

Credit-Moscow Bank

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

Contents

Independent Auditor's Report

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements

Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Cash Flows	7
Statement of Changes in Equity	8

Notes to the Financial Statements

1. Principal Activities of the Bank	9
2. Operating Environment of the Bank	9
3. Basis of Presentation	11
4. Summary of Significant Accounting Policies	13
5. Cash and Cash Equivalents	23
6. Due from Other Banks	23
7. Loans to Customers	23
8. Financial Assets Available for Sale	28
9. Premises and Equipment and Intangible Assets	34
10. Other Assets	36
11. Due to Other Banks	36
12. Customer Accounts	37
13. Debt Securities Issued	37
14. Other Liabilities	37
15. Share Capital and Share Premium	38
16. Retained Earnings according to Russian Accounting Standards	38
17. Interest Income and Expense	39
18. Fee and Commission Income and Expense	39
19. Operating Expenses	39
20. Income Tax	40
21. Dividends	41
22. Components of Comprehensive Income	42
23. Risk Management	42
24. Capital Management	52
25. Contingent Liabilities	52
26. Fair Value of Financial Instruments	53
27. Reconciliation of Categories of Financial Instruments to the Statement of Financial Position	54
28. Related Party Transactions	56

Independent Auditor's Report

To the Shareholders and the Supervisory Board of Credit-Moscow Bank
(Joint Stock Company)

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

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

Anton V. Efremov
Senior Partner

22 April 2010

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

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

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

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

On behalf of the Bank's management the financial statements for the year ended 31 December 2009 were authorised for issue on 22 April 2010 by:

O.I. Lygina,
Director

E. N.Nemilova
Acting Chief Accountant -
Deputy Director

Credit-Moscow Bank (Joint Stock Company)

Moscow

22 April 2010

Credit-Moscow Bank (Joint Stock Company)
Statement of Financial Position as at 31 December 2009
(in thousands of Russian Roubles)

	Note	2009	2008
Assets			
Cash and cash equivalents	5	1 908 039	1 618 666
Mandatory cash balances with the Central Bank of the Russian Federation		36 540	4 645
Due from other banks	6	125 254	24 198
Loans to customers	7	1 431 742	1 660 813
Financial assets available for sale	8	1 890 265	826 132
Premises and equipment and intangible assets	9	371 587	355 897
Other assets	10	120 568	68 744
Current tax assets		8 448	-
Deferred tax assets	20	-	4 319
Total assets		5 892 443	4 563 414
Liabilities			
Due to other banks	11	46 172	628 677
Customer accounts	12	5 252 391	3 368 256
Debt securities issued	13	53 304	59 269
Other liabilities	14	33 942	32 334
Current tax liabilities		-	1 299
Deferred tax liabilities	20	1 929	-
Total liabilities		5 387 738	4 089 835
Equity			
Share capital	15	262 798	262 798
Share premium	15	327 746	327 746
Revaluation reserve for premises and equipment		74 870	67 254
Fair value reserve for financial assets available for sale		14 241	(21 884)
Accumulated deficit		(174 950)	(162 335)
Total equity		504 705	473 579
Total liabilities and equity		5 892 443	4 563 414

O.I. Lygina
 Director

E. N. Nemilova
 Acting Chief Accountant -
 Deputy Director

22 April 2010

The notes set out on pages 9 to 57 are integral part of these financial statements

Credit-Moscow Bank (Joint Stock Company)
Statement of Comprehensive Income for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

	Note	2009	2008
Interest income	17	414 155	365 903
Interest expense	17	(256 034)	(121 483)
Net interest income		158 121	244 420
Provision for impairment of loans to customers	7	(79 724)	(33 081)
Net interest income after provision for impairment of loans to customers		78 397	211 339
Gains less losses arising from financial assets and liabilities at fair value through profit or loss		8 543	(18 917)
Gains less losses arising from financial assets available for sale		110 245	776
Gains less losses from dealing in foreign currency		(10 321)	60 357
Foreign exchange translation gains less losses		18 748	(27 073)
Fee and commission income	18	137 666	133 300
Fee and commission expense	18	(19 356)	(24 240)
Provision for impairment of other assets and credit related commitments	10, 25	(4 346)	(670)
Dividends received		75	284
Other operating income		7 873	5 903
Operating income		327 524	341 059
Operating expenses	19	(314 351)	(313 855)
Profit before taxation		13 173	27 204
Income tax expense	20	(4 200)	(7 522)
Net profit		8 973	19 682
Other comprehensive income			
Gains less losses arising from revaluation of financial assets available for sale	22	45 156	(27 355)
Effect of revaluation of premises and equipment	9	9 519	5 729
Income tax relating to components of comprehensive income	20	(10 934)	7 459
Other comprehensive income/ (expense) after taxation		43 741	(14 167)
Total comprehensive income for the period		52 714	5 515

O.I. Lygina
 Director

E. N. Nemilova
 Acting Chief Accountant -
 Deputy Director

22 April 2010

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Credit-Moscow Bank (Joint Stock Company)
Statement of Cash Flows for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

	2009	2008
Cash flows from operating activities		
Interest received	403 148	343 196
Interest paid	(197 436)	(121 300)
Gains less losses arising from financial assets and liabilities at fair value through profit or loss	11 719	(23 620)
Gains less losses arising from dealing in foreign currency	(10 321)	60 357
Fees and commissions received	137 654	133 312
Fees and commissions paid	(19 356)	(24 240)
Other operating income	7 873	5 903
Operating expenses paid	(294 259)	(265 428)
Income tax paid	(18 635)	(8 483)
Cash flows from operating activities before changes in operating assets and liabilities	20 387	99 697
Net (increase)/decrease in operating assets		
Mandatory cash balances with the Central Bank of the Russian Federation	(31 895)	(41 902)
Financial assets at fair value through profit or loss	-	213 965
Due from other banks	(105 251)	(4 070)
Loans to customers	85 440	(401 217)
Other assets	(51 522)	(53 169)
Net increase/(decrease) in operating liabilities		
Due to other banks	(583 815)	620 968
Customer accounts	2 012 726	481 206
Debt securities issued	(5 809)	(70 127)
Other liabilities	(9 396)	410
Net cash flows from operating activities	1 330 865	845 761
Cash flows from investing activities		
Acquisition of financial assets available for sale (Note 8)	(4 852 128)	(74 724)
Proceeds from sale of financial assets available for sale	3 787 877	15 037
Purchase of premises and equipment and intangible assets (Note 9)	(22 366)	(18 088)
Proceeds from sale of premises and equipment	627	491
Dividends received	75	284
Net cash flows from investing activities	(1 085 915)	(77 000)
Cash flows from financing activities		
Shares issued (Note 15)	-	85 975
Dividends paid (Note 21)	(21 309)	(6 582)
Net cash flows from financing activities	(21 309)	79 393
Effect of exchange rate changes on cash and cash equivalents	65 732	6 389
Net change in cash and cash equivalents	289 373	854 543
Cash and cash equivalents at the beginning of the year	1 618 666	764 123
Cash and cash equivalents at the end of the year (Note 5)	1 908 039	1 618 666

O.I. Lygina
 Director

E. N. Nemilova
 Acting Chief Accountant -
 Deputy Director

22 April 2010

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Credit-Moscow Bank (Joint Stock Company)
Statement of Changes in Equity for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

	Share capital	Share premium	Revaluation reserve for premises and equipment	Fair value reserve for financial assets available for sale	Accumulated deficit	Total equity
Balance as at 1 January 2008	244 849	259 720	59 537	-	(176 247)	387 859
Dividends declared for the year 2007 (Note 21)	-	-	-	-	(5 770)	(5 770)
Shares issued (Note 15)	17 949	68 026	-	-	-	85 975
Comprehensive income for the year 2008	-	-	7 717	(21 884)	19 682	5 515
Balance as at 31 December 2008	262 798	327 746	67 254	(21 884)	(162 335)	473 579
Dividends declared for the year 2008 (Note 21)	-	-	-	-	(21 588)	(21 588)
Comprehensive income for the year 2009	-	-	7 616	36 125	8 973	52 714
Balance as at 31 December 2009	262 798	327 746	74 870	14 241	(174 950)	504 705

O.I. Lygina
Director

E. N. Nemilova
Acting Chief Accountant -
Deputy Director

22 April 2010

The notes set out on pages 9 to 57 are integral part of these financial statements

1. Principal Activities of the Bank

Credit-Moscow Bank (the Bank) was created in the form of a partnership and registered by the USSR State Bank in September 1988. In 1991 the Bank was restructured into an open joint-stock company and in 1996 the name of the Bank's business organisation form was brought in compliance with the current legislation and defined as open joint stock company. The Bank has been operating since 2002 under the general banking license issued by the Central Bank of the Russian Federation (CBR). The Bank also holds licenses of the professional securities market participant for brokerage and dealing transactions, depositary activities, securities management operations and borrowing and selling precious metals, issued by the CBR in 2002.

The principal activities of the Bank are commercial banking operations on the territory of the Russian Federation.

The Bank has a branch in Saint-Petersburg.

The Bank's legal and actual address is: 8/1, 6th Monetchikovski Lane, Moscow, 115054.

Since March 2005 the Bank has been a member of the obligatory deposit insurance system provided by the state corporation "Deposit Insurance Agency".

The average annual number of the Bank's employees in 2009 was 178 (2008: 214).

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

Shareholders	2009 Ownership, %	2008 Ownership, %
Elena Ye. Fomina	18.8	18.8
Nadiya Kh. Yakubova	16.7	10.0
Yakov D. Kan	15.9	15.9
Boris A. Nepomnyashchiy	15.7	15.7
Boris G. Khmelnitskiy	12.7	12.7
Dmitriy Yu. Ismagilov	10.3	-
Lilia Ya. Kan	3.6	3.6
Kaleria A. Lopatkina	3.3	13.7
Ruis Diamonds JSC	1.1	1.1
Financial Broker Credit-Moscow OJSC	1.0	1.0
Victor V. Avdonin	-	6.6
Shareholders with shareholdings less than 1% of the Bank's share capital	0.9	0.9
Total	100.0	100.0

As at 31 December 2009, members of the Supervisory and Management Boards of the Bank controlled 45 497 443 ordinary shares or 50.6% of the Bank's share capital (2008: 54 755 548 or 60.9%).

