sales of comparable items that took place in the market as adjusted for the requirements of banking premises.

17 Premises, Equipment and Intangible Assets (continued)

As at 31 December 2009 the carrying value includes revaluation of premises in the total amount of RR 2 457 517 thousand (2008: RR 2 762 028 thousand). The Group has recorded a deferred tax liability of RR 491 502 thousand related to the amount of the revaluation reserve.

As at 31 December 2009 a negative revaluation in the amount of RR 304 511 thousand was recognised as a result of revaluation.

If premises were recorded at cost adjusted to the equivalent of the purchasing power of the Russian Rouble as at 31 December 2002 for the premises purchased before 1 January 2003 less accumulated depreciation, their carrying value as at 31 December 2009 would amount to RR 1 591 038 thousand (2008: RR 1 743 247 thousand).

18 Other Assets

In thousands of Russian Roubles	**2009**	**2008**
Deferred expenses	176 030	143 472
Advances	112 809	111 397
Prepaid taxes other than on income	48 706	44 353
Other	140 514	63 589
Total other assets	**478 059**	**362 811**

Advances include advances made by the Group in relation to purchase of new computer software and equipment, as well as prepayments for repair works on existing premises.

Currency and maturity analyses of other assets are disclosed in Note 36.

19 Long-Term Assets Held-for-Sale

In thousands of Russian Roubles	**2009**	**2008**
Property complex	2 137 985	2 137 985
Total long-term assets held-for-sale	**2 137 985**	**2 137 985**

During the fourth quarter of 2008 a borrower defaulted on certain obligations to the Group. As a result the parties mutually agreed that the Group would take ownership of the collateral it held against the loans. Following the completion of the necessary legal process, during December 2008 the Group took ownership of the property complex.

From the date of transfer of the ownership the loans were derecognised and the collateral was recognized on the balance sheet as a long-term asset held-for-sale. The property complex comprises a terminal in the North-West region.

The Group obtained a valuation by an independent valuer and based on this estimates that the fair value less costs to sell exceeds the carrying value of the asset.

The Group has a firm intention to dispose of the building as ownership thereof does not form part of its core business. The Group expected such sale to be completed within one year, but during the year there were events beyond the Group’s control previously regarded as unlikely. The Group continues to carry out marketing activities to dispose of the asset and expects to accomplish the disposal in the short term.

20 Due to Banks

In thousands of Russian Roubles	**2009**	**2008**
Term placements of banks	15 450 978	27 015 504
Amounts payable under sale and repurchase agreements	500 058	5 171 736
Correspondent accounts of banks	50 808	132 849
Total due to banks	**16 001 844**	**32 320 089**

As at 31 December 2009 and 31 December 2008, the carrying value of due to banks approximates their fair value since due to banks is short-term. Refer to Note 39.

As at 31 December 2009 due to banks includes deposits of RR 8 717 142 thousand placed within the Central Bank of Russia (2008: RR 24 432 456 thousand).

As at 31 December 2009, included in due to banks are sale and repurchase agreements with credit institutions in the amount of RR 500 058 thousand. Securities pledged under these sale and repurchase agreements are Federal loan bonds (OFZ bonds) with a value of RR 515 792 thousand (2008: included in due to banks were sale and repurchase agreements with credit institutions in the amount of RR 1 221 725 thousand; securities pledged under these sale and repurchase agreements were corporate and municipal bonds with the fair value of RR 1 470 526 thousand). Refer to Note 9.

As at 31 December 2009, there are no sale and repurchase agreements with credit institutions on securities reclassified to loans to customers (2008: included in due to banks were sale and repurchase agreements with credit institutions on securities reclassified to loans to customers in the amount of RR 2 099 461 thousand; securities pledged under these sale and repurchase agreements with credit institutions are corporate and municipal bonds with the carrying value before provision for impairment of RR 2 595 911 thousand and fair value before provision for impairment of RR 2 359 782 thousand). Refer to Note 12.

As at 31 December 2009, there are no sale and repurchase agreements with credit institutions on securities reclassified to due from banks (2008: included in due to banks were sale and repurchase agreements with credit institutions on securities reclassified to due from banks in the amount of RR 1 850 550 thousand; securities pledged under these sale and repurchase agreements are corporate and municipal bonds with the carrying value before provision for impairment of RR 2 288 931 thousand and fair value before provision for impairment of RR 2 280 724 thousand). Refer to Note 11.

Currency and maturity and interest rate analyses of due to banks are disclosed in Note 36.

21 Customer Accounts

In thousands of Russian Roubles	2009	2008
State and public organisations		
- Current/settlement accounts	1 133 719	3 471 690
- Term deposits	3 013 377	1 314 564
Other legal entities		
- Current/settlement accounts	34 111 267	27 843 057
- Term deposits	75 896 998	57 921 513
- Sale and repurchase agreements	1 104 665	239 895
Individuals		
- Current/settlement accounts	11 318 855	10 125 643
- Term deposits	49 411 403	38 908 117
Total customer accounts	**175 990 284**	**139 824 479**

State and public organisations exclude government owned profit oriented businesses.

Economic sector concentrations within customer accounts are as follows:

	2009		2008	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	60 730 258	34.5	49 033 760	35.1
Financial services	32 721 435	18.6	26 865 688	19.2
Construction	16 631 120	9.5	14 369 467	10.3
Production	16 154 239	9.2	10 123 534	7.2
Trade	15 717 421	8.9	12 520 440	9.0
Transport	7 075 844	4.0	5 248 759	3.7
Real estate	6 562 649	3.7	4 309 603	3.1
Art, science and education	5 330 379	3.0	2 505 641	1.8
Cities and municipalities	4 372 827	2.5	4 767 666	3.4
Public utilities	2 659 522	1.5	2 677 793	1.9
Energy	1 047 464	0.6	1 190 419	0.8
Medical institutions	298 149	0.2	361 566	0.3
Communications	124 644	0.1	2 116 467	1.5
Other	6 564 333	3.7	3 733 676	2.7
Total customer accounts	**175 990 284**	**100.0**	**139 824 479**	**100.0**

As at 31 December 2009, included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 99 245 thousand (2008: no sale and repurchase agreements with legal entities). Securities pledged under these sale and repurchase agreements are shares of trading portfolio with the fair value of RR 124 748 thousand. Refer to Note 9.

As at 31 December 2009, included in customer accounts are sale and repurchase agreements with legal entities on securities received under sale and repurchase agreements with legal entities in the amount of RR 1 005 420 thousand (2008: no such agreements).

As at 31 December 2009, there are no sale and repurchase agreements with legal entities on securities reclassified to loans and advances to customers (2008: RR 239 895 thousand securities pledged under these sale and repurchase agreements were municipal bonds with the carrying value before provision for impairment of RR 313 572 thousand and fair value of RR 290 084 thousand).

21 Customer Accounts (continued)

As at 31 December 2009, included in customer accounts are deposits in the amount of RR 2 459 020 thousand held as collateral for irrevocable commitments under import letters of credit (2008: RR 2 091 303 thousand).

As at 31 December 2009, the estimated fair value of customer accounts is RR 178 269 682 thousand (2008: RR 141 030 201 thousand). Refer to Note 39.

Currency and maturity and interest rate analyses of customer accounts are disclosed in Note 36. The information on related party balances is disclosed in Note 40.

22 Bonds Issued

In thousands of Russian Roubles	**2009**	**2008**
Subordinated Eurobonds	3 113 581	3 021 061
Eurobonds	-	5 911 152
Bonds	-	1 001 368
Total bonds issued	**3 113 581**	**9 933 581**

In July 2007 the Group placed 1 000 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 100 000). The issue was arranged by J.P. Morgan and UBS. The issue was registered on the Irish Stock Exchange. As at 31 December 2009, the carrying value of these bonds was USD 102 948 thousand, the equivalent of RR 3 113 581 thousand (2008: USD 102 826 thousand, the equivalent of RR 3 021 061 thousand). These subordinated Eurobonds have a maturity of 25 July 2017 with an early redemption option at nominal value on 25 July 2012, nominal coupon rate of 10.5% p.a. and effective interest rate of 11.1% p.a.

In November 2006, the Group placed 1 250 interest-bearing US Dollar-denominated Eurobonds (one bond – USD 100 000). The issue was arranged by ABN AMRO Bank N.V. and Dresdner Bank AG. The issue was registered on the Irish Stock Exchange. Starting from the last quarter of 2008 the Group repurchased bonds amounting to USD 46 462 thousand of which USD 40 182 thousand were subsequently delisted. On 25 November 2009 the Group redeemed the bonds left after cancellation of circulating bonds. The nominal coupon rate was 9.501% p.a.

In February 2009 the Group fully repurchased its interest-bearing Eurobonds with subsequent cancellation from the listing in the amount of USD 75 000 thousand (one bond – USD 100 000 thousand, amount of bonds - 750). As at 31 December 2008, the carrying value of these bonds was USD 75 955 thousand, the equivalent of RR 2 231 591 thousand, the initial maturity of these Eurobonds on 16 April 2010, nominal coupon rate of 9.975% p.a. and effective interest rate of 10.9% p.a. The issue was arranged by Dresdner Bank AG. The issue was registered on the Irish Stock Exchange.

In the event of liquidation of the Bank, the claims of repayment of subordinated Eurobonds are subordinated to the claims of other creditors and depositors.

On 22 June 2009 Russian Rouble denominated interest-bearing bonds issued on 14 June 2006 were redeemed (one bond – RR 1 000) in the amount of 1 000 000. As at 31 December 2008, the carrying value of these bonds was RR 1 001 368 thousand, for the coupon periods starting from 20 June 2008 the coupon yield amounted 10.5% p.a.

22 Bonds Issued (continued)

As at 31 December 2009, the estimated fair value of bonds issued is RR 2 444 471 thousand (2008: RR 8 311 133 thousand). Refer to Note 39.

Currency and maturity and interest rate analyses of bonds issued are disclosed in Note 36.

23 Other Debt Securities in Issue

In thousands of Russian Roubles	2009	2008
Promissory notes	5 144 762	4 329 290
Deposit certificates	6 012	7 601
Total other debt securities in issue	**5 150 774**	**4 336 891**

As at 31 December 2009, the estimated fair value of other debt securities in issue is RR 5 186 451 thousand (2008: RR 4 422 454 thousand). Refer to Note 39.

Currency and maturity and interest rate analyses of other debt securities in issue are disclosed in Note 36.

24 Other Borrowed Funds

In thousands of Russian Roubles	2009	2008
Subordinated loans	5 430 428	2 985 422
KFW IPEX-Bank Gmbh	1 103 685	1 070 158
Nordic Investment Bank	771 350	849 147
Syndicated loans	750 823	3 682 375
VTB Bank	602 961	-
EBRD	547 398	830 955
Bank of New York, NY	-	151 097
UniCreditBank	-	29 697
Total other borrowed funds	**9 206 645**	**9 598 851**

In August 2009 the Bank attracted a subordinated loan from Vnesheconombank in the amount of RR 1 466 000 thousand with interest rate of 8% and maturity in 2014. As at 31 December 2009, the carrying value of this loan was RR 1 465 261 thousand.

In June 2009 the Group attracted a subordinated loan from the European Bank for Reconstruction and Development (EBRD) in the amount of USD 75 000 thousand. The loan is granted for the period of 10 years and 6 months, with the option of bullet repayment in 2020, the interest rate during the first five years is 13.3975% p.a. As at 31 December 2009, the carrying value of this loan is USD 78 470 thousand, the equivalent of RR 2 373 250 thousand.

In December 2008 the Group attracted a subordinated loan from the bank’s shareholder in the amount of EUR 36 690 thousand maturing in December 2014. As at 31 December 2009, the carrying value of this subordinated loan is EUR 36 690 thousand, the equivalent of RR 1 591 917 thousand (2008: EUR 36 690 thousand, the equivalent of RR 1 520 474 thousand). The subordinated loan has a fixed interest rate of 14.5% p.a. During the period from December 2008 till 31 December 2009 there were certain changes in the shareholding structure of the Bank. As at 31 December 2009, the shareholder who granted the subordinated loan is no longer a shareholder. Refer to Notes 1, 40.

24 Other Borrowed Funds (continued)

In December 2006, the Group attracted a subordinated loan in the amount of USD 50 000 thousand with maturity in March 2012 financed by issuing credit linked notes. This subordinated loan was arranged by TRUST Investment Bank. In December 2009 the issue was fully redeemed. As at 31 December 2008, the carrying value of this subordinated loan was USD 49 861 thousand, the equivalent of RR 1 464 948 thousand.

In the event of liquidation of the Bank, the claims of repayment of subordinated loans are subordinated to the claims of all other creditors and depositors.

On 16 July 2008 the Group attracted a loan from KFW IPEX-Bank Gmbh in the amount of USD 35 000 thousand with maturity in June 2013. The interest rate on this loan is LIBOR + 6.12%. As at 31 December 2009 the carrying value of this loan is USD 36 492 thousand, the equivalent of RR 1 103 685 thousand. The interest rate on this loan is 9.987% p.a. (2008: USD 36 424 thousand, the equivalent of RR 1 070 158 thousand).

On 6 September 2007 and 20 November 2007 the Group attracted four tranches of the credit facility provided by Nordic Investment Bank. The Group used the amount to fund certain projects. As at 31 December 2009, the carrying value of this loan was USD 25 503 thousand, the equivalent of RR 771 350 thousand (2008: USD 28 902 thousand, the equivalent of RR 849 147 thousand). The loan maturity date of this credit facility is on 3 October 2015. As at 31 December 2009, USD 3 201 thousand of the principal amount was repaid. The interest rate on the loan ranges from LIBOR+2.6% p.a. to LIBOR+2.95% p.a., depending on maturity dates of the tranches. As at 31 December 2009 the interest rate on the loan was from 3.22% to 3.57% p.a.

