Joint-Stock Commercial Bank “Moscow Bank for Reconstruction and Development”

Consolidated Financial Statements
For the Year Ended 31 December 2009

JOINT-STOCK COMMERCIAL BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT"

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JOINT-STOCK COMMERCIAL BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint-Stock Commercial Bank "Moscow Bank for Reconstruction and Development" (the "Bank") and its subsidiaries (the "Group").

Management of the Group is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2009, the consolidated 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 consolidated financial statements, management is responsible for:

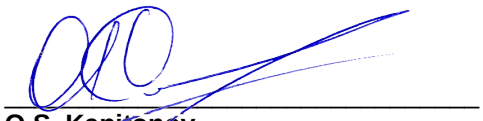
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed;
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group 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 Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation ("RF");
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2009 were authorized for issue by the Management Board of Joint-Stock Commercial Bank "Moscow Bank for Reconstruction and Development" on 20 April 2010.

On behalf of the Management Board:



O.S. Kapitonov
Chairman of the Management Board

20 April 2010
Moscow

T.A. Safianova
Chief Accountant

20 April 2010
Moscow

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INDEPENDENT AUDITORS’ REPORT

To the Shareholders and the Board of Directors of the Joint-Stock Commercial Bank “Moscow Bank for Reconstruction and Development”:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Joint-Stock Commercial Bank “Moscow Bank for Reconstruction and Development” and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated income statement, the consolidated statements of comprehensive loss, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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.

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

20 April 2010
Moscow

JOINT-STOCK COMMERCIAL BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT"

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

(in thousands of Russian Rubles, except for earnings per share which are in Rubles)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	5, 31	19,673,405	13,833,164
Interest expense	5, 31	(14,182,985)	(8,877,194)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		5,490,420	4,955,970
Provision for impairment losses on interest bearing assets	6, 31	(3,540,796)	(1,098,084)
NET INTEREST INCOME		1,949,624	3,857,886
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	7, 31	224	(1,012,215)
Net gain on foreign exchange operations	8, 31	721,839	891,255
Fee and commission income received	9, 31	1,452,669	1,116,220
Fee and commission expense paid	9	(268,266)	(194,570)
Net (loss) / gain on disposal of investments available-for-sale		(18,062)	202,133
Provision for impairment losses on other transactions	6, 31	(891,372)	(13,271)
Other income	10, 31	280,791	148,744
NET NON-INTEREST INCOME		1,277,823	1,138,296
OPERATING INCOME		3,227,447	4,996,182
OPERATING EXPENSES	11, 31	(5,648,016)	(4,635,575)
(LOSS) / PROFIT BEFORE INCOME TAX		(2,420,569)	360,607
Income tax expense	12	(274,254)	(253,343)
NET (LOSS) / PROFIT		(2,694,823)	107,264
Attributable to:			
Equity shareholders of the parent		(2,756,415)	26,756
Minority interest		61,592	80,508
(LOSS) / EARNINGS PER SHARE			
Basic and diluted (RUB)	13	(1,562)	23

On behalf of the Management Board:

O.S. Kapitonov
Chairman of the Management Board

20 April 2010
Moscow

T.A. Safianova
Chief Accountant

20 April 2010
Moscow

The notes on pages 10-58 form an integral part of these consolidated financial statements.

JOINT-STOCK COMMERCIAL BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT"

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED 31 DECEMBER 2009

(in thousands of Russian Rubles)

	Year ended 31 December 2009	Year ended 31 December 2008
NET (LOSS) / PROFIT	(2,694,823)	107,264
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	109,632	399,878
Net change in fair value of investments available-for-sale	548,630	(563,824)
Income reclassified from other comprehensive income/(loss) to profit or loss on sale of investments available-for-sale	(5,207)	(310,553)
Revaluation of property, plant and equipment and intangible assets	(79,120)	(226,971)
Income tax relating to other comprehensive income/(loss)	(22,051)	296,639
Effect of income tax rate change	-	70,049
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF INCOME TAX	551,884	(334,782)
TOTAL COMPREHENSIVE LOSS	(2,142,939)	(227,518)
Attributable to:		
Shareholders of the parent	(2,431,975)	(228,126)
Minority interest	289,036	608
TOTAL COMPREHENSIVE LOSS	(2,142,939)	(227,518)

On behalf of the Management Board:

O.S. Kapitonov
Chairman of the Management Board

20 April 2010
Moscow

T.A. Safianova
Chief Accountant

20 April 2010
Moscow

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JOINT-STOCK COMMERCIAL BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009
(in thousands of Russian Rubles)