2. Operating Environment of the Bank

General

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

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

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

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

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

During 2009 the refinancing rate was lowered from 13% to 8.75% per annum. Required reserve ratio for credit institutions' obligations was raised from 0.5% to 2.5%.

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

Inflation

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

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

Currency transactions

Foreign currencies, in particular the US dollar and EUR, play a significant role in measuring economic parameters of many business transactions in Russia. The table below shows the CBR exchange rates of RUR relative to USD and EUR:

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

Financial market transactions

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

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

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

3. Basis of Presentation

General principles

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

Functional and presentation currency

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

Estimates and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements preparation, and the reported amounts of revenues and expenses during the reporting period. Issues that require best estimate and are most significant for the financial statements are disclosed in Notes 4, 7, 9 and 25.

Going concern

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

These financial statements were prepared on a going concern assumption. However, the Bank's liquidity position disclosed in Note 23 indicates that the Bank has no sufficient funds to meet its obligations maturing in more than 1 month.

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

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

Changes in Accounting Policies

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

- IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009). The new amendment is aimed at simplifying analysis and comparison of information in the financial statements. The revised standard impacts the format of data presentation in the Bank's financial statements but does not impact recognition and measurement of individual transactions and balances. The main changes are summarized below:
 - "balance sheet" becomes "a statement of financial position";
 - "statement of income" becomes "a statement of comprehensive income";
 - a statement of comprehensive income can be presented in two ways: as one statement of comprehensive income consisting of two parts, where the first part is actually an income statement, or as two statements (a separate income statement and a statement of comprehensive income);
 - minority interest is amended to non-controlling interest;
 - non-owner changes in equity earlier presented in the statement of changes in equity should be reported within other comprehensive income;
 - when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when the entity reclassifies items in the financial statements, at least three statements of financial position - as at the end of the current period, as at the end of the previous reporting period (coinciding with the beginning of the current reporting period) or as at the beginning of the earliest comparative period - are required.
 - separate disclosure of dividends in the statement of changes in equity or in the notes to financial statements is required.
- IAS 23 "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009). Description of borrowings costs has a reference to IAS 39.
- IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009). The amendments clarify requirements for measurement of goodwill and non-controlling interest.
- IAS 38 "Intangible assets" (effective for annual periods beginning on or after 1 July 2009). The standard is extended to describe the valuation techniques commonly used by entities when measuring the fair value of intangible assets that are not traded in active markets.
- Amendment to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 July 2009). IFRS 2 was amended to clarify that contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2.
- Amendment to IFRS 3 "Business Combinations" (effective for annual reporting periods beginning on or after 1 July 2009). The amendments clarify requirements for measurement of acquisitions, goodwill and non-controlling interest.
- IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). The amendments clarify that the information should be disclosed for each reportable segment based on the information provided to the chief operating decision maker.
- IFRIC 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 July 2009). The amendments clarify the scope of this IFRIC.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 July 2009). The amendments clarify the scope of this IFRIC.

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

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

IFRSs and IFRIC interpretations not yet effective

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

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

4. Summary of Significant Accounting Policies

Cash and cash equivalents

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

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

Mandatory cash balances with the Central Bank of the Russian Federation

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

Financial assets

The Bank classifies its financial assets in the following categories:

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

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

Initial recognition of financial instruments

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

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

Fair value measurement

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

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

Derecognition of financial assets

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

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

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

Reclassification of financial assets

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

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

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

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

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

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

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

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

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

Due from other banks

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

Loans to customers

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

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

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

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

The Bank does not acquire loans from third parties.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets not included into loans and receivables.

Financial assets available for sale are initially recognised at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial asset. Financial assets available for sale are subsequently remeasured to fair value based on quoted bid prices. Certain financial assets available for sale for which there is no available independent quotation have been fair valued by the Bank's management on the basis of results of recent sales of similar financial assets to unrelated third parties, analysis of other information such as discounted cash flows and financial information on the investee, as well as other valuation methods.

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

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

Promissory notes purchased

Promissory notes purchased are included in financial assets available for sale, due from other banks or loans to customers, depending on their economic substance and are subsequently revalued or accounted for in accordance with the accounting policies for these categories of assets.

Impairment of financial assets

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

Impairment of due from other banks and loans to customers

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

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

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

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

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

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

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

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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

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

Impairment of financial assets available for sale

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

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

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

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

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

Financial liabilities

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

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

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

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

Financial assets at fair value through profit or loss

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

Financial liabilities carried at amortised cost

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

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

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

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

Repurchase and reverse repurchase agreements and lending of securities

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

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

Offsetting of financial instruments

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

Premises and equipment

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

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

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

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

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

The revaluation reserve for premises and equipment is transferred directly to retained earnings when the revaluation amount is realised, i.e. either on the retirement or disposal of the asset.

Gains and losses on disposal of premises and equipment are determined based on their carrying amount and are recognised in the statement of comprehensive income as operating expenses.

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

Depreciation

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

- Buildings - 50 years;
- Motor vehicles - 5 years;
- Furniture, computers and office equipment - 4-5 years;
- Capital investments in leased buildings - over the lease term.

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

Intangible assets

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

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

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

Intangible assets have finite useful lives, are amortised over the useful economic life (25 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at each financial year-end.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Bank and will probably generate in the period beyond one year economic benefits that exceed the costs are recognised as intangible assets. Direct costs include expenses on maintenance of the team of software developers and the relevant share of general economic expenses.

Expenses that enhance or extend the performance of the software beyond its original specifications are recognised as capital expenditures and added to the original cost of the software.

Operating lease - the Bank as lessee

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

Operating lease - the Bank as lessor

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

Share capital

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

Share premium

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

Dividends

Dividends are recognised as a liability and deducted from shareholders' equity at the reporting date only if they are declared before or on the reporting date. Information on dividends is disclosed in the subsequent events note. Net profit of the reporting year reflected in the statutory financial statements is the basis for payment of dividends and other appropriations.

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

Contingent assets and liabilities

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

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

Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, including guarantees, letters of credit and commitments to extend credits. Guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Documentary letters of credit, which are written undertakings by the Bank to pay on behalf of the client the agreed amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

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

Taxation

The income tax charge comprises current tax and deferred tax and is recorded in the statement of comprehensive income except if it is recorded directly in other comprehensive income because it relates to transactions that are also recorded directly in other comprehensive income.

Income tax expense is recorded in the financial statements in accordance with the applicable legislation of the Russian Federation. Current tax is calculated on the basis of the estimated taxable profit for the year, using the tax rates enacted during the reporting period.

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

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

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

statements based on probable periods and amounts of future taxable profits and future tax planning strategies.

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

Income and expense recognition

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

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

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

Employee benefits and social insurance contributions

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

Foreign currency translation

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

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

5. Cash and Cash Equivalents

	2009	2008
Cash on hand	129 165	87 688
Balances with the CBR (other than mandatory reserve deposits)	1 431 334	613 345
Correspondent accounts with banks of:		
- Russian Federation	12 791	93 067
- other countries	303 618	813 598
Cash balances with the non-bank credit institution "Unified Settlement System"	21 930	-
Cash for settlements on MICEX	9 201	10 968
Total cash and cash equivalents	1 908 039	1 618 666

Cash balances with the non-bank credit institution "Unified Settlement System" represent funds for plastic card settlements.

Cash for settlements on currency exchange represent funds which are not restricted in use and are designated for trading and settlements on the Moscow Interbank Currency Exchange (MICEX).

6. Due from Other Banks

	2009	2008
Deposit with the CBR	100 000	-
Loans and deposits with other banks	25 254	24 198
Total due from other banks	125 254	24 198

As at 31 December 2009, the Bank had cash balances above 10% of the Bank's capital with the CBR in the amount of RUR 100 000 thousand (with maturity on 11 January 2010 and interest rate of 3.5% per annum) or 79.8% of total due from other banks (2008: none).

7. Loans to Customers

	2009	2008
Corporate loans	878 256	956 342
Loans to individual entrepreneurs, small and medium business	420 942	674 496
Consumer loans to individuals	130 490	73 916
Reverse repo agreements	75 059	-
Mortgage loans to individuals	34 388	51 649
Less: provision for impairment of loans to customers	(107 393)	(95 590)
Total loans to customers	1 431 742	1 660 813

As at 31 December 2009, loans to customers in the amount of RUR 75 059 thousand (2008: none) were collateralized by the securities acquired under reverse repo agreements with the fair value of RUR 80 000 thousand.

As at 31 December 2009, accrued interest income on impaired loans to customers amounted to RUR 14 706 thousand (2008: RUR 25 457 thousand).

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

	Corporate loans	Loans to individual entrepreneurs, small and medium business	Consumer loans to individuals	Total
Provision for impairment of loans to customers as at 1 January 2008	25 126	37 298	85	62 509
Provision for impairment during 2008	2 577	29 462	1 042	33 081
Provision for impairment of loans to customers as at 31 December 2008	27 703	66 760	1 127	95 590
Provision for impairment during 2009	(9 908)	90 333	(701)	79 724
Loans written off during 2009 as uncollectible	-	(67 921)	-	(67 921)
Provision for impairment of loans to customers as at 31 December 2009	17 795	89 172	426	107 393

In 2009 the Bank wrote off a number of uncollectible loans provided to individual entrepreneurs, small and medium business in the amount of RUR 67 921 thousand against the related impairment provision. The Bank took all necessary and adequate steps, envisaged by law, custom of business turnover or agreements to collect the outstanding loans.