On 26 June 2008 the Group attracted a syndicated loan in the amount of USD 100 000 thousand arranged by the European Bank for Reconstruction and Development, (EBRD) in 2 tranches. The first tranche of USD 25 000 thousand has a maturity date of 23 June 2012 and interest rate of LIBOR + 3.45%. The second tranche of USD 75 000 thousand was repaid on 23 December 2009 with interest rate being LIBOR + 2.75%. The participants of this syndicated loan are 14 non-resident banks. As at 31 December 2009 the carrying value of this loan is USD 24 825 thousand, the equivalent of RR 750 823 thousand (2008: USD 99 898 thousand, the equivalent of RR 2 935 042 thousand). As at 31 December 2009, the interest rate on the first tranche was 3.88% p.a.

On 26 May 2009 the Group repaid a syndicated loan attracted on 29 November 2007 in the amount of USD 70 000 thousand, which consisted of two tranches. The loan was arranged by Commerzbank Aktiengesellschaft, ICICI Bank Limited Hong Kong branch and UniCredit Group, acting through Bank Austria Creditanstalt AG. As at 31 December 2008, the carrying value of this loan was USD 25 436 thousand, the equivalent of RR 747 333 thousand.

On 26 May 2009 the Group attracted a loan in the amount of USD 20 000 thousand from VTB Bank (Deutschland) AG to finance trading contracts for clients. This loan has a maturity of 26 November 2010 and interest rate of LIBOR + 7% p.a. As at 31 December 2009, the carrying value of the loan was USD 19 936 thousand, the equivalent of RR 602 961 thousand. As at 31 December 2009, the interest rate on the loan is 7.26 % p.a.

On 25 October 2006, 26 February 2007 and 27 June 2007 the Group attracted three tranches of the loan provided by the European Bank for Reconstruction and Development (EBRD) in the amount of USD 10 000 thousand each, which according to schedule shall be repaid before November 2011. This loan was issued for the purposes of funding small and medium businesses. Starting from November 2008 the Group started scheduled repayment of the loan and as at 31 December 2009 USD 12 000 thousand of principal amount was repaid. As at 31 December 2009, the carrying value of this loan is USD 18 099 thousand, the equivalent of RR 547 398 thousand (2008: USD 28 283 thousand, the equivalent of RR 830 955 thousand). The interest rate on the loan is LIBOR + 2.8% p.a. As at 31 December 2009, the interest rate on the loan is 3.36% p.a.

24 Other Borrowed Funds (continued)

On 30 March 2009 the Group repaid a loan attracted on 4 April 2008 from Bank of New York, NY, in the amount of USD 5 000 thousand and interest rate of LIBOR + 1.5% p.a. to refinance export contracts for clients. As at 31 December 2008 the carrying value of the loan was USD 5 143 thousand, the equivalent of RR 151 097 thousand.

On 6 April 2009 the Group repaid a loan attracted on 9 October 2007 from ZAO UniCredit Bank, which consisted of two tranches in the amount of USD 1 000 thousand and USD 2 000 thousand (repaid in 2008), maturing on 6 April 2009 and 6 October 2008. As at 31 December 2008, the carrying value of this loan was USD 1 012 thousand, the equivalent of RR 29 697 thousand.

The Group shall observe certain covenants relating to attraction of syndicated loans, subordinated loans and funds from EBRD, KFW IPEX-Bank Gmbh, Nordic Investment Bank, VTB Bank (Deutschland) AG. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default (except for subordinated loans). As at 31 December 2009 and 31 December 2008, the Group fully meets all covenants of the loan agreements.

As at 31 December 2009, the fair value of other borrowed funds is RR 8 997 137 thousand (2008: the fair value of other borrowed funds was RR 9 199 354 thousand). Refer to Note 39.

Currency and maturity analyses of other borrowed funds are disclosed in Note 36. The information on related party balances is disclosed in Note 40.

25 Other Financial Liabilities

Other financial liabilities comprise the following:

In thousands of Russian Roubles	**Note**	**2009**	**2008**
Fair value of derivative financial instruments	38	237 991	185 766
Plastic card payables		11 465	23 181
Fair value of guarantees and import letters of credit		18 637	22 734
Provision for for impairment of credit related commitments	38	146 461	22
Total other financial liabilities		**414 554**	**231 703**

Analysis of movements in the provision for impairment of credit related commitments during 2009 and 2008 is as follows:

In thousands of Russian Roubles	**2009**	**2008**
Provision for impairment at 1 January	**22**	**83**
Provision (recovery of provision) for impairment of credit related commitments during the year	146 439	(61)
Provision for impairment at 31 December	**146 461**	**22**

The carrying value of all other financial liabilities is approximately equal to their fair value as at 31 December 2009 and 31 December 2008. Refer to Note 39.

Currency and maturity analyses of other financial liabilities are disclosed in Note 36.

26 Other Liabilities

In thousands of Russian Roubles	Note	2009	2008
Commitments to employees		237 480	398 484
Taxes payable other than on income		58 343	70 051
Dividends payable	34	3 524	2 626
Payables		1 015	80 339
Other		128 202	45 396
Total other liabilities		**428 564**	**596 896**

Currency and maturity analyses of other liabilities are disclosed in Note 36.

27 Share Capital

In thousands of Russian Roubles	Number of outstanding ordinary shares (thousand)	Number of outstanding preference shares (thousand)	Ordinary shares	Preference shares	Share premium	Total
As at 1 January 2008	**282 150**	**20 100**	**3 386 879**	**177 451**	**9 725 450**	**13 289 780**
New shares issued	-	-	-	-	-	**-**
As at 31 December 2008	**282 150**	**20 100**	**3 386 879**	**177 451**	**9 725 450**	**13 289 780**
New preference shares issued	-	65 211	-	65 211	6 018 714	**6 083 925**
As at 31 December 2009	**282 150**	**85 311**	**3 386 879**	**242 662**	**15 744 164**	**19 373 705**

As at 31 December 2009 the nominal registered amount of issued share capital prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002, is RR 367 461 thousand (2008: RR 302 250 thousand). As at 31 December 2009, all of the outstanding shares are authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 1 per share (2008: RR 1 per share). Each share carries one vote.

As at 31 December 2009, the Group has two types of preference shares:

-preference shares with a nominal value of RR 1 in the amount of 20 100 000;

-type A preference shares with a nominal value of RR 1 in the amount of 65 211 000.

On 7 October 2009 the Main Branch of the Central Bank of the Russian Federation in Saint Petersburg registered the issue of additional type A preference shares. The stock of the issue was placed by public offering among institutional investors and existing shareholders on the over-the-counter market. Prices on type A preference shares were set at 88 Roubles and 24 copecks or 3 US dollars and 5.6 cents per share. The report on the results of issue was registered by the Main Branch of the Central Bank of the Russian Federation in Saint Petersburg on 21 December 2009.

All preference shares have a nominal value of RR 1 (2008: RR 1) and carry no voting rights. The preference shares are not redeemable.

Preference share dividends are set at 11% p.a. and rank above type A preference dividends and ordinary dividends.

27 Share Capital (continued)

Dividend per one type A preference share is Rouble denominated and is set at 13.5% of the placement price of one type A preference share fixed in US dollars. The Rouble equivalent is calculated using the exchange rate set by the CBRF as at the date the Supervisory Board accepts recommendations in respect of the amount of dividends on type A preference shares.

One type A preference share with a nominal value of RR 1 is convertible into one ordinary share with a nominal value of RR 1 on 15 May 2013.

If shareholders do not declare dividends on preference shares, the holders of preference shares are entitled to voting rights similar to ordinary shareholders until the dividends are paid. Preference shares of all types are not cumulative.

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

28 Other Reserves

In accordance with the Russian banking legislation, the Bank distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of the financial statements prepared in accordance with Russian Accounting Rules. The Bank’s reserves under Russian Accounting Rules as at 31 December 2009 are RR 6 840 095 thousand (2008: RR 3 745 403 thousand).

29 Interest Income and Expense

In thousands of Russian Roubles	**2009**	**2008**
Interest income		
Loans and advances to customers	23 228 426	17 491 643
Trading securities	1 460 901	759 645
Due from banks	619 434	329 120
Sale and repurchase agreements	165 432	498 199
Investment securities held-to-maturity	94 972	41 093
Correspondent accounts with banks	15 340	10 378
Investment securities available-for-sale	13 437	-
Total interest income	**25 597 942**	**19 130 078**
Interest expense		
Term deposits of legal entities	5 904 242	3 675 661
Term deposits of individuals	4 347 795	2 974 356
Due to banks	2 847 774	922 687
Other borrowed funds	1 010 881	629 000
Bonds issued	644 188	862 065
Other debt securities in issue	314 960	471 614
Current/settlement accounts	106 690	91 256
Total interest expense	**15 176 530**	**9 626 639**
Net interest income	**10 421 412**	**9 503 439**

30 Fee and Commission Income and Expense

In thousands of Russian Roubles	2009	2008
Fee and commission income		
Settlement transactions	725 778	711 847
Guarantees and letters of credit issued	405 743	284 141
Plastic cards and cheque settlements	401 207	311 667
Cash transactions	213 540	257 671
Cash collections	82 611	74 684
Foreign exchange transactions	39 377	43 217
Custody operations	17 850	12 567
Underwriting transactions	4 645	5 795
Other	16 019	13 534
Total fee and commission income	**1 906 770**	**1 715 123**
Fee and commission expense		
Guarantees and letters of credit	231 095	135 233
Plastic cards and cheque settlements	71 018	78 458
Settlement transactions	53 327	46 249
Banknote transactions	12 100	19 911
Securities	24 612	19 755
Foreign exchange transactions	10 890	7 968
Other	14 230	21 508
Total fee and commission expense	**417 272**	**329 082**
Net fee and commission income	**1 489 498**	**1 386 041**

The information on related party transactions is disclosed in Note 40.

31 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2009	2008
Staff costs		1 706 192	2 060 460
Depreciation and amortisation of premises, equipment and intangible assets	17	343 447	243 403
Property rent expenses		275 120	249 076
Contributions to deposits insurance system		257 860	178 557
Taxes other than on income		251 182	176 830
Other costs, related to premises and equipment		189 901	227 962
Security expenses		140 392	126 262
Transportation costs		132 517	128 579
Postal, cable and telecommunication expenses		83 289	61 705
Advertising and marketing services		36 604	74 267
Professional services		15 513	13 346
Charity expenses		11 301	40 380
Other administrative expenses		329 941	270 730
Total administrative and other operating expenses		**3 773 259**	**3 851 557**

32 Income Taxes

Income tax expense comprises the following:

In thousands of Russian Roubles	2009	2008
Current tax	440 721	1 444 035
Deferred tax	(319 928)	(372 783)
Income tax expense for the year	**120 793**	**1 071 252**

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

In thousands of Russian Roubles	2009	2008
Profit before tax	**761 097**	**3 845 018**
Theoretical tax charge at statutory rate (2009: 20%; 2008: 24%)	152 219	922 804
- Non deductible expenses	4 240	157 234
- Income tax (recovery) paid in the current reporting period and related to the prior reporting period	(1 025)	3 725
- Income on government securities taxed at different rates	(34 641)	(37 441)
- Effect of change in income tax rate	-	24 930
Income tax expense for the year	**120 793**	**1 071 252**

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for IFRS financial reporting purposes and their income tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2008: 20%), except for income on state securities which is taxed at 15% (2008: 15%).

32 Income Taxes (continued)

In thousands of Russian Roubles	31 December 2008	Charged to profit or loss	Charged directly to equity	31 December 2009
Tax effect of deductible temporary differences				
Provision for loan impairment	310 836	147 901	-	458 737
Accrued income/expense	73 611	198 165	-	271 776
Valuation of trading and other securities at fair value	88 087	(79 980)	(8 107)	-
Valuation of bonds issued at amortised cost	29 248	(11 416)	-	17 832
Valuation of other borrowed funds at amortised cost	9 458	19 450	-	28 908
Valuation of investment securities held-to-maturity at amortised cost	5 873	(3 470)	-	2 403
Valuation of due from banks at amortised cost	2 426	10 212	-	12 638
Other	65 337	191 836	-	257 173
Total deferred tax assets	**584 876**	**472 698**	**(8 107)**	**1 049 467**
Less offsetting with deferred tax liabilities	(584 876)	(167 100)	8 107	(743 869)
Recognised deferred tax asset	**-**	**305 598**	**-**	**305 598**
Tax effect of taxable temporary differences				
Premises and equipment	(631 424)	(49 720)	60 902	(620 242)
Valuation of trading and other securities at fair value	-	(120 433)	-	(120 433)
Other	(20 577)	17 383	-	(3 194)
Total deferred tax liabilities	**(652 001)**	**(152 770)**	**60 902**	**(743 869)**
Less offsetting with deferred tax assets	584 876	167 100	(8 107)	743 869
Recognised deferred tax liability	**(67 125)**	**14 330**	**52 795**	**-**

32 Income Taxes (continued)

In thousands of Russian Roubles	**31 December 2007**	**Charged to profit or loss**	**Charged directly to equity**	**31 December 2008**
Tax effect of deductible temporary differences				
Provision for loan impairment	129 393	181 443	-	310 836
Accrued income/expense	82 538	(8 927)	-	73 611
Valuation of trading and other securities at fair value	-	88 087	-	88 087
Valuation of bonds issued at amortised cost	-	29 248	-	29 248
Valuation of other borrowed funds at amortised cost	-	9 458	-	9 458
Valuation of investment securities held-to-maturity at amortised cost	-	5 873	-	5 873
Valuation of due from banks at amortised cost	-	2 426	-	2 426
Other	48 714	16 623	-	65 337
Total deferred tax assets	**260 645**	**324 231**	**-**	**584 876**
Less offsetting with deferred tax liabilities	(260 645)	(324 231)	-	(584 876)
Tax effect of taxable temporary differences				
Premises and equipment	(477 621)	37 974	(191 777)	(631 424)
Valuation of trading and other securities at fair value	(17 320)	17 320	-	-
Valuation of bonds issued at amortised cost	(11 677)	11 677	-	-
Valuation of other borrowed funds at amortised cost	(2 158)	2 158	-	-
Other	-	(20 577)	-	(20 577)
Total deferred tax liabilities	**(508 776)**	**48 552**	**(191 777)**	**(652 001)**
Less offsetting with deferred tax assets	260 645	324 231	-	584 876
Recognised deferred tax liability	**(248 131)**	**372 783**	**(191 777)**	**(67 125)**

33 Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year less treasury stock.