	Notes	31 December 2009	31 December 2008
ASSETS:			
Cash and balances with the Central banks	14	12,362,223	12,191,296
Financial assets at fair value through profit or loss	15, 31	17,896,389	3,575,444
Due from banks	16	64,548,041	43,888,615
Loans to customers	17, 31	106,458,788	99,652,580
Investments available-for-sale	18, 31	1,890,275	1,385,353
Investments held to maturity	19	9,771,325	1,373,382
Property, plant and equipment and intangible assets	20	5,253,200	3,344,637
Investment property	21	894,001	-
Current income tax assets		161,139	193,230
Deferred income tax assets	12	216,704	208,845
Other assets	22, 31	1,090,806	754,510
TOTAL ASSETS		**220,542,891**	**166,567,892**
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	15, 31	9,328	306,619
Due to the Central Bank of the Russian Federation	23	1,503,699	27,600,555
Due to banks and other financial institutions	24	56,186,523	53,434,576
Customer accounts	25, 31	124,087,073	48,456,167
Debt securities issued	26	17,859,208	16,185,938
Current income tax liabilities		36,496	29,838
Deferred income tax liabilities	12	858,620	617,480
Other liabilities	27, 31	1,539,370	596,015
Subordinated debt	28, 31	7,765,952	5,543,042
Total liabilities		**209,846,269**	**152,770,230**
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	29	1,360,908	1,360,908
Share premium	29	11,507,804	11,507,804
Investments available-for-sale fair value reserve		(78,516)	(412,099)
Cumulative translation reserve		336,276	263,919
Property, plant and equipment revaluation reserve		121,815	203,315
(Accumulated deficit) / retained earnings		(3,656,031)	58,485
Total equity attributable to equity holders of the parent		9,592,256	12,982,332
Minority interest		1,104,366	815,330
Total equity		**10,696,622**	**13,797,662**
TOTAL LIABILITIES AND EQUITY		**220,542,891**	**166,567,892**

On behalf of the Management Board:

O.S. Kapitonov
Chairman of the Management Board

20 April 2010
Moscow

T.A. Safianova
Chief Accountant

20 April 2010
Moscow

The notes on pages 10-58 form an integral part of these consolidated financial statements.

JOINT-STOCK COMMERCIAL BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

(in thousands of Russian Rubles)

	Note	Share capital	Share premium	Investments available-for-sale fair value reserve	Cumulative translation reserve	Property, plant and equipment revaluation reserve	Retained earnings/ (accumulated deficit)	Total equity attributable to equity holders of the parent	Minority interest	Total equity
31 December 2007		**1,023,408**	**5,095,304**	**-**	**-**	**310,017**	**202,151**	**6,630,880**	**814,722**	**7,445,602**
Comprehensive loss, net of income tax		-	-	(412,099)	263,919	(106,702)	26,756	(228,126)	608	(227,518)
Increase in share capital through issue of ordinary shares		337,500	6,412,500	-	-	-	-	6,750,000	-	6,750,000
Dividends declared on:										
- ordinary shares		-	-	-	-	-	(265,893)	(265,893)	-	(265,893)
- preference shares		-	-	-	-	-	(1,069)	(1,069)	-	(1,069)
Group reorganization		-	-	-	-	-	96,540	96,540	-	96,540
31 December 2008		**1,360,908**	**11,507,804**	**(412,099)**	**263,919**	**203,315**	**58,485**	**12,982,332**	**815,330**	**13,797,662**
Comprehensive loss, net of income tax		-	-	333,583	72,357	(81,500)	(2,756,415)	(2,431,975)	289,036	(2,142,939)
Disposal of assets to shareholders	17	-	-	-	-	-	1,394,200	1,394,200	-	1,394,200
Group reorganization	4	-	-	-	-	-	(2,352,301)	(2,352,301)	-	(2,352,301)
31 December 2009		**1,360,908**	**11,507,804**	**(78,516)**	**336,276**	**121,815**	**(3,656,031)**	**9,592,256**	**1,104,366**	**10,696,622**

On behalf of the Management Board:

O.S. Kapitonov
Chairman of the Management Board

20 April 2010
Moscow

T.A. Safianova
Chief Accountant

20 April 2010
Moscow

The notes on pages 10-58 form an integral part of these consolidated financial statements.

JOINT-STOCK COMMERCIAL BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/gain from continuing operations before income tax		(2,420,569)	360,607
Adjustments for:			
Provision for impairment losses on interest bearing assets		3,540,796	1,098,084
Provision for impairment losses on other transactions		891,372	13,271
(Gain)/loss on foreign exchange operations		(114,316)	226,940
Impairment of property, plant and equipment		242,808	-
Revaluation of investment property		(25,579)	-
Depreciation and amortization expense		364,558	308,147
Change in interest accruals, net		(1,201,040)	(130,566)
Net change in fair value of derivative financial instruments		(305,849)	(1,378,444)
Cash inflow from operating activities before changes in operating assets and liabilities		972,181	498,039
Minimum reserve deposit with the Central banks		(624,037)	(320,580)
Financial assets at fair value through profit or loss		(14,714,980)	(2,661,359)
Due from banks		12,767,155	(18,786,575)
Loans to customers		(1,926,518)	(33,826,976)
Other assets		518,010	(36,580)
Due to the Central Bank of the Russian Federation		(26,715,092)	27,515,092
Due to banks and other financial institutions		486,485	15,856,732
Customer accounts		63,325,030	1,084,510
Debt securities issued/(repaid) in the normal course of business		2,954,910	(2,897,353)
Other liabilities		11,100	(338,686)
Cash inflow/(outflow) from operating activities before taxation		**37,054,244**	**(13,913,736)**
Income tax paid		(458,593)	(591,191)
Net cash inflow/(outflow) from operating activities		**36,595,651**	**(14,504,927)**