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

	2009		2008	
	Amount	%	Amount	%
Trade	446 566	29.0	448 639	25.5
Manufacturing	395 673	25.7	452 958	25.8
Rent of immovable property	214 597	13.9	240 267	13.7
Individuals	164 878	10.7	125 566	7.1
Aircraft industry	85 299	5.5	87 228	5.0
Financial services	75 059	4.9	-	-
Transport	39 246	2.6	72 063	4.1
Construction	8 904	0.6	133 801	7.6
Leasing	2 001	0.1	24 057	1.4
Agriculture	1 304	0.1	-	-
Sale of land plots	-	-	61 825	3.5
Other	105 608	6.9	109 999	6.3
Total loans to customers (gross)	1 539 135	100.0	1 756 403	100.0

As at 31 December 2009, the Bank issued loans to six borrowers (2008: five borrowers) with the aggregate amount due above 10% of the Bank's capital. The aggregate amount of these loans was RUR 507 895 thousand or 33% of loans to customers (2008: RUR 377 112 thousand or 21.5% of total loans to customers).

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

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision, %
Corporate loans				
<i>Unimpaired loans</i>				
Current loans (not past due)	161 741	-	161 741	-
<i>Individually impaired loans</i>				
Current loans (not past due)	716 515	17 795	698 720	2.4%
Total corporate loans	878 256	17 795	860 461	2.0%
Loans to individual entrepreneurs, small and medium business				
<i>Collectively impaired loans</i>				
Current loans (not past due)	326 064	26 864	299 200	8.2%
Less than 1 month overdue	8 270	755	7 515	9.1%
1 to 6 months overdue	24 338	7 585	16 753	31.2%
6 to 12 months overdue	28 719	23 847	4 872	83.0%
More than 1 year overdue	33 551	30 121	3 430	89.8%
Total loans to individual entrepreneurs, small and medium business	420 942	89 172	331 770	21.2%
Consumer loans to individuals				
<i>Collectively impaired loans</i>				
Current loans (not past due)	129 358	170	129 188	0.1%
Less than 1 month overdue	668	1	667	0.1%
1 to 6 months overdue	307	98	209	31.9%
More than 1 year overdue	157	157	-	100.0%
Total consumer loans to individuals	130 490	426	130 064	0.3%
Reverse repo agreements				
<i>Unimpaired loans</i>				
Current loans (not past due)	75 059	-	75 059	-
Total reverse repo agreements	75 059	-	75 059	-
Mortgage loans to individuals				
<i>Unimpaired loans</i>				
Current loans (not past due)	34 388	-	34 388	-
Total mortgage loans to individuals	34 388	-	34 388	-
Total loans to customers	1 539 135	107 393	1 431 742	7.0%

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

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision, %
Corporate loans				
<i>Unimpaired loans</i>				
Current loans (not past due)	309 714	-	309 714	-
<i>Individually impaired loans</i>				
Current loans (not past due)	646 628	27 703	618 925	4.3%
Total corporate loans	956 342	27 703	928 639	2.9%
Loans to individual entrepreneurs, small and medium business				
<i>Unimpaired loans</i>				
Less than 1 month overdue	1 757	-	1 757	-
1 to 6 months overdue	3 023	-	3 023	-
<i>Collectively impaired loans</i>				
Current loans (not past due)	611 450	31 293	580 157	5.1%
Less than 1 month overdue	14 981	988	13 993	6.6%
1 to 6 months overdue	17 145	8 339	8 806	48.6%
More than 1 year overdue	26 140	26 140	-	100.0%
Total loans to individual entrepreneurs, small and medium business	674 496	66 760	607 736	9.9%
Consumer loans to individuals				
<i>Collectively impaired loans</i>				
Current loans (not past due)	72 982	1 095	71 887	1.5%
Less than 1 month overdue	366	5	361	1.5%
1 to 6 months overdue	549	8	541	1.5%
6 to 12 months overdue	19	19	-	100.0%
Total consumer loans to individuals	73 916	1 127	72 789	1.5%
Mortgage loans to individuals				
<i>Unimpaired loans</i>				
Current loans (not past due)	51 649	-	51 649	-
Total mortgage loans to individuals	51 649	-	51 649	-
Total loans to customers	1 756 403	95 590	1 660 813	5.4%

Current and unimpaired loans represent loans issued to borrowers with high level of liquidity and profitability. Current unimpaired loans include loans issued to individuals under the mortgage lending program. The possibility of the borrowers' non-compliance with the contractual provisions is assessed by the Bank as low.

Individually impaired loans are loans where evidence of impairment is substantial, which are individually assessed by the Bank.

Collectively impaired loans include loans grouped in homogeneous pools of claims sharing common characteristics in respect of risk exposure collectively assessed by the Bank for impairment.

As at 31 December 2009 current loans to customers include loans in the amount of RUR 204 870 thousand (2008: RUR 139 155 thousand), that would otherwise be past due whose terms have been renegotiated.

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

	Corporate loans	Loans to individual entrepreneurs, small and medium business	Consumer loans to individuals	Reverse repo agreements	Mortgage loans to individuals	Total
Guarantees	1 900 428	2 309 674	304 848	-	291 771	4 806 721
Immovable property	829 531	273 957	134 697	-	91 258	1 329 443
Equipment	350 757	102 852	-	-	-	453 609
Cash deposits	226 289	120 431	12 364	-	-	359 084
Motor vehicles	65 661	189 044	6 599	-	2 756	264 060
Marketable securities	-	-	-	80 000	-	80 000
Non-marketable securities	-	-	23 083	-	2 391	25 474
Other assets	9 488	240 888	-	-	2 284	252 660
Total collateral	3 382 154	3 236 846	481 591	80 000	390 460	7 571 051

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

	Corporate loans	Loans to individual entrepreneurs, small and medium business	Consumer loans to individuals	Mortgage loans to individuals	Total
Guarantees	1 332 164	2 912 917	255 892	289 937	4 790 910
Immovable property	543 006	339 323	23 143	92 814	998 286
Equipment	342 646	291 792	-	-	634 438
Motor vehicles	-	230 551	2 433	382	233 366
Marketable securities	24 000	460	23 083	-	47 543
Cash deposits	-	-	10 200	-	10 200
Other assets	127 548	274 460	-	2 284	404 292
Total collateral	2 369 364	4 049 503	314 751	385 417	7 119 035

The fair value of collateral may differ from its carrying value.

As at 31 December 2009, loans to customers in the total amount of RUR 65 026 thousand or 4.2% of total loans to customers are not secured (2008: RUR 487 987 thousand or 27.8% of total loans to customers).

Below is the information on the collateral value of the security provided for individually impaired and past due unimpaired loans:

	2009	2008
Individually impaired corporate loans		
Guarantees	1 577 814	708 825
Immovable property	681 302	415 702
Equipment	266 747	342 646
Cash deposits	116 289	-
Motor vehicles	65 661	-
Other assets	9 488	67 548
Marketable securities	-	24 000
Total collateral for individually impaired corporate loans	2 717 301	1 558 721
Past due unimpaired loans to individual entrepreneurs, small and medium business		
Equipment	-	10 220
Guarantees	-	17 424
Other assets	-	300
Total collateral for past due unimpaired loans to individual entrepreneurs, small and medium business	-	27 944
Total collateral for individually impaired and past due unimpaired loans to customers	2 717 301	1 586 665

8. Financial Assets Available for Sale

	2009	2008
Government and municipal debt securities		
- Russian Federation bonds (OFZ)	110 632	264 370
- Municipal bonds	251 644	116 030
Corporate debt securities		
- Corporate eurobonds	510 153	-
- Corporate bonds	817 471	395 870
- Promissory notes	198 466	48 017
Corporate equity securities		
- Corporate shares	2 099	2 045
Less: provision for impairment of financial assets available for sale	(200)	(200)
Total financial assets available for sale	1 890 265	826 132

Russian Federation bonds (OFZ) are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 31 December 2009, OFZ in the Bank's portfolio have maturity dates from January 2010 to August 2016 (2008: from April 2009 to October 2018), coupon rates ranging from 6.10% to 10.0%, depending on the issue (2008: from 5.8% to 10.0% per annum) and yield to maturity from 6.3% to 8.6% per annum (2008: from 6.1% to 11.4% per annum).

Municipal bonds are Rouble-denominated securities issued by subjects of the Russian Federation and local administrations and freely tradable on the MICEX. As at 31 December 2009, municipal bonds in the Bank's portfolio have maturity dates from March 2010 to December 2011 (2008: from April 2009 to November 2010), coupon rates ranging from 6.8% to 10.0% per annum (2008: from 6.8% to 10.0% per annum) and yield to maturity from 6.1% to 9.0% per annum (2008: from 8.6% to 10.4% per annum).

Corporate eurobonds are represented by interest-bearing securities denominated in USD and EUR issued by large Russian companies and quoted on international markets. As at 31 December 2009, corporate eurobonds in the Bank's portfolio have maturity dates from May 2010 to May 2012 (2008: none) and coupon rates ranging from 6.1% to 10.0% per annum.

Corporate bonds are Rouble-denominated securities issued by major Russian commercial banks and companies, freely tradable on the MICEX. As at 31 December 2009, corporate bonds in the Bank's portfolio have maturity dates from February 2010 to October 2018 (2008: from January 2009 to February 2018), coupon rates ranging from 7.7% to 18.0% per annum (2008: from 7.3% to 13.8% per annum) and yield to maturity ranging from 7.1% to 13.2% per annum (2008: from 4.6% to 19.0% per annum).

Promissory notes are represented by Rouble-denominated securities issued by Russian commercial banks. As at 31 December 2009, promissory notes in the Bank's portfolio have maturities from January 2010 to May 2010 (2008: May 2009) and yield to maturity ranging from 8.3% to 15.7% % per annum (2008: 8.8% per annum).

Corporate shares are represented by Rouble-denominated securities issued by Russian organizations that are not traded in the domestic stock market and also by US dollar-denominated securities issued by MasterCard Incorporated.

The Bank is a permanent member of the international payment system MasterCard International and in 2006 it became a holder of MasterCard International shares in the amount of RUR 1 899 thousand. The shares were obtained as a result of redistribution of MasterCard Incorporated shares, according to the United States securities legislation, upon completion of the process of MasterCard conversion from an association of members into a private joint stock company and its merger with Europay International SA.