The Group has dilutive potential type A preference shares. Refer to Note 27.

Basic and diluted earnings per share are calculated as follows:

In thousands of Russian Roubles	Note	2009	2008
Profit attributable shareholders		640 304	2 773 766
Less: preference dividends	34	(2 211)	(2 211)
Profit attributable to ordinary shareholders		638 093	2 771 555
Weighted average number of ordinary shares in issue (thousands)		282 150	282 150
Average weighted diluted number of shares (thousands)		283 937	282 150
Basic and diluted earnings per share (expressed in RR per share)			
Basic earnings per share (expressed in RR per share)		2.26	9.82
Diluted earnings per share (expressed in RR per share)		2.25	9.82

34 Dividends

	2009		2008	
In thousands of Russian Roubles	Ordinary	Preference	Ordinary	Preference
Dividends payable as at 1 January	**2 626**	**-**	**1 511**	**-**
Dividends declared during the year	31 037	2 211	39 501	2 211
Dividends paid during the year	(30 139)	(2 211)	(38 386)	(2 211)
Dividends payable as at 31 December	**3 524**	**-**	**2 626**	**-**
Dividends per share declared during the year (RR per share)	**0.11**	**0.11**	**0.14**	**0.11**

All dividends were declared and paid in Russian Roubles.

35 Segment Analysis

Starting from 1 January 2009 the Group prepares segment analysis in accordance with IFRS 8 “Operating segments”, which replaced IAS 14 “Segment reporting”. Comparative information is adjusted to conform to changes in presentation in the current year.

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision maker can be a person or a group of people responsible for distribution of resources and evaluation of the company’s business results. The Supervisory Board performs the responsibilities of the chief operating decision maker.

Description of products and services that constitute sources of revenues of the reporting segments

The Group is organised on a basis of three main business segments:

- Corporate banking – settlement and current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency transactions with commercial and state entities.

- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.

- Retail banking – private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages to individuals and VIP clients

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, long-term assets held-for-sale, other assets and liabilities and balances on taxation settlements. Internal charges and transfer pricing adjustments are reflected in the performance of each business segment.

Factors used by the management to define reporting segments

The Group’s segments are strategic business units that offer different products and services for different clients. They are managed separately because they require different technology and marketing strategies and level of service.

35 Segment Analysis (continued)

Evaluation of profit or loss, assets and liabilities of operating segments

The chief operating decision maker analyses the financial information prepared in accordance with the requirements of Russian accounting standards. This financial information differs in some aspects from the information prepared in accordance with IFRS:

(i) resources are usually redistributed among segments using internal interest rates set by the Treasury department. These interest rates are calculated based on the basic market interest rates, contractual maturity dates and observable actual maturity dates of customer accounts balances;

(ii) differences in the classification of securities to portfolios;

(iii) income taxes are not distributed to segments;

(iv) provisions for loans are recognized based on Russian legislation, and not on the basis of the model of “incurred losses” specified in IAS 39;

(v) fee and commission income on lending operations is recognized immediately and not in the future periods using the effective interest method;

(vi) liabilities on unutilized leaves are not taken into account.

The chief operating decision maker evaluates the business segment results based on the amount of profit before taxes paid.

Information on profit or loss, assets and liabilities of reporting segments

Segment information for the main reporting business segments for the years ended 31 December 2009 and 2008 is set out below (in accordance with the management information).

In thousands of Russian Roubles	**Corporate banking**	**Operations on financial markets**	**Retail banking**	**Unallocated**	**Eliminations**	**Total**
2009						
External revenues	22 697 862	2 506 615	2 388 562	-	-	**27 593 039**
Revenues from other segments	9 044 148	23 791 307	6 306 732	-	(39 142 187)	**-**
Total revenues	**31 742 010**	**26 297 922**	**8 695 294**	**-**	**(39 142 187)**	**27 593 039**
Total revenues comprise:						
- Interest income	30 163 556	26 156 458	8 143 383	-	(39 142 187)	25 321 210
- Fee and commission income	1 489 859	25 319	542 979	-	-	2 058 157
- Other operating income	88 595	116 145	8 932	-	-	213 672
Segment results	**(3 921 549)**	**6 102 864**	**1 022 910**	**-**	**-**	**3 204 225**
Unallocated costs	-	-	-	(1 736 577)	-	(1 736 577)
Profit before tax						**1 467 648**
Income tax expense	-	-	-	(426 203)	-	(426 203)
Profit	**(3 921 549)**	**6 102 864**	**1 022 910**	**(2 162 780)**	**-**	**1 041 445**
Segment assets	**147 541 387**	**62 940 121**	**13 782 889**	**28 353 974**	**-**	**252 618 371**
Other segment items						
Depreciation and amortization charge	(66 899)	(50 947)	(18 875)	(149 349)	-	(286 070)
Provision for loan impairment	(9 533 161)	(510 601)	(57 371)	-	-	(10 101 133)

35 Segment Analysis (continued)

In thousands of Russian Roubles	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Eliminations	Total
2008						
External revenues	17 103 628	1 501 762	2 079 286	-		**20 684 676**
Revenues from other segments	6 324 854	16 362 047	4 629 596	-	(27 316 497)	**-**
Total revenues	**23 428 482**	**17 863 809**	**6 708 882**	**-**	**(27 316 497)**	**20 684 676**
Total revenues comprise:						
- Interest income	21 934 277	17 798 934	6 154 605	-	(27 316 497)	18 571 319
- Fee and commission income	1 441 756	32 934	541 731	-	-	2 016 421
- Other operating income	52 449	31 941	12 546	-	-	96 936
Segment results	**2 839 904**	**3 132 987**	**1 059 853**	**-**	**-**	**7 032 744**
Unallocated costs	-	-	-	(2 225 961)	-	(2 225 961)
Profit before tax						**4 806 783**
Income tax expense	-	-	-	(1 439 206)	-	(1 439 206)
Profit	**2 839 904**	**3 132 987**	**1 059 853**	**(3 665 167)**	-	**3 367 577**
Segment assets	**129 425 399**	**56 209 279**	**17 923 879**	**16 175 583**	**-**	**219 734 140**
Other segment items						
Depreciation and amortisation charge	(50 444)	(3 730)	(41 612)	(112 153)	-	(207 939)
Provision for loan impairment	(2 176 075)	37 602	(255 308)	(37 085)	-	(2 430 866)

35 Segment Analysis (continued)

Reconciliation of segment information with IFRS assets is set out below:

(In thousands of Russian Roubles)	Total assets 2009	2008
Total segment	**252 618 371**	**219 734 140**
Adjustment of provision for impairment	(15 939 637)	(5 889 288)
Adjustments of income / expense accruals	285 860	321 754
Fixed assets depreciation and fair value adjustment	(606 762)	1 368 131
Fair value and amortized cost adjustments	655 542	(676 171)
Income tax adjustments	305 598	-
Other adjustments	(1 712 632)	856 823
Total IFRS	**235 606 340**	**215 715 389**

Reconciliation of segment information with IFRS profit before tax is set out below:

(In thousands of Russian Roubles)	2009	2008
Total segment profit before tax	**1 467 648**	**4 806 783**
Adjustment of provision for impairment	(638 612)	(932 204)
Adjustments of income / expense accruals	(321 351)	126 698
Fixed assets depreciation and fair value adjustment	(17 406)	174 648
Fair value and amortized cost adjustments	108 346	(410 856)
Other adjustments	162 472	79 949
Total IFRS profit before tax	**761 097**	**3 845 018**

The major part of the Group’s activity is concentrated in the North-West region of Russian Federation. Activity is also carried out in the Moscow and Privolzhsky region.

There are no customers (groups of related customers) with income from operations which exceed 10% of total income from operations with the external parties of the Group.

36 Financial Risk Management

The risk management function is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks.

The primary objectives of the financial risk management function are to establish and ensure compliance with risk limits and other risk restrictions and also control of their fulfillment. Geographical risk management includes making decisions about opening new branches and supplementary offices and setting limits for operations with counterparties – residents of countries with different levels of economic development with due consideration of geographical risk factors. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Risk management includes establishment, implementation and monitoring of financial risk management policies and procedures to be further updated depending on changes in the macroeconomic situation, current conditions of the banking system in the Russian Federation, economic performance of the Group's clients (principally – depositors and borrowers) and regulatory changes.

The main bodies performing the financial risk management functions are the Supervisory Board, Management Board, Asset and Liability Management Committee, and Big Credit Committee.

The Supervisory Board is responsible for consideration of risk at the strategic level, i.e. it determines the level of risk the Bank may accept to achieve the desired level of profit. Accordingly, the Supervisory Board establishes benchmarks which determine the Bank's risk limits (in particular, the maximum amount of concentration of assets by industry, etc.). The strategic development plan for 2009 includes stress-scenarios of possible increases in loan impairment losses and specified measures to secure increases in capital due to general growth in risk levels. The Supervisory Board reviews on a monthly basis the reports submitted by management on implementation of the development plan together with the report on implementation of business indicators of the Corporate plan for the current year. Reports on lending operations, which contain information on the credit risk, which is main financial risk, are also reviewed by the Supervisory Board on a monthly basis. The Audit Committee attached to the Supervisory Board evaluates the efficiency of and prepares proposals to improve actual internal control procedures and risk management procedures based on the analysis of reports submitted by Internal Control Department and Banking Risks Division.

The Management Board is responsible for general management of the financial risk management system. The Management Board approves the Risk Management Policy, the compliance with which is supervised by reviews and approvals of quarterly risk management reports. There reports are prepared by the Department of Banking Risks and contain the description of the risk position, both at the consolidated level and exposure to specific risks, as well as suggestions concerning further development of the financial risk management system and ensuring its relevance in the current situation. The Management Board makes decisions on the risks that may be accepted by the Group or on arrangements to maintain the Group as a going concern in case of emergency when the decision-making process is beyond the scope of the Asset and Liability Management Committee and Big Credit Committee. The Management Board approved the benchmarks for risk levels included in the strategic development plan for 2009.

36 Financial Risk Management (continued)

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for credit risk). Weekly, the Asset and Liability Management Committee adopts resolutions on management of the balance sheet structure and the related liquidity risks, on determining and changing market risk limits and interest rate risk limits. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for credit risk) and has the right to make decisions on financial risk management in case of emergency. The Asset and Liability Management Committee participates in geographical risk management and supports business development outside Saint Petersburg. It approves decisions on opening new branches and establishes the operating model for regional offices located in Saint Petersburg and in the regional branches.

The Technical Policy Committee reviews management of operational risks, associated with information technologies and the IT infrastructure of the Bank.

The Department of Banking Risks is responsible for the compliance with the Risk Management Policy, monitoring exposure levels, initiating the development of methods of assessment of current risk levels, management procedures for these risks, compliance by divisions with existing procedures and limits restricting the level of these risks. The Department of Banking Risks coordinates the management of operational and legal risks and manages market risks.

The Management Board, Big Credit Committee and Small Credit Committees of the branch subdivisions are responsible for making decisions on management of credit risks. The Management Board approves the Credit Policy annually (a document containing guidelines on principles and procedures of credit risk management in the Bank and determining authority of the Bank's Big Credit Committee and Small Credit Committees). The Big Credit Committee and Small Credit Committees of the branches and the head office adopt resolutions on separate credit risk-related transactions or determine credit risk limits for certain borrowers (within the scope established by the Management Board in the credit policy). Whenever decisions on certain loans are outside of the scope of Small Credit Committees, the respective authority is delegated to the Big Credit Committee (within its scope) or the Management Board.

Since credit risk is the main financial risk the current management of credit risk is mostly performed by its specialized subdivision, the Credit Division, exercising operational control over credit risk levels.

Credit risk. The Group is exposed to credit risk which is the risk that a borrower will be unable to pay principal debt and interest in full when due under the credit agreement.

The Group considers credit risk to include both assets exposed to credit risk and all financial assets recognized in the consolidated balance sheet except for assets deposited in the CBRF.

The overall approach to credit risk management is defined in the Credit Policy. The Credit Policy reflects the general approach to credit risk management, credit risk management policy, the respective functions of the subdivisions, particular aspects of credit risk management for one borrower or a group of related borrowers, and the industry limits in lending operations.

36 Financial Risk Management (continued)

Risk management tools

To maintain credit risks at an appropriate level the Group uses the following *risk management tools:*

For separate borrowers:

- establishing limits and control over compliance with these limits for separate borrowers and groups of related borrowers;
- assessment of the borrowers’ financial positions at the moment of the loan application and during ongoing loan monitoring;
- evaluation of the market value of the collateral for a loan and evaluation of financial position of guarantors;
- control over availability and integrity of the pledge, both preliminary (before the pledge agreement is concluded) and subsequent control within the agreement term;
- control over timely performance of the borrowers’ obligations to the Bank;
- defining the credit quality category of the loan, which conforms to the credit risk level.