JOINT-STOCK COMMERCIAL BANK "MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT"

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009
(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and intangible assets		(715,148)	(882,211)
Proceeds on sale of property, plant and equipment and intangible assets		54,433	85,650
Proceeds on sale of investments available-for-sale		282,759	2,087,788
Purchase of investments held to maturity		(8,115,061)	-
Acquisition of subsidiaries, net of cash of entities acquired	4	(2,091,435)	-
Net cash (outflow)/inflow from investing activities		**(10,584,452)**	**1,291,227**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		-	337,500
Share premium		-	6,412,500
Dividends paid		-	(266,962)
Disposal of assets to shareholders	17	3,028,000	-
Proceeds from subordinated debt		1,566,771	2,526,131
Net cash inflow from financing activities		**4,594,771**	**9,009,169**
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		**(490,735)**	**564,094**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**30,115,235**	**(3,640,437)**
CASH AND CASH EQUIVALENTS, beginning of year	14	**15,444,469**	**19,084,906**
CASH AND CASH EQUIVALENTS, end of year	14	**45,559,704**	**15,444,469**

Interest paid and received by the Group during the year ended 31 December 2009 amounted to RUB 13,859,162 thousand and RUB 18,148,542 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2008 amounted to RUB 8,595,707 thousand and RUB 13,350,267 thousand, respectively.

On behalf of the Management Board:

O.S. Kapitonov
Chairman of the Management Board

20 April 2010
Moscow

T.A. Safianova
Chief Accountant

20 April 2010
Moscow

The notes on pages 10-58 form an integral part of these consolidated financial statements.

1. ORGANIZATION

JSCB "Moscow Bank for Reconstruction and Development" ("MBRD") is a joint-stock Bank, which was incorporated in the Russian Federation ("RF") in 1993. MBRD is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under general license number 2268. MBRD's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

MBRD's registered office is located at 5 bldg. 1, Yeropkinsky per., Moscow, 119034, Russian Federation.

As at 31 December 2009 and 2008 MBRD has 17 branches operating in the Russian Federation.

MBRD is a parent company of a banking group (the "Group") which consists of the following enterprises consolidated in the financial statements:

Name	Country of operation	The Bank ownership interest and voting rights % 31 December 2009	31 December 2008	Type of operation
JSCB "MBRD" (OJSC)	Russian Federation	Parent company		Commercial bank
CJSC "Sistema K-Invest"	Russian Federation	100%	100%	Management of real estate
LLC "MBRD-Capital"	Russian Federation	100%	100%	Financial services
LLC "MBRD-Finance"	Russian Federation	100%	100%	Financial services
CJSC "Invest-Sviaz-Holding"	Russian Federation	100%	100%	Finance lease
CJSC "Leasing Company "Sistema-Finleasing"	Russian Federation	100%	100%	Finance lease
LLC "Nostro"	Russian Federation	100%	100%	Management of real estate
CJSC "Elavius"	Russian Federation	100%	-	Operating lease
OJSC "Dalcombank"	Russian Federation	100%	-	Commercial bank
East West United Bank S.A.	Luxembourg	66%	66%	Commercial bank
LLC "Leasing-Maximum"	Russian Federation	19%	100%	Finance lease
Russian Securitization Platform S.A.	Luxembourg	(contractual agreement)	(contractual agreement)	Issue of Eurobonds
CJSC "Mortgage agent of MBRD"	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of Eurobonds
LLC "Nadyozhnoye upravlenie"	Russian Federation	-	100%	Asset management

The Group exercises control over the financial and operational policies of LLC "Leasing-Maximum", via common management.

The Group renders services to a group of entities related by means of direct or indirect ownership by one parent company which is also an ultimate parent of the Group. At the close of business on 31 December 2009 and 2008 customer accounts of such companies and due to such banks comprised 39.06% and 22.2% of the total amount of customer accounts and due to banks, respectively (see Note 31).

As at 31 December 2009 and 2008, the following shareholders owned the issued shares of MBRD:

	31 December 2009, %	31 December 2008, %
Shareholder		
JSFC “Sistema” (“Sistema”)	74.97	74.33
CJSC “Promtorgcenter”	8.49	8.49
OJSC “Moscow City Telephone Network”	2.82	2.82
LLC “Notris”	2.62	2.62
Other	11.10	11.74
Total	**100.00**	**100.00**

As at 31 December 2009 and 2008 Sistema directly or indirectly owns 96.15% and 95% of the share capital of MBRD, respectively. Mr. Evtushenkov V.P. owns a controlling stake in JSFC “Sistema”.

These consolidated financial statements were authorized for issue by the Management Board of MBRD on 20 April 2010.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements have been prepared based on the assumption that the Group will continue as a going concern in the foreseeable future. The Group’s management and shareholders intend to develop the Group’s business in the Russian Federation both in corporate and retail segments. The Group’s management is confident that the going concern assumption is applicable to the Group, as it has a sufficient level of capital adequacy including due to a subordinated loan issued by the shareholders at a preferential rate of 1.25% in November 2009 that demonstrates the willingness of the Group's shareholders to support its operations as well as based on the historical experience proving that the Group’s current liabilities will be refinanced in the course of ordinary activities.