As at 31 December 2009 and 31 December 2008, the provision for impairment of financial assets available for sale represents the funds reserved for investments in shares of CJSC Cardcentre and CJSC Interbank Financial House in the amount of 100%.

Credit-Moscow Bank (Joint Stock Company)
Notes to the Financial Statements for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

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

	Fitch	Moody's	S&P	Amount	No rating assigned	Total
Government and municipal debt securities						
- Russian Federation bonds (OFZ)	BBB	Baa2	BBB+	110 632	-	110 632
- Municipal bonds						
Administration of Bashkortostan Republic of Sakha (Yakutia)	-	Ba1	BB+	20 032	-	20 032
Moscow Government	BB	-	BB-	15 519	-	15 519
Ministry of Finance Management of Samara region	BBB+	Baa2	BBB	97 681	-	97 681
Administration of Irkutsk region	-	Ba1	BB+	31 122	-	31 122
Administration of Tomsk region	-	-	B	28 041	-	28 041
Administration of Yaroslavl region	-	-	B-	19 311	-	19 311
Administration of Belgorod region	BB-	-	-	8 994	-	8 994
	-	Ba1	-	30 944	-	30 944
Corporate debt securities						
- Corporate eurobonds						
	BBB					
TNK-BP	-	Baa2	BBB-	125 234	-	125 234
Eurokhim	BB	-	BB	63 792	-	63 792
OJSC Raspadksaya	B+	B1	-	30 823	-	30 823
OJSC TMK	-	B1	B	32 463	-	32 463
OJSC Mobile TeleSystems	BB+	Ba2	BB	32 094	-	32 094
OJSC Promsvyazbank	B+	Ba2	B	33 734	-	33 734
TransKreditBank OJSC	-	Ba1	BB	56 074	-	56 074
OJSC URSA Bank	B+	Ba3	-	88 576	-	88 576
			BB			
OJSC VTB Bank	BBB	Baa1	B	47 362	-	47 362
- Corporate bonds						
OJSC Bank Petrocommerce				55 252	-	55 252
Rusfinance Bank LLC	-	Baa2	BB+	128 685	-	128 685
TransCreditBank OJSC	-	Ba1	BB	5 811	-	5 811
Home Credit and Finance Bank LLC	-	Ba3	B+	15 532	-	15 532
OJSC Sibirtelecom	BB	-	-	5 725	-	5 725
OJSC Moscow Unified Energy Company	BB+	-	BB+	62 164	-	62 164
OJSC Russian Railways	BBB	Baa1	BBB	90 023	-	90 023
OJSC Mobile TeleSystems	BB+	Ba2	BB	94 977	-	94 977
OJSC Lukoil	BBB-	Baa2	BBB-	87 771	-	87 771
OJSC Vypel-Communication	-	-	-	-	57 540	57 540
OJSC Wimm-Bill-Dann-Foods	-	Ba3	BB-	113 885	-	113 885
OJSC Mechel	-	-	-	-	51 108	51 108
OJSC Severstal	B+	Ba3	BB-	48 999	-	48 999
Promissory notes						
OJSC ALFA-BANK	BB-	-	B+	59 274	-	59 274
OJSC URALSIB	B+	-	-	19 800	-	19 800
OJSC PROMSVYAZBANK	B+	Ba2	B	19 545	-	19 545
OJSC GAZPROMBANK	-	-	BB	49 120	-	49 120
INTERCREDIT BANK CJSC	-	-	-	50 727	-	50 727
Total debt securities available for sale				1 779 718	108 648	1 888 366

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

	Fitch	Moody's	S&P	Amount	No rating assigned	Total
Government and municipal debt securities						
- Russian Federation bonds (OFZ)	BBB+	Baa2	BBB+	264 370	-	264 370
- Municipal bonds						
Administration of Bashkortostan	-	-	BB+	40 370	-	40 370
Republic of Sakha (Yakutia)	BB	-	BB-	30 390	-	30 390
Moscow Government	BBB+	Baa2	BBB	20 310	-	20 310
Ministry of Finance Management of Samara region	-	-	BB+	5 419	-	5 419
Administration of Novosibirsk region	-	-	-	-	19 541	19 541
Corporate debt securities						
- Corporate bonds						
Roselkhozbank OJSC	-	Baa1	-	82 392	-	82 392
Rusfinance Bank LLC	-	Baa2	BB+	77 611	-	77 611
Centre Telecom OJSC	-	-	B+	41 907	-	41 907
Commercial Bank "Renaissance (LLC)	B-	B1	B-	26 689	-	26 689
Commercial Bank "Stroikredit"	-	B3	-	21 123	-	21 123
VolgaTelecom OJSC	-	-	BB-	19 286	-	19 286
Bank "Northern Treasury" OJSC	-	Caa2	-	9 618	-	9 618
TransCreditBank OJSC	-	-	BB	5 296	-	5 296
Home Credit and Finance Bank LLC	-	Ba3	B+	3 973	-	3 973
Other corporate bonds	-	-	-	-	107 975	107 975
- Promissory notes						
Sberbank of Russia OJSC	-	-	-	-	48 017	48 017
Total debt securities available for sale				648 754	175 533	824 287

Movements in the portfolio of financial assets available for sale are as follows:

	2009	2008
Carrying value as at 1 January	826 332	1 741
Transferred from other categories	-	777 545
Purchase	4 852 128	74 724
Sale	(3 660 443)	(7 936)
Accrued interest income	154 773	41 239
Interest received	(132 907)	(26 884)
Gains less losses from revaluation to fair value	27 968	(34 401)
Effect of exchange rate differences	(177 386)	304
Carrying value as at 31 December	1 890 465	826 332

Equity financial assets available for sale are as follows:

Name	Nature of business	Country of registration	2009	2008
MasterCard International	International settlement system	USA	1 899	1 845
CJSC Cardcentre	Manufacturing	Russia	200	200
CJSC Interbank Financial House	Information and consulting services	Russia	-	-
Total			2 099	2 045

The “-“sign in the table above means that the amount of Bank’s investments in the share capital is less than RUR 1 thousand.

As at 31 December 2009, financial asset available for sale included assets provided as collateral under reverse repo agreements with the fair value equalling RUR 59 132 thousand as at 31 December 2009 (2008: RUR 604 423 thousand) (Note 11).

Below is the analysis of financial assets available for sale provided as collateral as at 31 December 2009 and 31 December 2008:

	2009	2008
Government and municipal debt securities		
- Russian Federation bonds (OFZ)	-	235 985
- Municipal bonds	-	66 713
Corporate debt securities		
- Corporate bonds	59 132	301 725
Total financial assets available for sale provided as collateral	59 132	604 423

Due to drastic deterioration of the situation and the declining liquidity on the world financial markets in 2008, certain financial assets at fair value through profit or loss were reclassified on 31 October 2008, subject to the Bank’s management decision and in accordance with Amendments to IAS 39 and IFRS 7 “Reclassification of Financial Assets”, from financial assets at fair value through profit or loss to financial assets available for sale. Financial assets at fair value through profit or loss were reclassified on 31 October 2008. The carrying value of reclassified assets at the date of reclassification was equal to their fair value as at 1 July 2008 and amounted to RUR 777 545 thousand.

Below is the information on reclassified assets:

Asset	Fair value as at the reclassification date	Change in the fair value of assets recognized in the statement of comprehensive income for 2008 on reclassification	Decrease in the fair value of assets that would have been recognized in the statement of comprehensive income for 2009 without reclassification
Government and municipal debt securities	382 855	(181)	(1 661)
Corporate bonds	394 690	713	(306)
Total	777 545	532	(1 967)

Information on the current and expected value of financial assets available for sale reclassified in accordance with Amendments to IAS 39 and IFRS 7 “Reclassification of Financial Assets” is presented below:

Government and municipal debt securities	
Carrying value at the date of reclassification	382 855
Fair value as at 31 December 2008	372 905
Fair value as at 31 December 2009	205 346
Cash flow expected to be recovered at the date of reclassification	446 889
Effective interest rate at the date of reclassification	7,1%
Decrease in the fair value of assets recognised in the statement of comprehensive income in 2008	(181)
Decrease in the fair value of assets recognized in other comprehensive income that would have been recognised in the statement of comprehensive income in 2008 without reclassification	(7 314)
Decrease in the fair value of assets recognized in other comprehensive income that would have been recognised in the statement of comprehensive income in 2009 without reclassification	(1 661)
Interest income recognized in the statement of comprehensive income in 2008	5 127
Interest income recognized in the statement of comprehensive income in 2009	19 111
Corporate bonds	
Carrying value at the date of reclassification	394 690
Fair value as at 31 December 2008	376 542
Fair value as at 31 December 2009	21 343
Cash flow expected to be recovered at the date of reclassification	508 725
Effective interest rate at the date of reclassification	9,7%
Increase in the fair value of assets recognised in the statement of comprehensive income in 2008	713
Decrease in the fair value of assets recognized in other comprehensive income that would have been recognised in the statement of comprehensive income in 2008 without reclassification	(20 041)
Decrease in the fair value of assets recognized in other comprehensive income that would have been recognised in the statement of comprehensive income in 2009 without reclassification	(306)
Interest income recognized in the statement of comprehensive income in 2008	5 229
Interest income recognized in the statement of comprehensive income in 2009	8 501

9. Premises and Equipment and Intangible Assets

	Buildings	Motor vehicles	Furniture, computers and office equipment	Capital investments in leased premises	Intangible assets	Total
Net book value as at 31 December 2008	322 252	5 224	15 377	1 687	11 357	355 897
Cost (or revalued amount)						
Balance as at 1 January 2009	322 252	10 284	49 275	1 853	11 657	395 321
Additions	-	689	10 885	-	10 792	22 366
Disposals	-	(1 576)	(8 896)	-	-	(10 472)
Write-off of accumulated depreciation on revaluation	(6 445)	-	-	-	-	(6 445)
Revaluation	9 519	-	-	-	-	9 519
Balance as at 31 December 2009	325 326	9 397	51 264	1 853	22 449	410 289
Accumulated depreciation						
Balance as at 1 January 2009	-	5 060	33 898	166	300	39 424
Depreciation charge	6 445	1 349	6 850	37	794	15 475
Disposals	-	(972)	(8 780)	-	-	(9 752)
Write-off of accumulated depreciation on revaluation	(6 445)	-	-	-	-	(6 445)
Balance as at 31 December 2009	-	5 437	31 968	203	1 094	38 702
Net book value as at 31 December 2009	325 326	3 960	19 296	1 650	21 355	371 587