For the loan portfolio in general:

- development of uniform procedures and methods of issue of loans and subsequent monitoring of the borrowers, as well as timely obtaining of information on the borrowers;
- establishment and control over compliance with the limits on large credit exposures of a borrower or group of related borrowers, concentration of credit risk in certain industry sectors, volume of possible losses on the loan portfolio;
- control over compliance by subdivisions with resolutions adopted by the Bank’s competent authorities and internal documents (such as credit policy, internal limits, etc).

For Credit Committees:

- establishment and control over compliance with the scope limits of Big Credit Committee and Small Credit Committees specified in the Credit Policy.

Reporting forms

Management controls credit risks and the loan portfolio quality based on the following *reporting forms*:

Daily reports which form the basis for management decisions and are submitted to the Credit Division Director and the Deputy Chairman of the Management Board, responsible for lending operations:

- Changes in the categories of loans in the loan portfolio.
- Calculation of actual debt per one borrower or a group of related borrowers.

Weekly and monthly reports submitted for the purposes of meetings of the Big Credit Committee, Asset and Liability Management Committee, Management Board and Supervisory Board:

- Calculation of covenants (industry risks, credit exposure of large customers, loans granted to related borrowers, calculation of cumulative loans granted to the 20 largest borrowers);

36 Financial Risk Management (continued)

- Analysis of the loans issued by branches and supplementary offices;
- Movement of loans (analysed by the loans issued, rolled-over, overdue or repaid);
- Performance of the branches/departments in terms of the amount of the loans granted, industries concentration, etc;
- Performance in terms of credit products issued to individuals and legal entities.

Decision to grant loans

For credit risk management purposes the Bank adopts a collegial decision-making system for granting loans (except for standard loans granted to individuals under target programs). The branches and the head office have Small Credit Committees, which grant loans within the established limits. The limits of authority of the Small Credit Committees in branches, supplementary offices and the Head office are determined on the basis of their credit performance in the previous year, the structure and quality of their loan portfolios and qualifications of the employees by subdivision. The specific limits are determined in the Credit Policy.

Decisions on loans beyond the limits of authority of Small Credit Committees is taken by the Big Credit Committee (preliminary approval of granting the loan with the Small Credit Committee is obligatory). Decisions on loans beyond the limits of authority of the Big Credit Committee, which authority is limited only by the amount of cumulative debt liability of a borrower or a group of borrowers, is taken by the Management Board (preliminary approval of granting the relevant loan with the Small Credit Committee and the Big Credit Committee is obligatory).

The loans to the borrowers related to the Group are granted with prior consent of the Supervisory Board.

Limits for credit risk management purposes

1. Limits for separate borrowers and a group of related borrowers.

When establishing limits for groups of borrowers, the Group takes into account both the requirements of Russian regulatory authorities and those of global financial institutions that are the Group’s creditors.

The Group establishes individual limits in respect of borrowers and groups of related borrowers. When establishing a limit the Bank takes into account all information available. When establishing an individual limit, the Group performs analysis of the financial statements, cash flows, available credit history of each borrower in a group of related borrowers, the needs of the group of related borrowers for credit resources, as well as availability of loan repayment sources. The Group also takes into account the property pledged as collateral for the loan. The Group has established the following priority of collateral based on evaluation of its ability to cover the credit risks:

- deposits with the Bank and promissory notes issued by the Bank;
- real estate;
- guarantees and sureties of legal entities;
- fixed assets;
- other assets.

36 Financial Risk Management (continued)

2. Overall loan portfolio limits.

- cumulative credit risk exposure to a separate borrower or a group of related borrowers not exceeding 23% of equity (estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I));
- amount of loans and advances to borrowers related to the Bank not exceeding 20% of equity (estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I);
- cumulative amount of loans, bank guarantees and sureties provided to shareholders (having the right to 5 and more percent of voting stock) - not exceeding 50% of equity estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I);
- amount of overdue loans in the loan portfolio – not exceeding 10%;
- ratio of the maximum aggregate risk in the real estate and construction sector to the cumulative loan portfolio less than 25%;
- ratio of the maximum risk in any economic sector to the cumulative loan portfolio of 20%.

The Credit Policy is consistent for off-balance sheet financial instruments and on balance sheet financial instruments. The Credit Policy establishes unified procedures of transaction approvals, risk mitigating limits and monitoring procedures. The borrower is entitled to use any products supporting the use of off-balance sheet financial instruments for lending (guarantees, unsecured letters of credit, credit facilities, etc.) within established limits.

The Bank uses the system of limits restricting the maximum debt of counterparty banks when conducting transactions on the interbank lending market and performing purchase and sale of financial assets, including term currency operations when the counterparty bears the credit risk in settlements. The respective limits are established for each financial institution on the basis of a credit quality analysis performed by the competent collegial bodies (Big Credit Committee within its scope and the Management Board). The limits established for resident banks are subject to review at least each quarter. The limits established for non-resident banks are subject to review at least semi-annually.

The governing bodies of the Bank continued to use a number of measures aimed at reducing exposure to credit risks arising on granting and servicing of loans to legal entities and individuals as well as at diversification of the loan portfolio by sectors and significant credit exposures, including:

1. Amendments to the Credit Policy aimed at tightening the requirements and limiting authority of Small Credit Committees of supplementary offices and branches in taking decisions on loan provision are as follows:

- the list of collateral which is subject to compulsory insurance was expanded;
- restriction of Small Credit Committees' authority to:
    - grant loans/guaranties to legal entities without collateral (with the exception of tender participation loans);
    - grant secured loans, which do not belong to the 1st and 2nd categories of quality of collateral, determined in accordance with the guideline of CBRF №254-P dated 26 March 2004 "On the formation of reserves against possible losses on loans, credit and equivalent debt by credit organizations";
- change to initial terms of loan and pledge agreements, as well as of release of collateral.

In addition, certain measures were taken to improve collateral on existing facilities to bring them in line with new decreasing loan to value ratios.

36 Financial Risk Management (continued)

2. Changes in lending programs for individual borrowers are as follows:

Car loans:

- increase of initial deposits up to 30%;
- removal of the possibility to include comprehensive and collision car insurance payments in the loan;
- tightening of documentation requirements (employment history, earnings certificate only by 2-NDFL, 3-NDFL forms).

Mortgage loans:

- increase of initial deposits up to 25 % for apartments and up to 30 % for dwelling-houses and land plots;
- removal of the possibility to grant a concurrent loan to cover initial contribution;
- removal of the possibility to grant a loan for housing improvements;
- removal of the possibility to grant a loan to borrowers who pay 50% deposit from their own resources without analysis of their creditworthiness.

Geographical risk. Geographical risk is almost fully defined by the country risk of the Russian Federation. The exposure to geographical risk of other countries is limited since substantially all assets and liabilities are concentrated in the Russian Federation. During the period from 1 January 2009 to 1 July 2009 the recommendations of the CBRF for commercial banks restricted the increase of volume of foreign assets (assets of banks situated outside the Russian Federation). The Group complied with these recommendations and did not increase the volume of assets placed outside the Russian Federation. Starting from 1 July 2009 the CBRF lifted restrictions from credit institutions concerning the volume of foreign assets.

Saint Petersburg is a large megapolis with a diversified economy that does not depend on the economic position of a group of interrelated large enterprises, which is why the historic business concentration on providing services to individuals and legal entities in Saint Petersburg, in the current economic situation, is an advantage for the Group.

Market risks. The Group is exposed to the market risks arising from open positions in interest rate, currency and equity products that are exposed to general and specific market movements. These are defined as:

- currency risk (risk of losses due to exchange rate fluctuations);
- interest rate risk (risk of losses due to fluctuations of market interest rates);
- other price (equity) risk (risk of losses due to movements in quotations of the equity instrument).

The Department of the Banking Risks is responsible for developing methods of appraisal of the current level of market risks (with the exception of interest rate risk), management procedures for these risks, and for identification and analysis of the current risk level. The Department of the Banking Risks reports to management on a regular basis. The review of the main risks is communicated to management and the Asset and Liability Management Committee within the overall Risk Management Report.

The Treasury Department is responsible for development of methods for evaluation and procedures of operational management of interest rate risk.

36 Financial Risk Management (continued)

Market risk management is defined as a method of limitation of possible losses from open positions which can be incurred by the Group within a set period of time due to movements in exchange rates, securities quotations and interest rates by way of establishing a system of limits on transactions, as well as stop-loss limits (maximum loss limits, in case of violation of which the position is closed) and monitoring their further compliance.

In autumn 2008 due to the price collapse in the equity market and the following high volatility of equity instruments prices the Bank took steps to decrease its exposure to equity risk. In particular, limits on operations with securities were drastically decreased or closed, the volume of sale and repurchase agreements was decreased and the securities portfolio was largely made up of securities with high degree of reliability. In 2009 the Bank followed its conservative policy in managing other price (equity) risk – the Bank maintains its own shares portfolio at a low level. In addition, the Bank reorganized the system of other price (equity) risk management by entering sale and repurchase agreements. As a result, the conditions of such operations were changed to increase the security level in respect of this type of exposure (in particular discounts used in measuring the value of reverse repurchase agreements in relation to market prices of the shares acquired within the bounds of the first part of a reverse repurchase agreement were significantly increased).

In the first half of 2009 there was a gradual revision of risk levels in respect of operations with securities, which included gradual restoration of limits for acquisition of securities of those issuers that were least affected by the crisis and closure of limits for issuers, whose financial stability was questioned.

Currency risk. Currency risk is the risk of changes in income or carrying value of financial instruments due to exchange rate fluctuations.

The Department of Financial Markets Operations currently manages the open currency position within the limits set by the Asset and Liability Management Committee (the Department of the Banking Risks prepares estimates for these limits). The Operational Department (back-office) currently monitors Bank's compliance with the limits set.

For currency management purposes the Group also uses the system of mandatory limits established by the CBRF, including limits on open positions of the Bank in a foreign currency (up to 10% of the equity estimated in compliance with the CBRF) and the limit on the open position in all foreign currencies (up to 20% of the equity estimated in compliance with the CBRF).

The Group follows a conservative currency risk management policy and opens currency positions primarily in the currencies most frequently used in the Russian Federation (US Dollars and Euros) below the currency exposure limits established by the CBRF.

During the period from 1 January 2009 to 1 July 2009 the recommendations of the CBRF for commercial banks restricted the increase of the amount of the "long" balance sheet open currency position and the formation of the "long" balance sheet open currency position for currencies on which the Bank had short balance sheet open currency positions. The Bank was in compliance with these requirements and maintained the amounts of the cumulative "long" balance sheet open currency positions at the minimum level. Starting from 1 July 2009 the above mentioned recommendations of the CBRF were canceled.

The Group takes into account changes in foreign currency volatility levels by preparing and submitting for approval of the Asset and Liability Management Committee proposals concerning changes in internal limits of currency risks.

36 Financial Risk Management (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2009. The Group does not use this currency risk analysis for management purposes.

In thousands of Russian Roubles	RR	US Dollars	Euro	Other	Total
ASSETS					
Cash and cash equivalents	13 896 148	3 108 820	4 370 726	43 779	21 419 473
Mandatory cash balances with the Central Bank of the Russian Federation	1 373 815	-	-	-	1 373 815
Trading securities	25 154 197	3 921 645	-	-	29 075 842
Trading securities pledged under sale and repurchase agreements	640 540	-	-	-	640 540
Amounts receivable under reverse repurchase agreements	3 576 299	-	-	-	3 576 299
Due from banks	2 760 159	3 039 806	67 390	-	5 867 355
Loans and advances to customers	109 756 217	34 799 791	13 644 481	-	158 200 489
Investment securities available-for-sale	47 708	40 537	-	-	88 245
Investment securities held-to-maturity	180 908	-	-	-	180 908
Other financial assets	121 096	9 949	17 969	-	149 014
Deferred tax asset	305 598	-	-	-	305 598
Investment property	2 000 008	-	-	-	2 000 008
Premises and equipment	10 111 954	-	-	-	10 111 954
Intangible assets	756	-	-	-	756
Other assets	462 026	2 783	9 307	3 943	478 059
Long-term assets held-for-sale	2 137 985	-	-	-	2 137 985
TOTAL ASSETS	**172 525 414**	**44 923 331**	**18 109 873**	**47 722**	**235 606 340**
LIABILITIES					
Due to banks	14 019 477	1 104 369	877 998	-	16 001 844
Customer accounts	125 531 195	21 336 423	29 105 363	17 303	175 990 284
Bonds issued	-	3 113 581	-	-	3 113 581
Other debt securities in issue	4 138 626	860 094	152 054	-	5 150 774
Other borrowed funds	1 465 261	6 149 467	1 591 917	-	9 206 645
Other financial liabilities	258 535	1 524	154 495	-	414 554
Income tax liability	15 543	-	-	-	15 543
Other liabilities	428 402	82	80	-	428 564
TOTAL LIABILITIES	**145 857 039**	**32 565 540**	**31 881 907**	**17 303**	**210 321 789**
Add fair value of currency derivatives	**211 628**	**-**	**-**	**-**	**211 628**
Net balance sheet position, excluding currency derivatives	**26 880 003**	**12 357 791**	**(13 772 034)**	**30 419**	**25 496 179**
Currency derivatives	**2 905 436**	**(16 736 088)**	**13 619 024**	**-**	**(211 628)**
Net balance sheet position, including currency derivatives	**29 785 439**	**(4 378 297)**	**(153 010)**	**30 419**	**25 284 551**

36 Financial Risk Management (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2008. The Group does not use this currency risk analysis for management purposes.