These consolidated financial statements are presented in thousands of Russian Rubles (“RUB ‘000”), unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments and measurement of buildings and investment property at revalued amounts according to International Accounting Standard (“IAS”) 16 “Property, Plant and Equipment” and IAS 40 “Investment Property”.

MBRD and its subsidiaries incorporated in the Russian Federation maintain their accounting records in accordance with Russian Accounting Standards (“RAS”), and the foreign consolidated Bank incorporated and operating in Luxembourg maintains its accounting records in accordance with laws of Luxembourg. These consolidated financial statements have been prepared from statutory accounting records and have been adjusted to conform to IFRS.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the “functional currency”). The functional currency of these consolidated financial statements is the Russian Ruble. The functional currency of East-West United Bank S.A. is Euro.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of MBRD and entities controlled by MBRD (its subsidiaries). Control is achieved where MBRD has the power to govern the financial and operational policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21"), in particular, performs the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- Equity items of the foreign entity are translated at exchange rates at the dates of transactions;
- All resulting exchange differences are classified as equity and are recognized in the cumulative translation reserve until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are recognized in the consolidated statement of comprehensive income / (loss).

Business combinations

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition.

The minority interest is initially measured at the minority's proportion of the fair values of the assets, liabilities and contingent liabilities recognized. The equity attributable to equity holders of the parent and net income attributable to minority shareholders' interests are shown separately in the consolidated statement of financial position and consolidated income statement (consolidated statement of comprehensive income) for the period, in which they were acquired.

For a business combination involving an entity or business under common control, all assets and liabilities of the subsidiary are measured by the Group at their carrying values recorded in the financial statements of the selling company. The difference between the carrying value of the acquired share in net assets of the subsidiary and the cost of acquisition are recorded directly in equity attributable to the equity holders of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

If the Group acquires minority interest, the difference between the carrying value of minority interest and the amount paid on its purchase is recognized in equity attributable to the equity holders of the parent.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when the Group becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of financial assets and liabilities

Financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group 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 under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the Central Bank of the Russian Federation and the Central Bank of Luxembourg with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), except for margin deposits for operations with plastic card and government securities carried at fair value through profit or loss, which may be converted to cash within a short period of time.

The minimum reserve deposits with the Central Bank of the Russian Federation and the Central Bank of Luxembourg are subject to restrictions to its availability and therefore are not included in cash and cash equivalents.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange (LME) rates, using the RUB/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain/(loss) on operations with precious metals.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value. Due from banks are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified as valued at fair value through profit or loss if they meet any of the following conditions: (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking, or (3) are designated as derivatives (except the case when derivative is defined as effective hedging instrument).

A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated income statement for the period. Gains and losses resulting from these instruments are included in net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the consolidated income statement. The Group does not reclassify financial instruments in or out of this category while they are held (except the cases of reclassification in accordance with amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and IAS 7 “Financial instruments: Disclosure”).

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including forwards, swaps and options on foreign currency and securities to manage foreign currency and liquidity risks and for trading purposes. Derivative financial instruments entered by the Group are not designated as hedges and do not qualify for hedge accounting. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the consolidated income statement.

Reverse repurchase agreements and lending transactions

In the normal course of business, the Group enters into purchase and sale back agreements (“reverse repos”). Reverse repos are utilized by the Group as an element of its treasury management and trading business.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit collateralized by securities and other assets and are classified within balances due from banks / loans to customers.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gain/(loss) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the consolidated income statement.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated income statement according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write-off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated income statement in the period of recovery.

Impairment of financial assets

The Group accounts for impairment of financial assets not recorded at fair value when there is an objective evidence of impairment of a financial asset or a group of financial assets. The impairment of financial assets represents a difference between the carrying value of the asset and current value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on financial assets recorded at amortized value. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of the impairment then the previously recognized impairment loss is reversed with an adjustment of the provision account.

For the financial instruments recorded at cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included in profit or loss using the provision account (financial assets recorded at amortized value) or by a direct write-off (financial assets recorded at cost). The assets recorded in the consolidated statement of financial position are reduced by the amount of the impairment. The factors the Group evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Group believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Group can incur losses greater compared to recorded impairment.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor

The Group as a lessor presents finance leases as loans and initially measures them at an amount equal to the net investment in the lease. Subsequently, the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the finance lease.

Before commencement of the lease, property and equipment purchased for future transfer to financial lease is recognized in the consolidated statement of financial position as property and equipment purchased to transfer to finance lease at cost.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Investments available-for-sale are initially recorded at fair value and subsequently measured at fair value, with such re-measurement recognized directly in other comprehensive income/(loss), until the securities are realized; and accumulated gain/(loss) previously recorded in other comprehensive income/(loss) are recognized in the consolidated income statement. When sold, the gain/loss previously recorded in equity is recycled through the consolidated income statement. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other applicable methods. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Dividends received on investment available-for-sale are included in other income in the consolidated income statement.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the comprehensive loss previously recognized directly in other comprehensive income/(loss) is recognized in the consolidated income statement for the period. These financial assets are recognized net of impairment losses.