	Buildings	Motor vehicles	Furniture, computers and office equipment	Capital investments in leased premises	Intangible assets	Total
Net book value as at 31 December 2007	322 575	5 133	14 252	1 724	4 035	347 719
Cost (or revalued amount)						
Balance as at 1 January 2008	322 575	9 392	53 164	1 853	4 118	391 102
Additions	837	2 324	7 388	-	7 539	18 088
Disposals	-	(1 432)	(11 277)	-	-	(12 709)
Write-off of accumulated depreciation on revaluation	(6 889)	-	-	-	-	(6 889)
Revaluation	5 729	-	-	-	-	5 729
Balance as at 31 December 2008	322 252	10 284	49 275	1 853	11 657	395 321
Accumulated depreciation						
Balance as at 1 January 2008	-	4 259	38 912	129	83	43 383
Depreciation charge	6 889	1 559	6 102	37	217	14 804
Disposals	-	(758)	(11 116)	-	-	(11 874)
Write-off of accumulated depreciation on revaluation	(6 889)	-	-	-	-	(6 889)
Balance as at 31 December 2008	-	5 060	33 898	166	300	39 424
Net book value as at 31 December 2008	322 252	5 224	15 377	1 687	11 357	355 897

Intangible assets are represented by software.

The Bank's buildings were appraised by an independent appraiser as at 31 December 2009. The appraisal was made by CJSC Assistant Corp. and was based on the market value.

As at 31 December 2009, the net book value of buildings comprised RUR 93 586 thousand (2008: RUR 84 067 thousand) representing revaluation surplus on the Bank's buildings.

As at 31 December 2009, total deferred tax liability of RUR 18 716 thousand (2008: RUR 16 813 thousand) was calculated in respect of this revaluation of buildings at fair value and recognized within other comprehensive income in accordance with IAS 16 (Note 20).

If the buildings were measured using the cost model, the balance sheet items would be as follows:

	2009	2008
Cost	261 124	261 124
Accumulated depreciation and impairment	(26 493)	(21 271)
Net book value	234 631	239 853

10. Other Assets

	2009	2008
Settlements on conversion operations	98 289	48 787
Advances to suppliers	18 889	18 324
Claims under letters of credit and other payments	3 377	-
Prepaid taxes (other than income tax)	1 179	64
Accounts receivable in respect of securities transactions	-	1 465
Other	1 461	104
Less: provision for impairment of other assets	(2 627)	-
Total other assets	120 568	68 744

As at 31 December 2009, claims under letters of credit and other payments included claims under the covered irrevocable letter of credit in the amount of RUR 3 000 thousand to the Moscow Commercial Bank Eurasia-Centre (CJSC) currently undergoing the bankruptcy procedure. The Bank is in the register of creditors of the Moscow Commercial Bank Eurasia-Centre (CJSC) (third creditor in the queue).

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

	Claims under letters of credit and other payments
Provision for impairment of other assets as at 1 January 2009	-
Provision for impairment during 2009	2 627
Provision for impairment of other assets as at 31 December 2009	2 627

The credit quality analysis of financial assets included into other assets as at 31 December 2009 has shown that all the above classes of financial assets included into other assets are current unimpaired assets with low credit risk, except the amount of the claim under the letter of credit of 3 000 thousand to the Moscow Commercial Bank Eurasia-Centre (CJSC) representing the debt which is more than 30 days overdue.

11. Due to Other Banks

	2009	2008
Repo agreements	46 172	535 853
Loans received from the CBR	-	92 249
Correspondent accounts and 'overnight' deposits of other banks	-	340
Outstanding loans and deposits of other banks	-	235
Total due to other banks	46 172	628 677

As at 31 December 2009, securities sold under "repo" agreements included financial assets available for sale with the fair value of RUR 59 132 thousand (2008: RUR 604 423 thousand) (Note 8).

As at 31 December 2008, loans from the CBR represent funds provided under the effective general loan agreement in the amount of RUR 92 000 thousand with maturity in March 2009 and interest rate of 11.0% per annum. The accrued interest on these loans as at 31 December 2008 amounted to RUR 249 thousand. Loans to customers in the total amount of RUR 95 704 thousand were provided by the Bank as collateral against the funds received.

As at 31 December 2008, the Bank had balances of funds received from the CBR above 10% of its capital. The aggregate amount of these funds was RUR 628 102 thousand or 99.9% of total due to other banks.

12. Customer Accounts

	2009	2008
Legal entities		
– Current/settlement accounts	1 803 851	1 807 125
– Term deposits	1 887 690	840 533
Individuals		
– Current/demand accounts	154 587	143 833
– Term deposits	1 406 263	576 765
Total customer accounts	5 252 391	3 368 256

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

Economic sector concentrations within customer accounts are as follows:

	2009		2008	
	Amount	%	Amount	%
Individuals	1 560 850	29.7	720 598	21.3
Trade	1 368 846	26.1	1 141 076	33.9
Industry	730 962	13.9	718 227	21.4
Construction	480 627	9.2	461 543	13.7
Jewellery	435 543	8.3	6 027	0.2
Financial services	238 439	4.5	27 156	0.8
Transport	89 800	1.7	85 205	2.5
Other	347 324	6.6	208 424	6.2
Total customer accounts	5 252 391	100.0	3 368 256	100.0

As at 31 December 2009, the Bank had cash balances of ten customers (2008: ten customers) above 10% of its capital. The aggregate amount of these funds was RUR 2 059 151 thousand or 39.2% of total customer accounts (2008: RUR 1 203 831 thousand or 35.7% of total customer accounts).

13. Debt Securities Issued

As at 31 December 2009, debt securities issued include promissory notes totalling RUR 53 304 thousand (2008: RUR 59 269 thousand) denominated in Russian Roubles. These notes mature in the period from January 2010 to May 2010 (2008: from January 2009 to September 2009), and have the interest rate from 14% to 15 per annum (2008: from 0.5% to 10.5%).

As at 31 December 2009, the Bank had one client (2008: none) holding debt securities issued in the amount above 10% of the Bank's capital. As at 31 December 2009, their total amount was RUR 50 847 thousand or 95.4% of total debt securities issued.

14. Other Liabilities

	Note	2009	2008
Payables to employees		18 825	28 392
Taxes payable (other than income tax)		5 318	-
Financial liabilities at fair value through profit or loss		3 189	13
Accounts payable		2 949	2 266
Provision for credit related commitments	25	2 409	690
Dividends payable	21	1 252	973
Total other liabilities		33 942	32 334

Financial liabilities at fair value through profit or loss are derivative financial instruments and are usually traded over-the-counter with professional market participants on standard contractual terms and conditions.

Contractual amounts of certain financial instruments provide a basis for comparison with instruments recognised in the statement of financial position, but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to these instruments. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

	2009			2008		
	Notional principal amount	Fair value		Notional principal amount	Fair value	
		assets	liability		assets	liability
Foreign currency contracts - swaps	764 555	2 113	(5 302)	152 534	266	(279)

15. Share Capital and Share Premium

Authorised, issued and fully paid share capital comprises:

	2009			2008		
	Number of shares	Nominal value	Inflation adjusted value	Number of shares	Nominal value	Inflation adjusted value
Ordinary shares	89 745	89 745	262 104	89 745	89 745	262 104
Preference shares	204	204	694	204	204	694
Total share capital	89 949	89 949	262 798	89 949	89 949	262 798

All ordinary shares have a nominal value of RUR 1 per share and carry one vote.

The preference shares have a nominal value of RUR 1 per share and rank ahead of the ordinary shares in the event of liquidation of the Bank. These shares are not redeemable.

In July 2008, the Bank of Russia registered the results of the additional issue of the Bank's shares via open subscription. The Bank placed 17 949 000 ordinary voting shares with the nominal value of 1 (one) rouble at a price of RUR 4.79 per share that totalled RUR 85 975 thousand including the share premium of RUR 68 026 thousand.

Share premium represents the excess of contributions into the capital over the nominal value of the shares issued. As at 31 December 2009, the share premium amounted to RUR 327 746 thousand (2008: RUR 327 746 thousand). The amounts were adjusted for inflation.

16. Retained Earnings according to Russian Accounting Standards

According to the Russian legislation only accumulated retained earnings reflected in the Bank's statutory financial statements may be distributed as dividends among the Bank's shareholders. As at 31 December 2009, the Bank's retained earnings amounted to RUR 97 302 thousand (2008: RUR 99 952 thousand).

The retained earnings reflected in the Bank's statutory records include a reserve fund in the amount of RUR 62 307 thousand (2008: RUR 60 311 thousand) that represents funds provided, as required by the regulations of the Russian Federation, in respect of Bank's general banking risks, including future losses and other unforeseen risks or potential liabilities.