In thousands of Russian Roubles	RR	US Dollars	Euro	Other	Total
ASSETS					
Cash and cash equivalents	13 022 590	14 442 415	9 340 213	36 108	36 841 326
Mandatory cash balances with the Central Bank of the Russian Federation	212 921	-	-	-	212 921
Trading securities	1 396 639	1 295 746	-	-	2 692 385
Trading securities pledged under sale and repurchase agreements	1 470 526	-	-	-	1 470 526
Due from banks	4 428 663	774 845	13 972 356	-	19 175 864
Loans and advances to customers	114 536 137	26 222 624	4 123 740	-	144 882 501
Investment securities available-for-sale	53 978	-	-	-	53 978
Investment securities held-to-maturity	777 591	-	-	-	777 591
Other financial assets	129 643	14 544	16 396	-	160 583
Premises and equipment	6 945 944	-	-	-	6 945 944
Intangible assets	974	-	-	-	974
Other assets	347 213	14 771	827	-	362 811
Long-term assets held-for-sale	2 137 985	-	-	-	2 137 985
TOTAL ASSETS	**145 460 804**	**42 764 945**	**27 453 532**	**36 108**	**215 715 389**
LIABILITIES					
Due to banks	31 631 760	669 958	17 913	458	32 320 089
Customer accounts	97 200 435	24 475 408	18 128 629	20 007	139 824 479
Bonds issued	1 001 368	8 932 213	-	-	9 933 581
Other debt securities in issue	3 717 881	396 583	222 427	-	4 336 891
Other borrowed funds	-	8 078 377	1 520 474	-	9 598 851
Other financial liabilities	209 056	1 730	20 917	-	231 703
Income tax liability	1 025	-	-	-	1 025
Deferred tax liability	67 125	-	-	-	67 125
Other liabilities	563 179	33 654	63	-	596 896
TOTAL LIABILITIES	**134 391 829**	**42 587 923**	**19 910 423**	**20 465**	**196 910 640**
Add fair value of currency derivatives	119 424	-	-	-	119 424
Net balance sheet position, excluding currency derivatives	**11 188 399**	**177 022**	**7 543 109**	**15 643**	**18 924 173**
Currency derivatives	**8 419 723**	**(1 344 940)**	**(7 194 207)**	**-**	**(119 424)**
Net balance sheet position, including currency derivatives	**19 608 122**	**(1 167 918)**	**348 902**	**15 643**	**18 804 749**

36 Financial Risk Management (continued)

The table below summarises the foreign currency exchange rate risk for monetary financial instruments as at 31 December 2009 and 31 December 2008:

	As at 31 December 2009				As at 31 December 2008			
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Deri-vatives**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Deri-vatives**	**Net balance sheet position**
Russian Roubles	157 189 729	145 413 094	2 905 436	**14 682 071**	135 994 692	133 760 500	8 419 723	**10 653 915**
US Dollars	44 920 548	32 565 458	(16 736 088)	**(4 380 998)**	42 750 174	42 554 269	(1 344 940)	**(1 149 035)**
Euros	18 100 566	31 881 827	13 619 024	**(162 237)**	27 452 705	19 910 360	(7 194 207)	**348 138**
Other	43 779	17 303	-	**26 476**	36 108	20 465	-	**15 643**
Total	**220 254 622**	**209 877 682**	**(211 628)**	**10 165 312**	**206 233 679**	**196 245 594**	**(119 424)**	**9 868 661**

The currency derivatives position in each column represents the fair value at the balance sheet date of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount). The net total represents fair value of the currency derivatives.

An analysis of sensitivity of profit before tax to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 5% change in USD and Euro to Russian Rouble exchange rates, assuming that all other variables remain unchanged is as follows:

In thousands of Russian Roubles	**As at 31 December 2009**
5% appreciation of USD against RR	(219 050)
5% depreciation of USD against RR	219 050
5% appreciation of Euro against RR	(8 112)
5% depreciation of Euro against RR	8 112

In thousands of Russian Roubles	**As at 31 December 2008**
5% appreciation of USD against RR	(44 380)
5% depreciation of USD against RR	44 380
5% appreciation of Euro against RR	13 258
5% depreciation of Euro against RR	(13 258)

Movements in other currency exchange rates will have no material effect on the profit or loss of the Group.

36 Financial Risk Management (continued)

In 2009 management took a number of measures in order to improve the currency risk management system, including:

- the major internal document determining the currency risk management procedure was amended;
- in April 2009 the Asset and Liability Management Committee set lower internal limits on the amount of open currency positions than those set by the CBRF, including open currency position limits in principal currencies and limits on the amount of positions on forward currency contracts (forward currency positions).

During the validity period of CBRF recommendations (first half of 2009) relating to reduction of net long open currency positions and undesirability of changing short currency positions to long ones for certain currencies, the Bank was in compliance with these recommendations.

Interest rate risk. The Group is exposed to fluctuations in market interest rates which can affect its financial position and cash flows. As a result of such changes interest margins may reduce and profit may decrease.

The table below summarises the effective interest rates by currency for major debt instruments. The analysis is prepared based on year-end effective rates used for amortisation of the respective assets/liabilities.

	2009				2008			
In % p.a.	**RR**	**USD**	**Euro**	**Other**	**RR**	**USD**	**Euro**	**Other**
ASSETS								
Cash and cash equivalents	1.39	0.00	0.00	0.00	1.34	0.00	0.04	0.00
Debt trading securities	7.56	6.44	-	-	13.30	5.60	-	-
Trading securities pledged under sale and repurchase agreements	7.94	-	-	-	14.00	-	-	-
Due from banks	8.78	0.22	-	-	20.85	3.58	2.06	-
Loans and advances to customers	15.52	11.71	11.77	-	15.22	13.29	14.50	-
Investment securities held-to-maturity	13.07	-	-	-	17.6	-	-	-
LIABILITIES								
Due to banks	5.87	0.36	-	-	12.66	7.78	-	-
Customer accounts								
- current and settlement accounts	0.57	0.14	0.11	0.10	1.14	0.12	0.08	0.68
- term deposits								
- individuals	10.88	8.66	7.26	-	11.06	9.34	8.23	-
- legal entities	10.19	7.04	5.09	-	11.11	7.95	7.17	-
Bonds issued	-	11.14	-	-	11.27	10.80	-	-
Other debt securities in issue	10.38	8.02	2.48	-	10.47	11.01	3.94	-
Other borrowed funds	8.29	10.42	14.50	-	-	8.00	14.50	-

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

36 Financial Risk Management (continued)

Interest rate risk management represents management of assets and liabilities to maximize profit and reduce losses from possible fluctuations in interest rates and the balance sheet structure. Interest rate risk management is an important part of overall risk management and significantly affects the Group's financial performance.

Interest rate risk management is performed centrally by the following bodies:

- Management Board – definition of the basic financial activity parameters, principles of interest rate risk management, approval of structure of limits and restrictions for interest rate risk, monitoring the efficiency of interest rate risk management system;

- Asset and Liability Management Committee – approval and control over the structure of the assets and liabilities, management of interest rates and portfolio of securities, approval of methods (procedures) of the interest rate risk evaluation;

- Treasury Department – evaluation of the exposure to the interest rate risks; current management of the balance sheet structure, short-term asset management, definition of interest rate risk levels acceptable for the Group and making interest rate risk management proposals to the Asset and Liability Management Committee.

In case the existing interest rate movement forecast predicts an unfavorable position for the Group, that is a significant reduction of net interest margin, the Asset and Liability Management Committee makes decisions to regulate the interest rate risk level including the following:

- changes in base interest rates to manage the structure of assets and liabilities;

- operations on the financial market aimed to change the interest rate risk position, including:

    - alteration of the securities portfolio structure, including structure and duration of securities portfolio,

    - borrowings in the financial markets,

    - future transactions with financial instruments;

- other measures that allow for changes the amount of instruments with floating rates in the structure of assets and liabilities.

Management uses a GAP report as the major analytical form for interest rate risk.

The analysis is carried out by major currencies – Russian roubles, US dollars, Euros. All the items are distributed according to the following revaluation intervals:

- less than 8 months (average period length is 6 months);

- from 8 to 16 months (average period length is 1 year);

- from 16 to 32 months (average period length is 2 years);

- from 32 to 64 months (average period length is 4 years);

- from 64 to 128 months (average period length is 8 years);

- more than 128 months (average period length is 16 years).

36 Financial Risk Management (continued)

For the purposes of interest rate risk evaluation the Group utilizes an Interest GAP Report and Interest Rate Risk Management Report that additionally takes into account items of floating capital and statistically stable liabilities that are resistant to interest rate risk with the average interest rate revaluation interval of two years.

The analysis of the exposure to interest rate risk is carried out based on the forecast of unfavourable change in present value of assets and liabilities under the condition of changes in market yields by 5%.

The Group considers the ratio of total capital used to cover the interest rate risk to capital, at a level not less than 30% as a possible interest rate position limit.

It also measures the sensitivity of annual net interest income to changes in the general level of interest rates as an additional method for interest rate risk evaluation.

Apart from the indices mentioned above the Group calculates potential effect of interest GAPs, that is a change in the present value of assets and liabilities in case of change in the interest rates in accordance with expectations (the forecasted yield curve).

The Interest Rate Risk Management Report for resources in Russian Roubles for the year ended 31 December 2009 is as follows:

Average term, years	**0.5**	**1**	**2**	**4**	**8**	**16**
GAPs, RR million	(18 640)	4 698	9 730	(1 421)	2 079	3 554
Cumulative GAPs, RR million	(18 640)	(13 942)	(4 212)	(5 633)	(3 554)	-
Effect of a change in market yields, RR million	(748)	(1 073)	(596)	(1 349)	(1 220)	-

The Interest Rate Risk Management Report for resources in US dollars for the year ended 31 December 2009 is as follows:

Average term, years	**0.5**	**1**	**2**	**4**	**8**	**16**
GAPs, USD million	(264)	45	(10)	151	41	37
Cumulative GAPs, USD million	(264)	(219)	(229)	(78)	(37)	-
Effect of a change in market yields, RR million	(343)	(556)	(1 111)	(698)	(564)	-

The Interest Rate Risk Management Report for EUR resources for the year ended 31 December 2009 is as follows:

Average term, years	**0.5**	**1**	**2**	**4**	**8**	**16**
GAPs, EUR million	(94)	42	32	20	-	1
Cumulative GAPs, EUR million	(94)	(52)	(20)	(1)	(1)	-
Effect of a change in market yields, RR million	(178)	(193)	(147)	(12)	(13)	-

The Interest Rate Risk Management Report for resources in Russian Roubles for the year ended 31 December 2008 is as follows:

Average term, years	**0.5**	**1**	**2**	**4**	**8**	**16**
GAPs, RR million	(11 782)	10 967	2 077	(6 830)	2 178	3 390
Cumulative GAPs, RR million	(11 782)	(815)	(1 262)	(5 568)	(3 390)	-
Effect of a change in market yields, RR million	(488)	(65)	(190)	(1 477)	(1 402)	-

36 Financial Risk Management (continued)

The Interest Rate Risk Management Report for resources in USD dollars for the year ended 31 December 2008 is as follows:

Average term, years	**0.5**	**1**	**2**	**4**	**8**	**16**
GAPs, USD million	106	(105)	97	(47)	(79)	28
Cumulative GAPs, USD million	106	1	98	50	(28)	-
Effect of a change in market yields, RR million	137	1	477	456	(436)	-

The Interest Rate Risk Management Report for EUR resources for the year ended 31 December 2008 is as follows:

Average term, years	**0.5**	**1**	**2**	**4**	**8**	**16**
GAPs, EUR million	87	(111)	13	8	2	1
Cumulative GAPs, EUR million	87	(24)	(11)	(3)	(1)	-
Effect of a change in market yields, RR million	159	(86)	(74)	(36)	(20)	-

The major trends that affected the measures of interest rate risk management in 2009 are:

- decrease in RUR interest rates that accelerated at the end of 2009. For the purposes of interest rate risk management on the RUR balance sheet, negative GAPs were built up for the terms less than 1 year, that is interest rate repricing periods for assets increased. In view of decreasing interest rates the established balance sheet structure resulted in additional income due to short interest rate positions and declining interest rates.

- Interest rates on US dollar-denominated and euro-denominated resources continued the decrease that started in 2008 and stabilized in the second half of 2009. Due to the expected cancellation of economical support programs in 2010-2011 in the USA and Europe that would be accompanied an increase in USD and EUR interest rates, measures were taken to avoid positive GAPs with terms of more than 1 year on foreign currency balance sheet. These measures decrease the risk of losses in case of growth in foreign currency interest rates.

Analysis of sensitivity of the fair value of debt securities, which form part of the trading portfolio and other securities at fair value through profit or loss of the Bank based on a possible change in the interest rates during the next reporting year, assuming that all other variables remain unchanged is as follows.

As at 31 December 2009:

In thousands of Russian Roubles	
100 bp parallel rise	
Trading securities	(376 483)
Trading securities pledged under sale and repurchase agreements	(5 853)
Total	**(382 336)**
100 bp parallel fall	
Trading securities	376 483
Trading securities pledged under sale and repurchase agreements	5 853
Total	**382 336**

36 Financial Risk Management (continued)

As at 31 December 2008:

In thousands of Russian Roubles	
100 bp parallel rise	
Trading securities	(16 485)
Trading securities pledged under sale and repurchase agreements	(13 905)
Total	**(30 390)**
100 bp parallel fall	
Trading securities	16 485
Trading securities pledged under sale and repurchase agreements	13 905
Total	**30 390**

Other price (equity) risk. The Group is exposed to open position risk with regard to equity instruments due to movements in their quotations.

The Department of Financial Markets Operations manages the open equity positions and the corresponding derivative financial instruments within the limits set by the Asset and Liability Management Committee.