Investment property

Investment property include office buildings held for long-term rental yields or held for appreciation in value of assets, which are not used by the Group for administrative purposes and service rendering. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at the revalued amount, being the fair value at the date of revaluation. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Property, plant and equipment and intangible assets

Property, plant and equipment (except for land and buildings) and intangible assets, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Property, plant and equipment (except for land and buildings) and intangible assets, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss, if any. Depreciation is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Land and buildings	2%
Furniture and equipment	20%
Intangible assets	20%

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

After the recognition of an impairment loss the depreciation charge for property, plant and equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation.

Any revaluation increase arising on the revaluation of property and equipment is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease from the same asset recognized previously in the consolidated income statement, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in carrying amount of arising on the revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the property, plant and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued land and buildings is charged to the consolidated income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset and reported net in the consolidated statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Due to CBR, due to banks, customer accounts, debt securities issued and subordinated debt

Due to CBR, due to banks, customer accounts, debt securities issued and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings, using the effective interest method.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position, but are disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position, but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Share capital and share premium

Contributions to share capital made before 1 January 2003 are recognized at their cost restated for inflation. Contributions to share capital made after 1 January 2003 are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 “Events after the Balance Sheet Date” (“IAS 10”) and disclosed accordingly.

Retirement and other benefit obligations

In accordance with the requirements of the RF legislation, pension payments are calculated by an employer as certain percentages of salary expenses and transferred to the Pension fund of the Russian Federation which transfers them to pension funds selected by employees. The Group does not have an obligation to transfer pension payments directly to pension funds selected by employees. This expense is charged to profit or loss in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds as selected by employees. The Group does not have any pension arrangements separate from the RF state pension system. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) 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 or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry. Loan servicing and other fees are recognized as revenue as the services are provided.

Recognition of other income and operating expenses

Other income and operating expenses are recognized on an accrual basis in the period to which they relate.

Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the Group operates. In preparing financial statements of separate companies, monetary assets and liabilities denominated in foreign currency are translated in functional currency at the appropriate spot rates of exchange rates prevailing at the reporting date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of such transactions. Gains and losses arising from restatement are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2009	31 December 2008
RUB/1 US Dollar	30.2442	29.3804
RUB/1 Euro	43.3883	41.4411
RUB/Gold bullion (1 ounce)	1062.3200	821.8000

Accounting for the effects of hyperinflation

In accordance with IAS 29 the economy of the Russian Federation was treated as hyperinflationary till the end of 2002. Since 1 January 2003, the economy of the Russian Federation ceased to be hyperinflationary and the costs of non-monetary assets, liabilities and equity as stated in measuring units as at 31 December 2002 was used to form the beginning balances as at 1 January 2003.

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

The Group separates operating segments based on its organizational structure. Operating segments are presented based on management accounting records provided to the Group's management responsible for taking operating decisions. Segments, whose revenue, financial result or assets are 10% or more of all the segments, are reported separately.

Operating segment is a component of an enterprise engaged in business activities analyzed by the operational manager on a regular basis to decide how to allocate resources and to assess its performance.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment of loans

The Group regularly reviews its loans to customers, due from banks and accounts receivable to assess for impairment. The Group's allowances for impairment of such assets are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in RF and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Valuation of financial instruments

Financial instruments that are classified at fair value through profit or loss or available for sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are missed, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported in its consolidated statement of financial position as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Group's reported net income.

Revaluation of property, plant and equipment and investment property

Land and buildings composed of property, plant and equipment and intangible assets and investment property are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Market value of assets is assessed using three methods:

- The comparable sales method which involves analysis of market sales prices for similar real estate property;
- The income-based method which assumes a direct relationship between revenues generated by the property and its market value;
- The costs method which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. The date of the latest appraisal was 31 December 2009. The next revaluation is scheduled for 31 December 2010.

Deferred tax assets

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Assessment of probability is based on management's estimates of future taxable profit and involves the exercise of significant judgment from the Group's management.

Provisions for possible payments

The Group discloses estimated (contingent) liabilities as to legal or imputed obligations and other terms and conditions defined in IAS 37 clause 14. The Group creates provisions for such liabilities, if management believes that the probability of such liabilities is higher than the probability of circumstances when such liabilities will not arise.

Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2009.

Amendment to IAS 1 "Presentation of Financial Statements" – On 6 September 2007, the IASB issued an amendment to IAS 1 which changes the way in which non-owner changes in equity are required to be presented. It also changes the titles of primary financial statements as they will be referred to in IFRS but does not require that these be renamed in an entity's financial statements. This amendment was applied by the Group with respect to financial statements for the year ended 31 December 2009 and the comparable period.

IFRS 8 "Operating Segments" – On 30 November 2006, the IASB issued IFRS 8 in replacement of IAS 14 "Segment Reporting", which requires segmental analysis reported by an entity to be based on information used by management. This amendment was applied by the Group with respect to financial statements for the year ended 31 December 2009, with retrospective restatement of data for the comparable period.