17. Interest Income and Expense

	2009	2008
Interest income		
Loans to customers	257 126	284 440
Financial assets available for sale	154 773	41 239
Correspondent accounts with other banks	2 211	4 082
Due from other banks	45	1 679
Financial assets at fair value through profit or loss	-	34 463
Total interest income	414 155	365 903
Interest expense		
Deposits of legal entities	110 563	43 521
Deposits of individuals	106 098	44 765
Loans from CBR, including repo agreements	20 376	7 796
Current and settlement accounts	11 602	9 170
Debt securities issued	4 932	12 143
Repo agreements with other banks	1 992	489
Due to other banks	471	3 599
Total interest expense	256 034	121 483
Net interest income	158 121	244 420

18. Fee and Commission Income and Expense

	2009	2008
Fee and commission income		
Commission on settlement transactions	55 411	57 559
Commission for transactions in assets denominated in foreign currency	39 603	24 282
Commission on cash transactions	23 712	25 754
Loan origination fee	12 134	18 505
Commission on cash collection	3 502	3 490
Commission on guarantees issued	1 170	2 494
Other	2 134	1 216
Total fee and commission income	137 666	133 300
Operating Expenses		
Commission on settlement transactions	14 061	15 930
Commission on cash collection	2 590	2 618
Commission for cash transactions	844	2 861
Commission for transactions in assets denominated in foreign currency	606	1 855
Other	1 255	976
Total fee and commission expense	19 356	24 240
Net fee and commission income	118 310	109 060

19. Operating Expenses

	Note	2009	2008
Staff costs		188 618	204 155
Administrative expenses		35 411	39 888
Advertising and marketing		22 057	8 011
Taxes other than income tax		20 292	17 615
Professional services (security, communications, etc.)		19 103	17 643
Depreciation of premises and equipment	9	15 475	14 804
Rent payments		8 510	7 957
Payments to the Deposit Insurance Fund		3 627	3 423
Other		1 258	359
Total operating expenses		314 351	313 855

In 2009 advertising and marketing expenses included expenses relating to promotion of deposits in the total amount of RUR 21 648 thousand.

20. Income Tax

Income tax expense comprises the following:

	2009	2008
Current income tax expense	8 886	8 036
Deferred taxation movement due to origination and reversal of temporary differences	6 248	(7 364)
Effect of change in income tax rate	-	(609)
Deferred taxation movement recognised directly in other comprehensive income	(10 934)	7 459
Income tax expense for the year	4 200	7 522

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

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

	2009	2008
IFRS profit before taxation	13 173	27 204
Theoretical tax charge at the applicable statutory rate (2009: 20%; 2008: 24%)	2 635	6 529
Income on state securities taxed at the rate of 15%	(1 852)	(3 567)
Income on dividends taxed at the rate of 9%	(7)	(1)
Effect of change in income tax rate recognised in the statement of comprehensive income	-	2 525
Non-deductible expenses less non-taxable income	3 424	2 036
Income tax expense for the year	4 200	7 522

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for the Bank's profit tax purposes. On 1 January 2009 the income tax rate in the Russian Federation was set at 20%. Therefore, deferred tax assets/ (deferred tax liabilities) are recognised at the rate of 20% as at 1 January 2009.

	2009	Movement	2008
Tax effect of deductible temporary differences			
Provision for loan impairment	7 899	1 602	6 297
Revaluation of financial assets and liabilities at fair value through profit or loss	638	(5 193)	5 831
Revaluation of financial assets available for sale	-	(5 471)	5 471
Other	13 719	9 852	3 867
Gross deferred tax assets	22 256	790	21 466
Tax effect of taxable temporary differences			
Revaluation of financial assets available for sale	(3 560)	(3 560)	-
Revaluation of premises and equipment	(18 716)	(1 903)	(16 813)
Premises and equipment and intangible assets	(1 909)	(1 575)	(334)
Gross deferred tax liabilities	(24 185)	(7 038)	(17 147)
Total net deferred tax (liability)/ asset	(1 929)	(6 248)	4 319

	2008	Movement	Effect of change in income tax rate	2007
Tax effect of deductible temporary differences				
Provision for loan impairment	6 297	1 684	(923)	5 536
Revaluation of financial assets and liabilities at fair value through profit or loss	5 831	4 276	(311)	1 866
Revaluation of financial assets available for sale	5 471	5 471	-	-
Premises and equipment	-	(467)	(94)	561
Other	3 867	(2 120)	(1 197)	7 184
Gross deferred tax assets	21 466	8 844	(2 525)	15 147
Tax effect of taxable temporary differences				
Revaluation of premises and equipment	(16 813)	(1 146)	3 134	(18 801)
Premises and equipment	(334)	(334)	-	-
Gross deferred tax liabilities	(17 147)	(1 480)	3 134	(18 801)
Total net deferred tax asset/(liability)	4 319	7 364	609	(3 654)

Net deferred tax assets represent the amount of income tax that can be carried forward as a credit against future income tax and is recognized as deferred tax assets in the statement of financial position.

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

As at 31 December 2009, the total deferred tax liability in the amount of RUR 18 716 thousand (2008: RUR 16 813 thousand) was calculated in respect of positive revaluation of buildings at fair value and recorded within equity in accordance with IAS 16 (Note 9).

As at 31 December 2009, total deferred tax liability in the amount of RUR 3 560 thousand (2008: deferred tax asset of RUR 5 471 thousand) was calculated in respect of this revaluation of financial assets available for sale at fair value. The deferred tax asset (liability) recorded in other comprehensive income is transferred to the statement of comprehensive income on disposal of financial assets available for sale.

21. Dividends

	2009	2008
Dividends payable as at 1 January	973	1 785
Dividends declared during the year	21 588	5 770
Dividends paid during the year	(21 309)	(6 582)
Dividends payable as at 31 December	1 252	973

All dividends are declared and paid in Russian Roubles.

22. Components of Comprehensive Income

	2009	2008
Financial assets available for sale		
Revaluation at fair value of financial assets available for sale (Note 8)	27 968	(34 401)
Write-off of revaluation of disposed financial assets available for sale	17 188	7 046
Gains less losses arising from revaluation of financial assets available for sale	45 156	(27 355)
Revaluation of premises and equipment		
Revaluation of premises and equipment (Note 9)	9 519	5 729
Effect from revaluation of premises and equipment	9 519	5 729
Financial assets available for sale (Note 20)	(9 031)	5 471
Premises and equipment (Note 20)	(1 903)	1 988
Income tax relating to components of comprehensive income	(10 934)	7 459
Other comprehensive income/(expense) after taxation	43 741	(14 167)

23. Risk Management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The objective of the financial risk management function is to ensure that the Bank's exposure to risk stays within the limits determined in accordance with the Bank's own strategic tasks. The priority is to ensure maximum safekeeping of assets and capital by minimizing exposure to risks that may lead to unexpected losses.

The objective of aggregated banking risk management by the Bank is achieved on the basis of a systematic and comprehensive approach aimed at solving the following tasks:

- obtaining of timely and objective information on the status and extent of all risks of the Bank;
- qualitative and quantitative assessment (estimation) of the bank risk;
- establishment of interrelation between individual types of risks to determine the effect of actions planned for mitigating one risk on growth or minimization of other risks;
- creation of a system monitoring the risks at the stage of a negative tendency formation and ensuring rapid and adequate response to prevent or minimize the Bank's risks.

Risk assessment also forms the basis for optimal risk-adjusted capital allocation, transaction pricing and performance assessment. The operational and legal risk management functions ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

The control over compliance with the financial risk management rules and procedures is exercised within the internal control system. The following management bodies of the Bank are responsible for control: Supervisory Board, Management Board, Internal Control Function, Risk Analysis and Control Department, and the heads of all structural units of the Bank whose activities influence the level of the banking risk.

For control and management of banking financial risks, the Bank has established the Credit Committee and Asset and Liability Management Committee that operate on a permanent basis in compliance with the legislation of the Russian Federation, the Bank's Charter and internal regulations.

Credit risk. The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank controls the credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of related borrowers. Such risks are monitored by the Bank on a regular basis, the limits being subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower or group of borrowers are set by the Asset and Liability Management Committee.

The exposure to any one borrower including banks and broker companies is further restricted by sub-limits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading instruments such as forward foreign exchange contracts. Actual exposures are monitored against limits daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal debt repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Bank's maximum exposure to credit risk is primarily reflected in the carrying value of financial assets in the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For loan guarantees and commitments, the maximum exposure to credit risk is equal to total liabilities (Note 25).

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

Credit risk on off-balance sheet financial instruments is defined as a possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in managing contingent obligations as it does for balance sheet financial instruments based on procedures of authorisation of deals, risk control limits and monitoring.

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

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

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

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

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

	Russia	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	1 604 421	303 618	-	1 908 039
Mandatory cash balances with the Central Bank of the Russian Federation	36 540	-	-	36 540
Due from other banks	100 454	24 800	-	125 254
Loans to customers	1 431 682	-	60	1 431 742
Financial assets available for sale	1 888 366	1 899	-	1 890 265
Premises and equipment and intangible assets	371 587	-	-	371 587
Other assets	120 568	-	-	120 568
Current tax assets	8 448	-	-	8 448
Total assets	5 562 066	330 317	60	5 892 443
Liabilities				
Due to other banks	46 172	-	-	46 172
Customer accounts	4 930 822	11 864	309 705	5 252 391
Debt securities issued	53 304	-	-	53 304
Other liabilities	33 786	53	103	33 942
Deferred tax liabilities	1 929	-	-	1 929
Total liabilities	5 066 013	11 917	309 808	5 387 738
Net balance sheet position	496 053	318 400	(309 748)	504 705
Credit related commitments	205 673	-	-	205 673

* OECD - Organisation for Economic Cooperation and Development.