The Asset and Liability Management Committee sets the following limits for restricting possible losses related to the effects of equity risk: cumulative limit for the amount of open equity positions, individual limits for the amount of open equity position for each issuer, “stop-loss” limit.

If the risk becomes material the mitigation arrangements are determined by the Management Board.

The limits are set based on analysis of the credit quality of the security issuer and evaluation of liquidity and volatility of financial instruments.

The Operational Department (back-office) currently monitors compliance with equity limits.

The Department of Banking Risks controls the equity risk on a daily basis and reports to the Asset and Liability Management Committee the results of the estimates in order to decide whether the set limits may be exceeded in case of a continuous unfavorable situation on the equity market, as well as to consider the matters related to possible equity risk mitigation in transactions with a certain group of equity instruments.

An analysis of sensitivity of profit before tax to changes in securities prices based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 5% change in securities prices is as follows.

In thousands of Russian Roubles	**As at 31 December 2009**
5% increase in securities prices (including pledged under sale and repurchase agreements)	20 930
5% decrease in securities prices (including pledged under sale and repurchase agreements)	(20 930)

In thousands of Russian Roubles	**As at 31 December 2008**
5% increase in securities prices	1 292
5% decrease in securities prices	(1 292)

36 Financial Risk Management (continued)

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, 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.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities by categories and maturities which will enable the Group to ensure timely payments of its obligations and meeting demands of customers.

The Group seeks to maintain a diversified and stable structure of liabilities, which comprise primarily issued debt securities, long-term and short-term deposits of banks, corporate and retail customer deposits. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and past experience would indicate that these customer accounts provide a long-term and stable source of funding.

The Group has established a multi-level liquidity management system. On a daily basis the Treasury Department controls the liquidity position. The Asset and Liability Management Committee makes decisions taking into account a weekly liquidity forecast. In some cases decisions on liquidity may be made by the Management and Supervisory Boards who also control the general liquidity of the Group.

Liquidity management requires maintaining sufficient amount of liquid assets to be used in case of unforeseen circumstances. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in activity, management may demand higher amounts of liquidity, if required.

Management applies the following main instruments for liquidity management:

- In the short term the most effective way to manage liquidity is to manage the volume and structure of liquid assets. Management maintains a portfolio of liquid assets (including trading securities) which can be used for prompt and loss-free repayment of debt;
- In certain cases management may impose restrictions on some transactions to regulate the balance sheet structure. The limits are set when other instruments of liquidity management are insufficient to maintain liquidity;
- Raising long-term funds. During 2009 and 2008, the Group raised significant amounts on the global long-term debt and equity markets. Refer to Notes 22 and 24.

The Group’s liquidity management policy includes the following:

- Daily forecasts of cash flows by currencies and calculation of the cash-flow related amount of current liquidity reserves;
- Management of concentration and structure of borrowed funds;
- Development of liquidity maintenance plans;
- Diversification of funding sources;
- Control over compliance of the Group with statutory liquidity requirements;
- Setting interest rates for raising/granting funds by instruments and periods.

36 Financial Risk Management (continued)

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis and includes daily estimates of the level of liquid assets necessary to settle obligations of the Bank to customers and counterparties in full as they fall due. It is implemented based on statistical and chronological analysis of the balances on customers’ current accounts, forecasted customer deposits in correspondent accounts, movement of funds on accounts and analysis and processing of the information on the Bank’s obligations and requirements under term contracts in short-term periods. This analytical data serves as a basis for management of the liquidity position and replenishment of the payment cycle and its customers with funds from liquid assets.

Medium-term (for the period of up to 3 months) liquidity monitoring ensures creation of an asset portfolio which may fully with the certain safety factor cover all needs of the current liquidity management within the planning time horizon.

Long-term (over 3 months) liquidity monitoring is based on analysis liquidity gaps. The Group has developed an analytical form to evaluate the liquidity gap through comparison of assets and liabilities by their terms. When attributing assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity. For example, for current accounts of customers the Group uses the statistical data on sustainability, and for securities – possible periods of selling portfolios without losses. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. Management analyses the net liquidity gap and cumulative liquidity gap.

The following tables are based on the above principles and show distribution of assets and liabilities as at 31 December 2009 and 2008 by expected maturity periods. This table is prepared for management purposes on the basis of accounting data prepared under Russian Accounting Principles.

As at 31 December 2009:

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
Assets	61 984 811	68 616 410	57 868 198	64 105 896	252 575 315
Liabilities and equity	70 704 768	76 801 841	40 796 279	64 272 427	252 575 315
Net liquidity gap	(8 719 957)	(8 185 431)	17 071 919	(166 531)	
Cumulative liquidity gap	(8 719 957)	(16 905 388)	166 531		

As at 31 December 2008:

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
Assets	75 481 917	57 999 468	46 385 449	39 028 913	218 895 747
Liabilities and equity	69 713 884	57 692 886	24 279 756	67 209 221	218 895 747
Net liquidity gap	5 768 033	306 582	22 105 693	(28 180 308)	
Cumulative liquidity gap	5 768 033	6 074 615	28 180 308		

36 Financial Risk Management (continued)

When performing its operating activity the Bank also focuses on compliance with the requirements of the CBRF on maintaining sufficient liquidity ratios. These ratios are:

- 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.

According to management’s view based on daily calculations of the Treasury Department, within 2009 and 2008 the Bank complied with the liquidity ratios established by the CBRF.

The table below shows assets and liabilities as at 31 December 2009 and 2008 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 have longer maturity; for example, loans are frequently renewed and accordingly short term loans can have longer maturity. Overdue assets are allocated based on their expected maturity. The entire portfolio of trading securities is included in the “demand and less than one month” category as the portfolio is of a trading nature and based on management’s view that it is a more accurate portrayal of the liquidity position. Mandatory cash balances with the CBRF are included in the “demand and less than one month” group as the majority of the respective liabilities are also included within this category.

36 Financial Risk Management (continued)

Below is the IFRS liquidity position at 31 December 2009. The Group does not use the presented analysis by contractual maturity for liquidity management purposes.

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	More than 5 years	Total
ASSETS						
Cash and cash equivalents	21 419 473	-	-	-	-	21 419 473
Mandatory cash balances with the Central Bank of the Russian Federation	1 373 815	-	-	-	-	1 373 815
Trading securities	29 075 842	-	-	-	-	29 075 842
Trading securities pledged under sale and repurchase agreements	640 540	-	-	-	-	640 540
Amounts receivable under reverse repurchase agreements	3 576 299	-	-	-	-	3 576 299
Due from banks	4 618 671	964 225	217 069	67 390	-	5 867 355
Loans and advances to customers	5 528 442	56 608 225	55 802 863	32 486 328	7 774 631	158 200 489
Investment securities available-for-sale	-	-	-	-	88 245	88 245
Investment securities held-to-maturity	33 976	11 335	-	135 597	-	180 908
Other financial assets	145 235	346	-	3 433	-	149 014
Deferred tax asset	-	-	-	305 598	-	305 598
Investment property	-	-	-	-	2 000 008	2 000 008
Premises and equipment	-	-	-	-	10 111 954	10 111 954
Intangible assets	-	-	-	-	756	756
Other assets	85 888	91 197	78 296	112 562	110 116	478 059
Long-term assets held-for-sale	-	-	2 137 985	-	-	2 137 985
TOTAL ASSETS	**66 498 181**	**57 675 328**	**58 236 213**	**33 110 908**	**20 085 710**	**235 606 340**
LIABILITIES						
Due to banks	9 534 764	1 038 825	5 428 255	-	-	16 001 844
Customer accounts	71 359 160	74 887 879	24 573 505	5 128 521	41 219	175 990 284
Bonds issued	-	-	-	-	3 113 581	3 113 581
Other debt securities in issue	1 475 951	2 845 430	648 095	181 298	-	5 150 774
Other borrowed funds	-	430 488	1 033 612	5 281 389	2 461 156	9 206 645
Other financial liabilities	206 543	1 661	28 622	172 530	5 198	414 554
Income tax liability	-	15 543	-	-	-	15 543
Other liabilities	162 838	263 518	1 655	553	-	428 564
TOTAL LIABILITIES	**82 739 256**	**79 483 344**	**31 713 744**	**10 764 291**	**5 621 154**	**210 321 789**
Net liquidity gap	**(16 241 075)**	**(21 808 016)**	**26 522 469**	**22 346 617**	**14 464 556**	**25 284 551**
Cumulative liquidity gap as at 31 December 2009	**(16 241 075)**	**(38 049 091)**	**(11 526 622)**	**10 819 995**	**25 284 551**	

36 Financial Risk Management (continued)

The table below shows the IFRS liquidity position at 31 December 2008. The Group does not use the presented analysis by contractual maturity for liquidity management purposes.

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	More than 5 years	Total
ASSETS						
Cash and cash equivalents	36 841 326	-	-	-	-	36 841 326
Mandatory cash balances with the Central Bank of the Russian Federation	212 921	-	-	-	-	212 921
Trading securities	2 692 385	-	-	-	-	2 692 385
Trading securities pledged under sale and repurchase agreements	1 470 526	-	-	-	-	1 470 526
Due from banks	16 289 612	1 993 181	277 576	600 619	14 876	19 175 864
Loans and advances to customers	8 880 603	54 840 163	45 890 167	25 871 524	9 400 044	144 882 501
Investment securities available-for-sale	-	-	-	-	53 978	53 978
Investment securities held-to-maturity	-	235 386	441 293	100 912	-	777 591
Other financial assets	66 551	94 032	-	-	-	160 583
Premises and equipment	-	-	-	-	6 945 944	6 945 944
Intangible assets	-	-	-	-	974	974
Other assets	135 485	69 739	13 322	72 634	71 631	362 811
Long-term assets held-for-sale	-	-	2 137 985	-	-	2 137 985
TOTAL ASSETS	**66 589 409**	**57 232 501**	**48 760 343**	**26 645 689**	**16 487 447**	**215 715 389**
LIABILITIES						
Due to banks	14 952 490	17 367 599	-	-	-	32 320 089
Customer accounts	58 840 493	51 712 552	27 097 496	2 107 848	66 090	139 824 479
Bonds issued	-	1 001 368	3 679 561	2 231 591	3 021 061	9 933 581
Other debt securities in issue	1 385 777	1 579 854	1 135 566	235 694	-	4 336 891
Other borrowed funds	-	1 047 725	2 481 956	4 353 701	1 715 469	9 598 851
Other financial liabilities	209 004	1 210	721	15 161	5 607	231 703
Income tax liability	-	1 025	-	-	-	1 025
Deferred tax liability	-	-	-	67 125	-	67 125
Other liabilities	197 026	398 693	1 177	-	-	596 896
TOTAL LIABILITIES	**75 584 790**	**73 110 026**	**34 396 477**	**9 011 120**	**4 808 227**	**196 910 640**
Net liquidity gap	**(8 995 381)**	**(15 877 525)**	**14 363 866**	**17 634 569**	**11 679 220**	**18 804 749**
Cumulative liquidity gap as at 31 December 2008	**(8 995 381)**	**(24 872 906)**	**(10 509 040)**	**7 125 529**	**18 804 749**	

36 Financial Risk Management (continued)

Management believes that available undrawn credit lines and stability of customer accounts will fully cover the liquidity gap in the tables above.

The main differences between liquidity tables prepared under IFRS by contractual maturity and the above tables prepared for management purposes are as follows:

1. The total assets differ because the impairment provision on loans and advances to customers recorded by the Group is presented on the liabilities side for management purposes, whereas for IFRS purposes loans and advances to customers is reduced by the provision;
2. For management purposes the Group shows mandatory cash balances with the CBRF as an asset, with maturity dates proportional to maturity dates of resources that formed them since the Group may not use these resources to cover the creditors’ demands;
3. For management purposes the loans and advances to customers are recorded by final contractual maturity of the total loan amounts when they fall due, whereas for IFRS purposes the loans are broken down by tranches, which is specifically relevant for the loans granted to individuals and repaid by equal monthly installments;
4. The Bank also applies internal methods to determine the maturity of current accounts and deposits on demand since these deposits are considered to be a long-term source of funding. Therefore, the current accounts of legal entities and individuals have longer maturity periods in calculating liquidity for Group management purposes.

The tables below show distribution of liabilities as at 31 December 2009 and 2008 by remaining contractual maturity. The amounts in the tables reflect contractual undiscounted cash flows and differ from the balance sheet amounts which are based on discounted cash flows. The Bank does not use the presented analysis of undiscounted cash flows in its liquidity management.

36 Financial Risk Management (continued)

As at 31 December 2009:

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	More than 5 years	Total
LIABILITIES						
Due to banks	9 571 186	1 067 358	5 877 695	-	-	16 516 239
Customer accounts	71 767 137	77 248 864	26 548 720	5 446 630	74 402	181 085 753
Bonds issued	159 039	257	159 296	1 274 369	3 979 941	5 572 902
Other debt securities in issue	1 512 978	2 924 654	688 085	191 193	-	5 316 910
Other borrowed funds	224 968	670 521	1 452 062	8 099 584	4 179 481	14 626 616
Other financial liabilities	249 456	-	-	-	-	249 456
Derivative financial instruments						
- inflow	30 367 613	-	-	-	-	30 367 613
- outflow	(30 549 546)	-	-	-	-	(30 549 546)
Total undiscounted future cash flows to settle financial liabilities	**83 302 831**	**81 911 654**	**34 725 858**	**15 011 776**	**8 233 824**	**223 185 943**
Irrevocable undrawn credit lines	400 000	-	-	-	-	400 000
Total future cash flows	**83 702 831**	**81 911 654**	**34 725 858**	**15 011 776**	**8 233 824**	**223 585 943**

As 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	More than 5 years	Total
LIABILITIES						
Due to banks	15 060 984	18 167 529	-	-	-	33 228 513
Customer accounts	59 307 327	54 207 941	28 857 149	2 250 468	102 027	144 724 912
Bonds issued	154 497	1 337 209	4 103 934	3 551 410	4 175 763	13 322 813
Other debt securities in issue	1 397 712	1 666 155	1 237 753	264 319		4 565 939
Other borrowed funds	58 945	1 242 811	2 785 915	5 174 712	1 723 122	10 985 505
Other financial liabilities	159 348	49 599	-	-	-	208 947
Derivative financial instruments						
- inflow	(6 798 509)	-	-	-	-	(6 798 509)
- outflow	6 782 431	-	-	-	-	6 782 431
Total undiscounted future cash flows to settle financial liabilities	**76 122 735**	**76 671 244**	**36 984 751**	**11 240 909**	**6 000 912**	**207 020 551**
Irrevocable undrawn credit lines	499	-	-	-	**-**	499
Total future cash flows	**76 123 234**	**76 671 244**	**36 984 751**	**11 240 909**	**6 000 912**	**207 021 050**

37 Management of Capital

The objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation (CBRF), (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 8% based on the Basel Prudential Requirements for Banks (Basel I).