Standards and interpretations issued and not yet adopted

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations were issued but not yet effective.

IAS 27 – In 2008 the Standard was amended as part of the second phase of the business combinations project. That phase of the project was undertaken jointly with the US Financial Accounting Standards Board (FASB). The amendments related, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary. The boards concluded the second phase of the project by the IASB issuing the amended IAS 27 and the FASB issuing FASB Statement No. 160 Non-controlling Interests in Consolidated Financial Statements, along with, respectively, a revised IFRS 3 Business Combinations and FASB Statement No. 141 (as revised in 2007) Business Combinations.
The amended Standard must be applied for annual periods beginning on or after 1 July 2009. Earlier application is permitted. However, an entity must not apply the amendments for annual periods beginning before 1 July 2009 unless it also applies IFRS 3 (as revised in 2008).

IFRS 3 "Business Combinations" (revised in 2008) – The IASB issued IFRS 3 and respective amendments to IAS 27 "Consolidated and Separate Financial Statements" upon completion of the project for acquisition and disposal of subsidiaries in January 2008. These amendments are effective for annual reporting periods beginning on or after 1 July 2009 and can be applied together with respect to reporting periods beginning on or after 1 January 2007.

Management is currently assessing the impact of the adoption of the new and amended standards on the financial statement and accounting policy of the Group.

4. GROUP REORGANIZATION

In 2009 the Group acquired the following entities from the Group's shareholders:

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition
OJSC "Dalcombank"	Commercial bank	12.02.2009	100.00	3,571,739
CJSC "Elavius"	Operating lease	31.07.2009	100.00	10

The Group classified these acquisitions as business combinations under common control.

The cost of acquisition was allocated as follows:

OJSC "Dalcombank"

	Carrying value
Assets	
Cash	1,250,535
Due from banks	1,037,438
Financial assets at fair value through profit or loss	2,254
Loans to customers	11,982,355
Investments available-for-sale	216,470
Property, plant and equipment and intangible assets	782,711
Other non-current assets	103,562
	15,375,325
Liabilities	
Due to the Central Bank of the Russian Federation	700,000
Due to banks and other financial institutions	173,328
Customer accounts	12,814,010
Debt securities issued	6,039
Deferred income tax liabilities	23,242
Other liabilities	126,790
Subordinated debt	568,993
	14,412,402
Net assets	962,923
Share of net assets acquired	100%
Cost of acquisition	3,321,699
Excess of the cost of acquisition over the fair value of net assets acquired	(2,358,776)
Net cash outflow arising on acquisition:	(2,091,428)
Cash consideration paid	(3,321,699)
Net of cash and cash equivalents acquired	1,230,271

	Carrying value
Assets	
Cash	3
Due from banks	9,662
Property, plant and equipment and intangible assets	65,292
Deferred income tax assets	186
Other non-current assets	22,809
	97,952
Liabilities	
Finance lease obligations	74,940
Deferred income tax liabilities	1,452
Other liabilities	15,075
	91,467
Net assets	6,485
Share of net assets acquired	100%
Cost of acquisition	10
Excess of the Bank's share in the fair value of net assets acquired over the cost of acquisition	6,475
Net cash outflow arising on acquisition:	(7)
Cash consideration paid	(10)
Net of cash and cash equivalents acquired	3

5. NET INTEREST INCOME

	Year ended 31 December 2009	Year ended 31 December 2008
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on impaired financial assets	9,507,603	8,119,129
- interest income on unimpaired financial assets	8,565,455	5,030,266
Interest income on financial assets at fair value through profit or loss	1,283,794	341,257
Interest income on financial assets available-for-sale	316,553	342,512
Total interest income	**19,673,405**	**13,833,164**
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	15,030,073	11,272,367
Interest on due from banks	1,915,183	1,875,408
Interest on investments held-to-maturity	1,127,802	1,620
Total interest income on financial assets recorded at amortized cost	18,073,058	13,149,395
Interest income on financial assets at fair value through profit or loss comprises:		
Interest income on financial assets held for trading	829,331	299,428
Interest income on financial assets initially recognized at fair value through profit or loss	454,463	41,829
Total interest income on financial assets at fair value through profit or loss	1,283,794	341,257
Interest expense comprises:		
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on deposits from banks	(5,660,408)	(3,447,227)
Interest on customer accounts	(5,321,374)	(2,880,893)
Interest on debt securities issued	(2,653,736)	(2,131,792)
Interest on subordinated debt	(547,467)	(417,282)
Total interest expense	**(14,182,985)**	**(8,877,194)**
Net interest income before provision for impairment losses on interest bearing financial assets	**5,490,420**	**4,955,970**

6. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Due from banks	Loans to customers	Investments available-for-sale	Total
31 December 2007	**388,474**	**2,711,984**	**-**	**3,100,458**
Provision	88,013	1,010,071	-	1,098,084
Write-off of assets	-	(205,545)	-	(205,545)
Foreign currency translation differences	100,207	87,376	-	187,583
31 December 2008	**576,694**	**3,603,886**	**-**	**4,180,580**
Group reorganization	-	1,721,676	50	1,721,726
(Recovery of provision)/provision	(116,635)	3,657,431	-	3,540,796
Write-off of assets	-	(2,024,402)	-	(2,024,402)
Foreign currency translation differences	31,834	20,650	-	52,484
31 December 2009	**491,893**	**6,979,241**	**50**	**7,471,184**

The movements in other allowances and provisions were as follows:

	Other assets	Guarantees	Other provisions	Total
31 December 2007	-	**24,007**	**-**	**24,007**
Provision	3,420	9,851	**-**	13,271
31 December 2008	**3,420**	**33,858**	-	**37,278**
Group reorganization	1,301	-	-	1,301
(Recovery of provision)/provision	114,438	(33,858)	810,792	891,372
Write-off of assets	(5,654)	-	-	(5,654)
31 December 2009	**113,505**	-	**810,792**	**924,297**

Allowances for impairment of assets are deducted from the related assets. Provisions for off-balance sheet commitments and other provisions are included in other liabilities.

7. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain /(loss) on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2009	Year ended 31 December 2008
Net loss on operations with derivative financial instruments	(651,758)	(782,228)
Net gain/(loss) on financial assets and liabilities initially recognized at fair value through profit or loss	314,298	(37,527)
Net gain/(loss) on financial assets and liabilities held-for-trading	337,684	(192,460)
Total net gain/(loss) on financial assets and liabilities at fair value through profit or loss	**224**	**(1,012,215)**
Net gain/(loss) on operations with financial assets held-for-trading comprises:		
Unrealized gain/(loss) on trading operations	243,578	(236,001)
Fair value adjustment	94,106	43,541
Total net gain/(loss) on operations with financial assets and liabilities held for trading	**337,684**	**(192,460)**
Net gain/(loss) on operations with financial assets initially recognized at fair value through profit and loss comprise:		
Realized loss on trading operations	(31,854)	(40,420)
Fair value adjustment	346,152	2,893
Total net gain/(loss) on operations with financial assets designated at fair value through profit or loss	**314,298**	**(37,527)**

The Group enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes.

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2009	Year ended 31 December 2008
Dealing, net	723,629	571,153
Translation differences, net	(1,790)	320,102
Total net gain on foreign exchange operations	**721,839**	**891,255**

9. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Fee and commission income:		
Settlements	829,570	597,915
Cash operations	285,404	248,125
Documentary operations	128,042	109,660
Encashment operations	57,935	22,171
Trust and other fiduciary activities	51,367	51,839
Currency control agent	20,330	22,514
Other	80,021	63,996
Total fee and commission income	**1,452,669**	**1,116,220**
Fee and commission expense:		
Settlements	(213,832)	(121,912)
Cash operations	(35,188)	(41,279)
Documentary operations	(6,529)	(25,989)
Other	(12,717)	(5,390)
Total fee and commission expense	**(268,266)**	**(194,570)**

10. OTHER INCOME

Other income for the year ended 31 December 2009 included income from early extinguishment of obligations in the amount of RUB 45,091 thousand, transportation service fees amounting to RUB 68,731 thousand, gain from revaluation of investment property in the amount of RUB 25,579 thousand and rental income amounting to RUB 19,191 thousand.

Other income for the year ended 31 December 2008 included rental income amounting to RUB 48,248 thousand and gain on disposal of property, plant and equipment amounting to RUB 23,564 thousand.

11. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Staff costs	2,542,316	2,197,320
Operating leases	719,760	495,552
Depreciation and amortization	364,558	308,147
Unified social tax	357,362	316,132
Impairment of property, plant and equipment	242,808	-
Taxes, other than income tax	207,525	164,770
Professional services	206,763	163,786
Communications	195,879	168,650
Property and equipment maintenance	180,376	145,851
Security expenses	149,247	111,470
Loss on disposal of property, plant and equipment	133,676	120,066
Payments to the Deposit Insurance Fund	100,963	77,766
Advertising expenses	51,619	102,822
Insurance expenses	47,670	44,144
Business trip expenses	37,913	44,498
Stationery	18,935	26,668
Social security costs	7,755	29,101
Other expenses	82,891	118,832
Total operating expenses	**5,648,016**	**4,635,575**

12. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2009 and 2008 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

In November 2008, an amendment to the Tax Code of RF was enacted to reduce the corporate income tax rate from 24% to 20% effective from 1 January 2009. Current year income tax is measured at 20% in 2009 of the estimated assessable profit for the year. Starting from 31 December 2008 deferred taxes were measured at 20%.

The tax rate used for the above reconciliations for the year ended 31 December 2009 and the year ended 31 December 2008 is the corporate tax rate of 20% and 24%, respectively, payable by corporate entities in the RF on taxable profits under tax law in that jurisdiction.