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

	Russia	OECD	Other countries	Total
Assets				
Cash and cash equivalents	805 068	813 598	-	1 618 666
Mandatory cash balances with the Central Bank of the Russian Federation	4 645	-	-	4 645
Due from other banks	100	24 098	-	24 198
Loans to customers	1 660 813	-	-	1 660 813
Financial assets available for sale	824 287	1 845	-	826 132
Premises and equipment and intangible assets	355 897	-	-	355 897
Other assets	68 744	-	-	68 744
Deferred tax assets	4 319	-	-	4 319
Total assets	3 723 873	839 541	-	4 563 414
Liabilities				
Due to other banks	628 677	-	-	628 677
Customer accounts	3 354 131	11 248	2 877	3 368 256
Debt securities issued	59 269	-	-	59 269
Other liabilities	32 334	-	-	32 334
Current tax liabilities	1 299	-	-	1 299
Total liabilities	4 075 710	11 248	2 877	4 089 835
Net balance sheet position	(351 837)	828 293	(2 877)	473 579
Credit related commitments	100 589	-	-	100 589

Currency risk. The Bank takes on exposure to effects of fluctuations in the foreign currency exchange rates on its financial position and cash flows. The Asset and Liability Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions and controls them on a daily basis. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2009. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	611 858	269 088	1 024 394	2 699	1 908 039
Mandatory cash balances with the Central Bank of the Russian Federation	36 540	-	-	-	36 540
Due from other banks	100 000	25 254	-	-	125 254
Loans to customers	1 362 179	66 700	2 863	-	1 431 742
Financial assets available for sale	1 378 214	376 113	135 938	-	1 890 265
Premises and equipment and intangible assets	371 587	-	-	-	371 587
Other assets	73 836	2 910	43 822	-	120 568
Current tax assets	8 448	-	-	-	8 448
Total assets	3 942 662	740 065	1 207 017	2 699	5 892 443
Liabilities					
Due to other banks	46 172	-	-	-	46 172
Customer accounts	3 652 263	674 597	925 330	201	5 252 391
Debt securities issued	53 304	-	-	-	53 304
Other liabilities	33 786	103	53	-	33 942
Deferred tax liabilities	1 929	-	-	-	1 929
Total liabilities	3 787 454	674 700	925 383	201	5 387 738
Net balance sheet position	155 208	65 365	281 634	2 498	504 705
Net off balance sheet position	368 616	(95 269)	(273 347)	-	-
Net balance sheet and off balance sheet position	523 824	(29 904)	8 287	2 498	504 705
Credit related commitments	186 461	19 212	-	-	205 673

Credit-Moscow Bank (Joint Stock Company)
Notes to the Financial Statements for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

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

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	740 183	476 130	399 754	2 599	1 618 666
Mandatory cash balances with the Central Bank of the Russian Federation	4 645	-	-	-	4 645
Due from other banks	100	24 098	-	-	24 198
Loans to customers	1 562 702	97 140	971	-	1 660 813
Financial assets available for sale	824 287	1 845	-	-	826 132
Premises and equipment and intangible assets	355 897	-	-	-	355 897
Other assets	24 064	44 266	414	-	68 744
Deferred tax assets	4 319	-	-	-	4 319
Total assets	3 516 197	643 479	401 139	2 599	4 563 414
Liabilities					
Due to other banks	628 196	481	-	-	628 677
Customer accounts	2 247 379	727 956	392 729	192	3 368 256
Debt securities issued	59 269	-	-	-	59 269
Other liabilities	32 334	-	-	-	32 334
Current tax liabilities	1 299	-	-	-	1 299
Total liabilities	2 968 477	728 437	392 729	192	4 089 835
Net balance sheet position	547 720	(84 958)	8 410	2 407	473 579
Net off balance sheet position	156 664	(167 273)	10 609	-	-
Net on and off balance sheet position	704 384	(252 231)	19 019	2 407	473 579
Credit related commitments	100 589	-	-	-	100 589

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

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at the balance sheet date if all other conditions remain unchanged. A reasonably possible change is determined based on the analysis of historical data on foreign exchange rates for December 2009:

	Effect on profit or loss before taxation	Effect on comprehensive income
USD appreciation by 6%	3 922	3 138
USD depreciation by 6%	(3 922)	(3 138)
EUR appreciation by 7%	19 714	15 772
EUR depreciation by 7%	(19 714)	(15 772)
Appreciation of other currencies by 5%	150	120
Depreciation of other currencies by 5%	(150)	(120)

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at 31 December 2008 if all other conditions remain unchanged.

	Effect on profit or loss before taxation	Effect on comprehensive income
USD appreciation by 7%	(6 076)	(4 618)
USD depreciation by 7%	6 076	4 618
EUR appreciation by 18%	1 514	1 151
EUR depreciation by 18%	(1 514)	(1 151)
Appreciation of other currencies by 5%	120	91
Depreciation of other currencies by 5%	(120)	(91)

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

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

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

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

- Quick ratio (H2) calculated as a ratio of highly liquid assets and liabilities on demand. the minimum admissible value of H2 is set at 15%. As at 31 December 2009, this ratio was 90.3% (2008: 62.3%).
- Current liquidity ratio (H3) calculated as a ratio of liquid assets and liabilities maturing within 30 calendar days. The minimum admissible value of H3 is set at 50%. As at 31 December 2009, this ratio was 161.9% (2008: 82.6%).
- Long-term liquidity ratio (H4) calculated as a ratio of assets maturing in more than 1 year to equity and liabilities maturing in more than 1 year. The minimum admissible value of H4 is set at 120%. As at 31 December 2009, this ratio was 43.6% (2008: 91.7%).

The Financial Market Transactions Department receives information about financial assets and liabilities and provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, bank deposits and other interbank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Financial Market Transactions Department together with the Risk Analysis and Control Department.

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

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

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	-	46 897	-	-	46 897
Customer accounts	2 138 285	1 410 176	1 253 263	661 755	5 463 479
Debt securities issued	192	56 021	-	-	56 213
Total potential future payments under financial liabilities	2 138 477	1 513 094	1 253 263	661 755	5 566 589

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	536 193	94 401	-	-	630 594
Customer accounts	2 353 193	430 430	319 610	306 178	3 409 411
Debt securities issued	1 737	31 656	28 809	-	62 202
Total potential future payments under financial liabilities	2 891 123	556 487	348 419	306 178	4 102 207

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

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	1 908 039	-	-	-	-	1 908 039
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	36 540	36 540
Due from other banks	125 254	-	-	-	-	125 254
Loans to customers	108 707	230 041	534 953	558 041	-	1 431 742
Financial assets available for sale	1 888 366	-	-	-	1 899	1 890 265
Premises and equipment and intangible assets	-	-	-	-	371 587	371 587
Other assets	120 568	-	-	-	-	120 568
Current tax assets	-	8 448	-	-	-	8 448
Total assets	4 150 934	238 489	534 953	558 041	410 026	5 892 443
Liabilities						
Due to other banks	-	46 172	-	-	-	46 172
Customer accounts	2 137 660	1 380 245	1 156 493	577 993	-	5 252 391
Debt securities issued	190	53 114	-	-	-	53 304
Other liabilities	31 533	-	-	-	2 409	33 942
Deferred tax liabilities	-	-	-	-	1 929	1 929
Total liabilities	2 169 383	1 479 531	1 156 493	577 993	4 338	5 387 738
Net liquidity gap as at 31 December 2009	1 981 551	(1 241 042)	(621 540)	(19 952)	405 688	504 705
Cumulative liquidity gap as at 31 December 2009	1 981 551	740 509	118 969	99 017	504 705	

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	1 618 666	-	-	-	-	1 618 666
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	4 645	4 645
Due from other banks	24 098	100	-	-	-	24 198
Loans to customers	30 411	191 278	358 928	1 080 196	-	1 660 813
Financial assets available for sale	824 287	-	-	-	1 845	826 132
Premises and equipment and intangible assets	-	-	-	-	355 897	355 897
Other assets	68 744	-	-	-	-	68 744
Deferred tax assets	-	-	-	-	4 319	4 319
Total assets	2 566 206	191 378	358 928	1 080 196	366 706	4 563 414
Liabilities						
Due to other banks	536 193	92 484	-	-	-	628 677
Customer accounts	2 351 750	422 271	314 984	279 251	-	3 368 256
Debt securities issued	1 707	30 624	26 938	-	-	59 269
Other liabilities	19 085	12 559	-	-	690	32 334
Current tax liabilities	-	1 299	-	-	-	1 299
Total liabilities	2 908 735	559 237	341 922	279 251	690	4 089 835
Net liquidity gap as at 31 December 2008	(342 529)	(367 859)	17 006	800 945	366 016	473 579
Cumulative liquidity gap as at 31 December 2008	(342 529)	(710 388)	(693 382)	107 563	473 579	

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

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

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

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

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

Credit-Moscow Bank (Joint Stock Company)
Notes to the Financial Statements for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

The Bank's Asset and Liability Management Committee sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily. In the absence of any available hedging instruments, the Bank normally seeks to match its interest rate positions.

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non- interest bearing	Total
Assets						
Cash and cash equivalents	301 541	-	-	-	1 606 498	1 908 039
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	36 540	36 540
Due from other banks	124 800	-	-	-	454	125 254
Loans to customers	108 707	230 041	534 953	558 041	-	1 431 742
Financial assets available for sale	1 888 366	-	-	-	1 899	1 890 265
Premises and equipment and intangible assets	-	-	-	-	371 587	371 587
Other assets	-	-	-	-	120 568	120 568
Current tax assets	-	-	-	-	8 448	8 448
Total assets	2 423 414	230 041	534 953	558 041	2 145 994	5 892 443
Liabilities						
Due to other banks	-	46 172	-	-	-	46 172
Customer accounts	463 549	1 380 245	1 156 493	577 993	1 674 111	5 252 391
Debt securities issued	190	53 114	-	-	-	53 304
Other liabilities	-	-	-	-	33 942	33 942
Deferred tax liabilities	-	-	-	-	1 929	1 929
Total liabilities	463 739	1 479 531	1 156 493	577 993	1 709 982	5 387 738
Net interest rate gap as at 31 December 2009	1 959 675	(1 249 490)	(621 540)	(19 952)	436 012	504 705
Cumulative interest rate gap as at 31 December 2009	1 959 675	710 185	88 645	68 693	504 705	-

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non- interest bearing	Total
Assets						
Cash and cash equivalents	898 751	-	-	-	719 915	1 618 666
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	4 645	4 645
Due from other banks	24 098	-	-	-	100	24 198
Loans to customers	30 411	191 278	358 928	1 080 196	-	1 660 813
Financial assets available for sale	604 423	75 605	29 159	115 100	1 845	826 132
Premises and equipment and intangible assets	-	-	-	-	355 897	355 897
Other assets	-	-	-	-	68 744	68 744
Deferred tax assets	-	-	-	-	4 319	4 319
Total assets	1 557 683	266 883	388 087	1 195 296	1 155 465	4 563 414
Liabilities						
Due to other banks	536 193	92 484	-	-	-	628 677
Customer accounts	625 753	422 271	314 984	279 251	1 725 997	3 368 256
Debt securities issued	1 707	30 624	26 938	-	-	59 269
Other liabilities	-	-	-	-	32 334	32 334
Current tax liabilities	-	-	-	-	1 299	1 299
Total liabilities	1 163 653	545 379	341 922	279 251	1 759 630	4 089 835
Net interest rate gap as at 31 December 2008	394 030	(278 496)	46 165	916 045	(604 165)	473 579
Cumulative interest rate gap as at 31 December 2008	394 030	115 534	161 699	1 077 744	473 579	-

The change of interest rates as at 31 December 2009 and 31 December 2008 would not have materially affected the profit as all the above liabilities and financial instruments have fixed interest rates.