(i) Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital adequacy ratio") above 10%. Regulatory capital is based on the Bank's reports prepared under Russian statutory accounting standards and comprises:

In thousands of Russian Roubles	**31 December 2009**	**31 December 2008**
Total capital	33 087 796	23 743 006
Total regulatory capital adequacy ratio	15.1%	13.0%

Compliance with the capital adequacy ratio set by the CBRF is monitored monthly with reports containing its calculation reviewed and signed by the Deputy Chairman of the Management Board and Chief Accountant, as well as daily with calculations of the Treasury Department.

Management believes that during 2009 and 2008 the capital adequacy ratio was not below the set minimum level.

(ii) Arrangements to safeguard the Group's ability to continue as a going concern are performed under the Bank's Strategic Development Plan and divided into long-term and short-term capital management.

In the long-term the Bank is planning its business scope under strategic and financial plans developed along with identification of the risks and corresponding capital requirements for three years and one year, respectively. When the required amount of capital is defined the Bank determines the sources of its increase: borrowings on capital markets, share issue and the scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase are approved by the following collegial management bodies in order of the established priority: the Asset and Liability Management Committee, Management Board, Supervisory Board.

In the short-term, with due account of the necessity to comply with the CBRF requirements, the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan of increasing of assets. In some cases the management uses administrative measures to influence the balance sheet structure through interest rate policy, and in exceptional cases through setting limits for certain active transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

(iii) According to the loan agreements with its creditors the Bank has a commitment to maintain the minimum total capital adequacy ratio of at least 10%, which is calculated under the requirements of Basel I (refer to Note 24).

37 Management of Capital (continued)

This ratio is calculated on a quarterly basis; the forecasted amount of capital and capital adequacy ratio are defined in the Strategic Development Plan which takes into account compliance with the capital adequacy requirements.

Below is the capital and capital adequacy ratio calculated in accordance with Basel I:

In thousands of Russian Roubles	31 December 2009	31 December 2008
Capital	**33 217 124**	**24 225 253**
Tier 1	**23 286 106**	**16 595 125**
Paid-in share capital	3 629 541	3 564 330
Reserves and profit	19 656 565	13 030 795
Including:		
- Share premium	15 744 164	9 725 450
- Retained earnings	3 912 401	3 305 345
Tier 2	**9 931 018**	**7 630 128**
Revaluation reserve for premises	1 966 015	2 209 624
Revaluation reserve for investment securities available-for-sale	32 430	-
Subordinated loans	7 932 573	5 420 504
Risk weighted assets	**218 610 707**	**171 203 414**
Risk weighted balance sheet assets	177 034 175	162 035 478
Risk weighted trading assets	32 061 413	5 203 563
Risk weighted off-balance-sheet assets	9 515 119	3 964 373
Total capital adequacy ratio	**15.19%**	**14.15%**
Total tier 1 capital	**10.65%**	**9.69%**

The Group was in compliance with the minimum capital adequacy ratio agreed on with the creditors of the Bank during 2009 and 2008.

Due to the development of financial crisis and subsequent wider economic crisis in the Russian Federation in the fourth quarter of 2008 the Group changed its approach to capital planning for 2009. In forecasting capital requirements in the altered macroeconomic environment it adjusted its expectations in respect of future loan losses. This resulted in the necessity to increase capital. In June 2009 the Group attracted a subordinated deposit from the EBRD and in August 2009 a subordinated loan from Vnesheconombank. Refer to Note 24.

Furthermore, in December an additional issue of type A preference shares was placed. The placement report was registered on 21 December 2009. The placement increased capital by RR 6 084 million.

38 Contingencies, Commitments and Derivative Financial Instruments

Litigation. From time to time and in the normal course of business, third parties' claims against the Group are 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 known claims and accordingly no loss provision has been made in these consolidated financial statements.

Tax legislation. Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

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 2009, 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, significant 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 a longer period.

Management believes that its interpretation of the relevant legislation is appropriate and the tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2009 no provision for potential tax liabilities was recorded (2008: no provision).

Capital expenditure commitments. At 31 December 2009 the Group had contractual capital expenditure commitments in respect of reconstruction and purchase of premises totalling RR 615 009 thousand (2008: RR 370 078 thousand). In 2009 the Group allocated the necessary resources in respect of these commitments. Management believes that future cash flows will be sufficient to cover these and any similar commitments.

In addition during 2007, the Group's management decided to construct new premises for the Head Office scheduled to be completed by the end of 2010. The total committed capital expenditure on construction of the new Head Office building amounts to RR 5 188 000 thousand (2008: RR 5 188 000 thousand), the remaining committed capital expenditure on construction of the new Head Office building amounts to RR 825 000 thousand (2008: RR 3 707 000 thousand).

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**
Less than 1 year	45 088	132 715
1 to 5 years	87 756	113 349
Total operating lease commitments	**132 844**	**246 064**

Compliance with covenants. The Group should observe certain covenants, primarily, relating to loan agreements with foreign and international financial institutions. Covenants include:

General conditions in relation to activity, such as business conduct and reasonable prudence, conformity with legal requirements of the country, in which the Group is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;

Restrictive covenants, including constraints (without lender's consent) in respect of dividend payments and other distributions, changes in the shareholders structure, limits on use of assets and some agreements;

38 Contingencies, Commitments and Derivative Financial Instruments (continued)

Financial covenants, such as meeting certain capital adequacy requirements, credit portfolio diversification, limitation of risks associated with related and unrelated parties, the share of overdue balances in the credit portfolio, meeting certain requirements to the level of risk provisions, monitoring the expenditure pattern;

Reporting requirements, obliging the Group to provide its audited financial statements to the lender, as well as certain additional information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, 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 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. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to credit risk as at the year end in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. 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	**Note**	**2009**	**2008**
Revocable undrawn credit lines		7 565 587	5 263 884
Guarantees issued		8 036 632	2 763 063
Import letters of credit		6 361 702	5 963 957
Irrevocable undrawn credit lines		400 000	499
Impairment provision	25	(146 461)	(22)
Total credit related commitments		**22 217 460**	**13 991 381**

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 disbursed. As at 31 December 2009, the estimated fair value of guarantees and letters of credit amount to RR 18 637 thousand (2008: RR 22 734 thousand). Refer to Note 25.

As at 31 December 2009, customer accounts include deposits amounting to RR 2 459 020 thousand representing security on irrevocable liabilities on import letters of credit (2008: RR 2 091 303 thousand). Refer to Note 21.

38 Contingencies, Commitments and Derivative Financial Instruments (continued)

Fiduciary assets. These assets are not included in the consolidated balance sheet as they are not its assets. Nominal values disclosed below are normally different from the fair values of the respective securities. In accordance with the common business practices no insurance cover was provided for these fiduciary assets. The fiduciary assets fall into the following categories:

In thousands of Russian Roubles	**2009 Nominal value**	**2008 Nominal value**
Corporate shares held in custody of:		
- Depository Clearing Company	106	282
- National Depository Centre	1 438	1 783
- other registrars and depositories	1 053 512	311 446
- registers of share issuers	760 714	172 054
Municipal bonds held in custody of:		
- St Petersburg Settlement and Depository Centre	58	58

Derivative financial instruments. Contracts on currency derivative financial instruments entered into by the Group have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in foreign exchange rates. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below shows fair values, at the balance sheet date, of currencies receivable or payable under foreign exchange forwards and futures contracts, and interest rate forward contracts entered. The table reflects contracts with settlement dates after the relevant reporting period. The amounts under these contracts are shown in detail – before the netting of any counterparty positions (and payments). The contracts on foreign exchange derivatives are short term in nature. The contracts on interest rate derivatives are long term in nature.

In thousands of Russian Roubles	**2009**		**2008**	
	Net asset forwards	**Net liability forwards**	**Net asset forwards**	**Net liability forwards**
Foreign exchange forwards: fair values, at the balance sheet date, of				
- USD receivable on settlement (+)	6 535 962	4 333 510	3 721 043	532 710
- USD payable on settlement (-)	(1 430 117)	(17 285 325)	(1 716 510)	(4 554 006)
- Euros receivable on settlement (+)	667 147	9 011 886	-	636 249
- Euros payable on settlement (-)	(1 006 609)	(902 477)	(2 689 438)	-
- RR receivable on settlement (+)	771 541	8 990 265	1 934 047	3 737 760
- RR payable on settlement (-)	(5 514 994)	(4 342 845)	(1 182 800)	(538 479)
Total on foreign exchange forwards	**22 930**	**(194 986)**	**66 342**	**(185 766)**

In thousands of Russian Roubles	**2009**		**2008**	
	Net asset futures	**Net liability futures**	**Net asset futures**	**Net liability futures**
Foreign exchange futures: fair values, at the balance sheet date, of				
- USD receivable on settlement (+)	5 968 897	11 504 688	63 567 837	4 769 701
- USD payable on settlement (-)	(10 837 095)	(15 487 036)	(3 404)	(67 662 311)
- Euros receivable on settlement (+)	-	5 849 077	-	-
- Euros payable on settlement (-)	-	-	-	(5 141 018)
- RR receivable on settlement (+)	10 837 095	15 487 036	3 404	72 803 329
- RR receivable on settlement (-)	(5 968 897)	(17 353 765)	(63 567 837)	(4 769 701)
Total on foreign exchange futures	**-**	**-**	**-**	**-**

38 Contingencies, Commitments and Derivative Financial Instruments (continued)

In thousands of Russian Roubles		2009		2008	
		Net asset forwards	**Net liability forwards**	**Net asset forwards**	**Net liability forwards**
Interest rate forwards: fair values, at the balance sheet date, of					
- USD receivable on settlement (+)		19 671	12 484	-	-
- USD payable on settlement (-)		(16 238)	(55 489)	-	-
Total on interest rate forwards		**3 433**	**(43 005)**	-	**-**
Net fair value of derivative financial instruments	15,25	**26 363**	**(237 991)**	**66 342**	**(185 766)**

Currency and other derivative financial instruments are usually subject to trade on over-the-counter markets with professional participants based on standardized contracts. Derivative financial instruments have potentially favourable conditions (and are assets), or potentially unfavourable conditions (and are liabilities) as a result of fluctuations in interest rates in the market, foreign exchange rates and other variable factors related to these instruments. The total fair value of derivative financial instruments can vary significantly with time.

39 Fair Value of Financial Instruments

Methods and assumptions used in calculation of the fair value.

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. The best evidence of fair value is price quotations in an active market.

The estimated fair values of financial instruments are determined 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 uses all available market information in estimating the fair value of financial instruments.

The fair value of instruments with floating interest rates usually equal their carrying value. The fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using interest rates for new instruments with similar credit risk and maturity date.

As at 31 December 2009 and 2008 the Group has no financial instruments, the fair value of which was calculated based on non-market inputs.

Management uses professional judgment for allocation of financial instruments between categories of the fair value evaluation hierarchy. If the observable data used for fair value evaluation require significant adjustments they are categorised as Level 3.

39 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognized at fair value by evaluation categories as at 31 December 2009 and 31 December 2008:

IN THOUSANDS OF RUSSIAN ROUBLES	2009 Quoted market prices	2009 Valuation techniques based on market observable inputs	2008 Quoted market prices	2008 Valuation techniques based on market observable inputs
ASSETS				
Trading securities				
- Corporate bonds	16 610 633	-	1 094 549	-
- Municipal bonds	4 329 720	-	1 712	-
- Federal loan bonds (OFZ bonds)	3 983 378	-	266 382	-
- Corporate Eurobonds	2 918 163	-	338 931	-
- Russian Federation Eurobonds	964 298	-	956 815	-
- Corporate shares	269 650	-	33 996	-
Trading securities pledged under sale and repurchase agreements				
- Federal loan bonds (OFZ bonds)	515 792	-	-	-
- Corporate shares	124 748	-	-	-
- Corporate bonds	-	-	1 364 973	-
- Municipal bonds	-	-	105 553	-
Other financial assets				
- Currency forwards	-	22 930	-	66 342
- Other derivative financial instruments	-	3 433	-	-
TOTAL ASSETS RECOGNIZED AT FAIR VALUE	**29 716 382**	**26 363**	**4 162 911**	**66 342**
LIABILITIES				
Other financial liabilities				
- Currency forwards	-	194 986	-	185 766
- Other derivative financial instruments	-	43 005	-	-
- Financial guarantees and letters of credit	-	18 637	-	22 734
TOTAL LIABILITIES RECOGNIZED AT FAIR VALUE	**-**	**256 628**	**-**	**208 500**

As at 31 December 2009 the Group has financial instruments available-for-sale for which fair value is based on valuation techniques involving the use of non-market observable inputs in amount of RR 88 245 thousand (2008: RR 53 978 thousand).

39 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial instruments by classes and a reconciliation of classes of financial instruments as at 31 December 2009:

In thousands of Russian Roubles	Trading assets	Loans and receivables	Available-for-sale assets	Assets held-to-maturity	Total carrying value of financial assets	Fair value of financial assets
ASSETS						
Cash and cash equivalents						
- Cash on hand	-	4 186 146	-	-	4 186 146	4 186 146
- Balances with the CBRF	-	5 834 518	-	-	5 834 518	5 834 518
- Correspondent accounts and overnight placements	-	9 361 181	-	-	9 361 181	9 361 181
- Settlement accounts with trading systems	-	2 037 628	-	-	2 037 628	2 037 628
Mandatory cash balances with the Central Bank of the Russian Federation	-	1 373 815	-	-	1 373 815	1 373 815
Trading securities						
- Corporate bonds	16 610 633	-	-	-	16 610 633	16 610 633
- Municipal bonds	4 329 720	-	-	-	4 329 720	4 329 720
- Federal loan bonds (OFZ bonds)	3 983 378	-	-	-	3 983 378	3 983 378
- Corporate Eurobonds	2 918 163	-	-	-	2 918 163	2 918 163
- Russian Federation Eurobonds	964 298	-	-	-	964 298	964 298
- Corporate shares	269 650	-	-	-	269 650	269 650
Trading securities pledged under sale and repurchase agreements	640 540	-	-	-	640 540	640 540
Amounts receivable under reverse repurchase agreements	-	3 576 299	-	-	3 576 299	3 352 416
Due from banks						
- Short-term placements with banks	-	5 867 355	-	-	5 867 355	5 900 378
Loans and advances to customers						
Corporate loans						
- loans to finance working capital	-	97 609 201	-	-	97 609 201	99 159 335
- investment loans	-	43 946 731	-	-	43 946 731	44 650 781
- loans to entities financed from budget	-	2 995 085	-	-	2 995 085	3 043 323
Loans to individuals			-	-		
- mortgage loans	-	8 214 912	-	-	8 214 912	8 596 812
- car loans	-	961 146	-	-	961 146	1 046 373
- consumer loans to VIP clients	-	3 289 452	-	-	3 289 452	3 352 224
- other consumer loans	-	1 183 962	-	-	1 183 962	1 227 257
Investment securities available-for-sale	-	-	88 245	-	88 245	88 245
Investment securities held-to-maturity	-	-	-	180 908	180 908	171 701
Other financial assets	-	149 014		-	149 014	149 014
TOTAL ASSETS	**29 716 382**	**190 586 445**	**88 245**	**180 908**	**220 571 980**	**223 247 529**

39 Fair Value of Financial Instruments (continued)

In thousands of Russian Roubles	**Financial liabilities carried at amortised cost**	**Carrying value of financial liabilities**	**Fair value of financial liabilities**
LIABILITIES			
Due to banks			
- Short-term placements of other banks	15 450 978	15 450 978	15 450 978
- Amounts payable under sale and repurchase agreements	500 058	500 058	500 058
- Correspondent accounts of other banks	50 808	50 808	50 808
Customer accounts			
- State and public organisations			
- Current/settlement accounts	1 133 719	1 133 719	1 133 719
- Term deposits	3 013 377	3 013 377	3 020 328
- Other legal entities			
- Current/settlement accounts	34 111 267	34 111 267	34 111 267
- Term deposits	75 896 998	75 896 998	76 802 143
- Amounts payable under sale and repurchase agreements	1 104 665	1 104 665	1 104 665
- Individuals			
- Current/settlement accounts	11 318 855	11 318 855	11 318 855
- Term deposits	49 411 403	49 411 403	50 778 705
Bonds issued			
- Subordinated Eurobonds	3 113 581	3 113 581	2 444 471
Other debt securities in issue			
- Promissory notes	5 144 762	5 144 762	5 180 369
- Deposit certificates	6 012	6 012	6 082
Other borrowed funds			
- Subordinated loans	5 430 428	5 430 428	5 404 697
- Syndicated loans	750 823	750 823	723 404
- Funds attracted from EBRD	547 398	547 398	535 231
- Funds attracted from Nordic Investment Bank	771 350	771 350	735 907
- Funds attracted from KFW – Ipex Bank GMBH	1 103 685	1 103 685	1 001 895
- Funds attracted from VTB Bank (Deutchland)	602 961	602 961	596 003
Other financial liabilities	414 554	414 554	414 554
TOTAL LIABILITIES	**209 877 682**	**209 877 682**	**211 314 139**

39 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial instruments by classes and a reconciliation of classes of the Group's financial instruments as at 31 December 2008:

In thousands of Russian Roubles	Trading assets	Loans and receivables	Available-for-sale assets	Assets held-to-maturity	Total carrying value of financial assets	Fair value of financial assets
ASSETS						
Cash and cash equivalents						
- Cash on hand	-	6 026 512	-	-	6 026 512	6 026 512
- Balances with the CBRF	-	12 901 049	-	-	12 901 049	12 901 049
- Correspondent accounts and overnight placements	-	2 154 639	-	-	2 154 639	2 154 639
- Settlement accounts with trading systems	-	15 759 126	-	-	15 759 126	15 759 126
Mandatory cash balances with the Central Bank of the Russian Federation	-	212 921	-	-	212 921	212 921
Trading securities						
- Corporate bonds	1 094 549	-	-	-	1 094 549	1 094 549
- Russian Federation Eurobonds	956 815	-	-	-	956 815	956 815
- Federal loan bonds (OFZ bonds)	266 382	-	-	-	266 382	266 382
- Corporate Eurobonds	338 931	-	-	-	338 931	338 931
- Corporate shares	33 996	-	-	-	33 996	33 996
- Municipal bonds	1 712	-	-	-	1 712	1 712
Trading securities pledged under sale and repurchase agreements	1 470 526	-	-	-	1 470 526	1 470 526
Due from banks						
- Short-term placements with banks	-	19 175 864	-	-	19 175 864	19 178 975
Loans and advances to customers						
Corporate loans						
- loans to finance working capital	-	85 054 124	-	-	85 054 124	86 196 168
- investment loans	-	37 430 428	-	-	37 430 428	37 772 828
- loans to entities financed from budget	-	6 137 893	-	-	6 137 893	6 210 808
Loans to individuals						
- mortgage loans	-	9 244 104	-	-	9 244 104	9 616 001
- car loans	-	1 683 107	-	-	1 683 107	1 753 608
- other consumer loans	-	5 332 845	-	-	5 332 845	5 517 239
Investment securities available-for-sale	-	-	53 978	-	53 978	53 978
Investment securities held-to-maturity	-	-	-	777 591	777 591	740 635
Other financial assets	-	160 583	-	-	160 583	160 583
TOTAL ASSETS	**4 162 911**	**201 273 195**	**53 978**	**777 591**	**206 267 675**	**208 417 981**

39 Fair Value of Financial Instruments (continued)

In thousands of Russian Roubles	**Financial liabilities carried at amortised cost**	**Carrying value of financial liabilities**	**Fair value of financial liabilities**
LIABILITIES			
Due to other banks			
- Short-term placements of other banks	27 015 504	27 015 504	27 015 504
- Amounts payable under sale and repurchase agreements	5 171 736	5 171 736	5 171 736
- Correspondent accounts and overnight placements of other banks	132 849	132 849	132 849
Customer accounts			
- State and public organisations			
- Current/settlement accounts	3 471 690	3 471 690	3 471 690
- Term deposits	1 314 564	1 314 564	1 320 727
- Other legal entities			
- Current/settlement accounts	27 843 057	27 843 057	27 843 057
- Term deposits	57 921 513	57 921 513	58 486 454
- Amounts payable under sale and repurchase agreements	239 895	239 895	239 895
- Individuals			
- Current/settlement accounts	10 125 643	10 125 643	10 125 643
- Term deposits	38 908 117	38 908 117	39 542 735
Bonds issued			
- Eurobonds	5 911 152	5 911 152	4 891 653
- Subordinated Eurobonds	3 021 061	3 021 061	2 407 280
- Bonds	1 001 368	1 001 368	1 012 200
Other debt securities in issue			
- Promissory notes	4 329 290	4 329 290	4 414 805
- Deposit certificates	7 601	7 601	7 649
Other borrowed funds			
- Syndicated loans	3 682 375	3 682 375	3 604 193
- Subordinated loans	2 985 422	2 985 422	2 880 260
- Funds attracted from KFW IPEX-Bank Gmbh	1 070 158	1 070 158	969 233
- Funds attracted from Nordic Investment Bank	849 147	849 147	773 032
- Funds attracted from EBRD	830 955	830 955	797 171
- Funds attracted from Bank of New York, NY	151 097	151 097	146 216
- Funds attracted from UniCreditBank	29 697	29 697	29 249
Other financial liabilities	231 703	231 703	231 703
TOTAL LIABILITIES	**196 245 594**	**196 245 594**	**195 514 934**

40 Related Party Transactions

For the purposes of these consolidated financial statements, 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.

Transactions are entered into in the normal course of business with shareholders, management and companies controlled by the Group's shareholders and management.

During the current period there were certain changes in the shareholding structure of the Bank. As at 31 December 2009, the shareholder, who granted a subordinated loan, is no longer the Bank's shareholder. Refer to Note 24.

As at 31 December 2009, the outstanding balances with related parties are as follows:

In thousands of Russian Roubles	**Shareholders**	**Management**	**Other related parties**
Loans and advances to customers (contractual interest rates: 9.0% – 23.3%p.a.)	-	70 299	1 290 751
Impairment provision for loans and advances to customers	-	(1 419)	(38 778)
Customer accounts (contractual interest rates: 5.5% - 15.0% p.a.)	51 356	317 938	1 203 310
Other borrowed funds (contractual interest rates: 14.5% p.a.)	-	-	1 591 917

Other borrowed funds include subordinated debt. Refer to Note 24.

The income and expense items with related parties, other than compensation to key management, for the year 2009 are as follows:

In thousands of Russian Roubles	**Shareholders**	**Management**	**Other related parties**
Interest income	9	14 272	155 330
Interest expense	(151 742)	(27 267)	(164 567)
Recovery of provision (provision) for impairment of loan portfolio	1	1 531	(31 550)
Fee and commission income	1 062	678	17 976

40 Related Party Transactions (continued)

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

In thousands of Russian Roubles	**Shareholders**	**Management**	**Other related parties**
Amounts lent to related parties during the period	879	78 232	1 306 909
Amounts repaid by related parties during the period	934	123 907	209 227

As at 31 December 2008, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Shareholders**	**Management**	**Other related parties**
Loans and advances to customers (contractual interest rates: 6.0% – 23.3% p.a.)	55	115 974	193 069
Impairment provision for loans and advances to customers	(1)	(2 950)	(7 228)
Customer accounts (contractual interest rates: 1.3% - 13.5% p.a.)	711 606	253 059	783 447
Other borrowed funds (contractual interest rates: 14.5% p.a.)	1 520 474	-	-

Other borrowed funds include subordinated debt. Refer to Note 24.

The income and expense items with related parties, other than compensation to key management, for the year 2008 were as follows:

In thousands of Russian Roubles	**Shareholders**	**Management**	**Other related parties**
Interest income	5 157	9 205	44 546
Interest expense	(72 043)	(24 584)	(78 838)
Recovery of provision (provision) for impairment of loan portfolio	58	(1 420)	(7 228)
Fee and commission income	4 141	596	14 468

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

In thousands of Russian Roubles	**Shareholders**	**Management**	**Other related parties**
Amounts lent to related parties during the period	672 174	134 138	892 488
Amounts repaid by related parties during the period	675 695	86 990	699 419

In 2009, total remuneration of members of the Supervisory Board and the Management Board, including pension contributions and discretionary bonuses, amounts to RR 365 275 thousand (2008: RR 472 052 thousand).

41 Consolidation of Special Purpose Entities

As at 31 December 2009, the Group consolidated the special purpose entity BSPB Finance plc. This special purpose entity was established in 2006 to facilitate the Eurobonds issue.

As at 31 December 2009, the Group exercised its control over the activity of the special purpose entity, as all financial and operational activities of this special purpose entity were conducted on behalf of the Group and according to Group’s specific business needs. The Group had rights to obtain the majority of the benefits of the special purpose entity and therefore was exposed to risks incident to its activities.

As at 31 December 2009, the Group consolidated the close-ended real estate mutual investment fund “Nevskiy - Second Real Estate Fund” and close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund”. These entities are meant for disposal a of long-term asset held for sale and for management of an investment property project.

42 Subsequent Events

On 21 January 2010 the Group attracted a loan from VTB Bank (France) SA in the amount of USD 20 000 thousand to finance trading contracts of clients. The maturity date of the loan is 24 January 2011, the interest rate is LIBOR + 6% p.a. or 6.88% p.a.

On 28 January 2010 the Group attracted a loan in the amount of RR 300 000 thousand from “Russian Bank for Development” to finance small and medium-sized enterprises. The maturity date of the loan is 31 December 2012, the interest rate is 10.5% p.a.

On 19 February 2009 the Group attracted a loan in the amount of USD 20 000 thousand from VTB Bank (Deutschland) AG to finance trading contracts of clients. The maturity date of the loan is 18 August 2010, the interest rate is 6% p.a.

On 25 March 2010 the Supervisory Board preliminary approved and recommended for the annual shareholders’ meeting the payment of dividends for the 2009 year on preference shares at 11% p.a., on ordinary shares at 11% p.a. and on preference shares type A at 13.5% p.a. on placement amount of one type A preference share fixed in US dollars. The Rouble equivalent is calculated using the exchange rate set by the CBRF as at 25 March 2010.