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

	2009			2008		
	RUR	USD	EUR	RUR	USD	EUR
Assets						
Cash and cash equivalents	-	1.5%	0.2%	0.1%	0.9%	0.5%
Due from other banks	3.5%	0.3%	-	-	1.5%	-
Loans to customers	19.1%	16.8%	12.5%	18.4%	15.8%	13.3%
Financial assets available for sale	10.5%	6.5%	5.7%	7.5%	-	-
Liabilities						
Due to other banks	10.1%	-	-	6.5%	4.0%	-
Customer accounts						
- current and settlement accounts	3.8%	0.2%	-	0.5%	0.4%	0.3%
- term deposits of legal entities	8.5%	4.2%	4.7%	9.9%	7.3%	8.5%
- term deposits of individuals	9.2%	6.1%	5.3%	10.1%	8.3%	5.3%
Debt securities issued	15.0%	-	-	8.5%	-	-

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

Concentration of other risks. The management provides monitoring and disclosure of credit risk concentration on the basis of received reports containing information on borrowers with aggregate loan amounts above 10% of the Bank's capital.

The operational risk management is primarily based on creation of effective internal controls and internal infrastructure aimed at preventing the operational risks and operational losses.

The legal risk management seeks to reduce (eliminate) possible losses, also in the form of cash payments, in pursuance of court resolutions (decisions). The Bank exercises the internal control in strict compliance with the requirements of the applicable legislation of the Russian Federation.

The Bank provides information on banking risk management to creditors, depositors and other Customers, external auditors, rating agencies and other interested persons to ensure that the extent of detailization of disclosed information corresponds to the nature and scale of the Bank's activity.

24. Capital Management

The Bank's capital management has the following objective: to observe the capital requirements established by the Central Bank of the Russian Federation, and, in particular, the requirements of the deposit insurance system, to ensure the Bank's ability to operate as a going concern and maintain capital base at the level required to sustain capital adequacy ratio at 10% as required by the Central Bank of the Russian Federation. The control over compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is exercised on the basis of monthly reports that contain corresponding calculations that are verified and signed by the Director and Chief Accountant of the Bank. Other capital management targets are assessed on an annual basis.

In accordance with the current capital requirements set by the Central Bank of the Russian Federation, the banks should maintain the ratio of capital to risk weighted assets (capital adequacy ratio) above the prescribed minimum level. The table below shows the regulatory capital structure based on the Bank's reports prepared in accordance with the requirements of the Russian legislation:

	2009	2008
Core capital	434 374	373 524
Secondary capital	76 689	102 379
Total regulatory capital	511 063	475 903

During 2009 and 2008 the Bank complied with all external capital requirements set by the Central Bank of the Russian Federation.

The Bank's capital adequacy ratio (H1) as at 31 December 2009 was 14.7% (2008: 13.7%).

25. Contingent Liabilities

Legal issues. In the normal course of business claims and complaints against the Bank are received. Management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

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

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

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

	2009	2008
Less than 1 year	6 777	5 885
From 1 to 5 years	23 795	23 772
Later than 5 years	13 732	19 617
Total operating lease commitments	44 304	49 274

The rent expenses recognized by the Bank amounted to RUR 8 510 thousand (2008: RUR 7 957 thousand).

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

Outstanding credit related commitments of the Bank are as follows:

	2009	2008
Undrawn credit lines	126 176	11 030
Guarantees issued	81 906	27 609
Letters of credit	-	62 640
Less: provision for credit related commitments	(2 409)	(690)
Total credit related commitments	205 673	100 589

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

	Note	2009	2008
Provision for credit related commitments as at 1 January		690	20
Provision for credit related commitments during the period		1 719	670
Provision for credit related commitments as at 31 December	14	2 409	690

26. Fair Value of Financial Instruments

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

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

	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	1 908 039	1 908 039	1 618 666	1 618 666
Due from other banks	125 254	125 254	24 198	24 198
Loans to customers	1 431 742	1 431 742	1 660 813	1 660 813
Financial assts available for sale	1 890 265	1 890 265	826 132	826 132
Financial liabilities				
Due to other banks	46 172	46 172	628 677	628 677
Customer accounts	5 252 391	5 252 391	3 368 256	3 368 256
Debt securities issued	53 304	53 304	59 269	59 269

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

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

Due from other banks. The fair value of due from other banks as at 31 December 2009 and 31 December 2008 does not materially differ from their respective carrying amounts. This is primarily due to the short-term nature of investments and the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Loans to customers. The fair value of loans to customers as at 31 December 2009 and 31 December 2008 does not materially differ from respective carrying amounts. This is primarily due to the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Due to other banks. The fair value of due to other banks as at 31 December 2009 and 31 December 2008 does not materially differ from the respective carrying amounts. This is primarily due to the short-term nature of the liabilities.

Customer accounts. The fair value of customer accounts as at 31 December 2009 and 31 December 2008 does not materially differ from their respective carrying amounts. This is primarily due to the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

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

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

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

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

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

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Total
Assets				
Cash and cash equivalents	1 908 039	-	-	1 908 039
Due from other banks				
- Deposit with the CBR	-	100 000	-	100 000
- Loans and deposits with other banks	-	25 254	-	25 254
Loans to customers				
- Corporate loans	-	860 461	-	860 461
- Loans to individual entrepreneurs, small and medium business	-	331 770	-	331 770
- Consumer loans to individuals	-	130 064	-	130 064
- Reverse repo agreements	-	75 059	-	75 059
- Mortgage loans to individuals	-	34 388	-	34 388
Financial assets available for sale				
- Government and municipal debt securities	-	-	362 276	362 276
- Corporate debt securities	-	-	1 526 090	1 526 090
- Corporate equity securities	-	-	1 899	1 899
Total financial assets	1 908 039	1 556 996	1 890 265	5 355 300
Non-financial assets				537 143
Total assets				5 892 443

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

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Total
Assets				
Cash and cash equivalents	1 618 666	-	-	1 618 666
Due from other banks				
- Loans and deposits with other banks	-	24 198	-	24 198
Loans to customers				
- Corporate loans	-	928 639	-	928 639
- Loans to individual entrepreneurs, small and medium business	-	607 736	-	607 736
- Consumer loans to individuals	-	72 789	-	72 789
- Mortgage loans to individuals	-	51 649	-	51 649
Financial assets available for sale				
- Government and municipal debt securities	-	-	380 400	380 400
- Corporate debt securities	-	-	443 887	443 887
- Corporate equity securities	-	-	1 845	1 845
Total financial assets	1 618 666	1 685 011	826 132	4 129 809
Non-financial assets				433 605
Total assets				4 563 414

All financial liabilities of the Bank, except the derivative financial instruments, are carried at amortised cost. Derivative financial instruments are classified as at fair value through profit or loss.

28. Related Party Transactions

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

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

The outstanding balances at the year end and asset-related transactions with related parties for 2009 and 2008 are as follows:

	Shareholders		Directors and key management personnel		Other related parties	
	2009	2008	2009	2008	2009	2008
Loans to customers						
Loans to customers as at 1 January (gross)	-	874	900	97	4 550	-
Loans to customers issued during the year	5 652	84 126	10 614	803	3 100	5 000
Loans to customers repaid during the year	(5 178)	(85 000)	(6 167)	-	(7 110)	(450)
Loans to customers as at 31 December (gross)	474	-	5 347	900	540	4 550
Provisions for loan impairment						
Provision for loan impairment as at 1 January	-	-	-	-	50	-
(Recovery of provision)/provision for loan impairment during the year	1	-	-	-	(49)	50
Provision for loan impairment as at 31 December	1	-	-	-	1	50
Loans to customers as at 1 January (less provision for loan impairment)						
	-	874	900	97	4 500	-
Loans to customers as at 31 December (less provision for loan impairment)	473	-	5 347	900	539	4 500

The outstanding balances at the year end and liability-related transactions with related parties for 2009 and 2008 are as follows:

	Shareholders		Directors and key management personnel		Other related parties	
	2009	2008	2009	2008	2009	2008
Customer accounts						
Customer accounts as at 1 January	17 400	64 759	7 738	35 067	26 388	25 065
Customer accounts received during the year	950 261	4 643 470	123 476	174 804	237 402	321 763
Customer accounts repaid during the year	(927 567)	(4 690 829)	(130 267)	(202 133)	(228 804)	(320 440)
Customer accounts as at 31 December	40 094	17 400	947	7 738	34 986	26 388

Below are income and expense items arising from transactions with related parties in 2009 and 2008:

	Shareholders		Directors and key management personnel		Other related parties	
	2009	2008	2009	2008	2009	2008
Interest income	131	-	699	12	68	-
Interest expense	1 036	813	29	775	1 786	1 644
Fee and commission income	2 241	1 721	27	170	26	112

Below are other rights and obligations arising from transactions with related parties in 2009 and 2008:

	Shareholders		Directors and key management personnel		Other related parties	
	2009	2008	2009	2008	2009	2008
Guarantees and sureties received by the Bank	1 712	-	307	1 960	3 658	3 241

In 2009 the total remuneration to key management personnel, including pension and one-time compensation, amounted to RUR 55 621 thousand (2008: RUR 16 488 thousand).