Temporary differences as at 31 December 2009 and 2008 comprise:

	31 December 2009	31 December 2008
Deductible temporary differences:		
Loans to customers	868,837	414,309
Tax loss carried forward	656,521	-
Financial assets at fair value through profit or loss	65,091	331,317
Property, plant and equipment and intangible assets	12,669	-
Other assets	343,991	36,501
Other liabilities	200,110	253,422
Total deductible temporary differences	**2,147,219**	**1,073,581**
Taxable temporary differences:		
Property, plant and equipment and intangible assets	1,861,302	1,624,419
Investments available-for-sale	1,070,155	212,424
Loans to customers	881,702	323,757
Due to banks	285,253	313,864
Financial assets at fair value through profit or loss	167,614	101,109
Investment property	43,649	-
Debt securities issued	358	7,788
Other	233,705	6,988
Total taxable temporary differences	**4,543,738**	**2,590,349**
Deferred income tax assets	**216,704**	**208,845**
Deferred income tax liabilities	**(858,620)**	**(617,480)**

Relationships between income tax expense and accounting (loss)/profit for the years ended 31 December 2009 and 2008 is explained as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
(Loss)/profit before income tax	(2,420,569)	360,607
Tax at the statutory tax rate (20%/24%)	(484,114)	86,546
Effect of tax rate, different from the prime rate	27,153	8,388
Tax effect of permanent differences	731,214	190,191
Tax effect of change in income tax rates	-	(31,782)
Income tax expense	**274,254**	**253,343**
Current income tax expense	97,228	212,337
Changes in deferred tax	177,026	41,006
Income tax expense	**274,254**	**253,343**

Deferred income tax assets/(liabilities)	Year ended 31 December 2009	Year ended 31 December 2008
At 1 January – deferred tax assets	**208,845**	**286,033**
At 1 January – deferred tax liabilities	**(617,480)**	**(822,560)**
Change in deferred income tax recoded in the income statement	(177,026)	(41,006)
Change in deferred income tax recoded in other comprehensive income	(22,051)	296,639
Deferred tax liabilities of acquired subsidiaries	(24,508)	-
Foreign currency translation differences	(9,696)	(197,790)
Change in deferred income tax on items recorded in equity due to changes in income tax rate	-	70,049
At 31 December – deferred tax assets	**216,704**	**208,845**
At 31 December – deferred tax liabilities	**(858,620)**	**(617,480)**

13. (LOSS)/EARNINGS PER SHARE

	Year ended 31 December 2009	Year ended 31 December 2008
Net (loss)/profit for the year attributable to equity holders of the parent	(2,756,415)	26,756
Less: dividends that would be paid on full distributions of profit to the preferred shareholders	(1,069)	(1,069)
Net (loss)/profit for the year attributable to ordinary shareholders	(2,757,484)	25,687
Weighted average number of ordinary shares for purposes of basic and diluted earnings per share	1,765,000	1,099,221
(Loss)/earnings per share – basic and diluted (RUB)	**(1,562)**	**23**

14. CASH AND BALANCES WITH THE CENTRAL BANKS

	31 December 2009	31 December 2008
Cash	3,378,199	2,258,452
Balances with the Central Bank of the Russian Federation	7,798,395	8,668,807
Balances with the Central Bank of Luxembourg	1,185,629	1,264,037
Total cash and balances with the Central banks	**12,362,223**	**12,191,296**

The balances with the Central banks as at 31 December 2009 and 2008 include RUB 2,087,693 thousand and RUB 1,381,681 thousand, respectively, which represent the obligatory minimum reserve deposits with the Central banks. The Group is required to maintain minimum reserve deposits with the Central banks at all times.

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2009	31 December 2008
Cash and balances with the Central banks	12,362,223	12,191,296
Financial assets at fair value through profit or loss (Note 15)	246,992	230,656
Due from banks in OECD countries	35,038,182	4,404,198
	47,647,397	16,826,150
Less minimum reserve deposits with the Central Bank of the Russian Federation	(903,756)	(118,681)
Less minimum reserve deposits with the Central Bank of Luxembourg	(1,183,937)	(1,263,000)
Total cash and cash equivalents	**45,559,704**	**15,444,469**

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	Nominal interest rate %	31 December 2009	Nominal interest rate %	31 December 2008
Financial assets initially recognized at fair value through profit or loss comprise:				
Debt securities				
- corporate and Bank bonds	8-9%	6,207,062	9-10%	324,802
- municipal debt securities	8-10%	996,922		-
- Russian government debt securities	3%	246,992	3%	230,656
Total financial assets at fair value through profit or loss		**7,450,976**		**555,458**
Financial assets held-for-trading:				
Debt securities				
- corporate and Bank bonds	7-18%	5,655,285	8-11%	2,975,433
- promissory notes		4,752,824		-
Derivative financial instruments		19,315		34,750
Shares		17,989		9,803
Total financial assets held-for-trading		**10,445,413**		**3,019,986**
Total financial assets at fair value through profit or loss		**17,896,389**		**3,575,444**

Derivative financial instruments:	31 December 2009			31 December 2008		
	Nominal amount	Fair value		Nominal amount	Fair value	
		Asset	Liability		Asset	Liability
Foreign currency contracts						
Forwards	590,341	1,215	9,328	4,015,019	34,750	306,619
Securities contracts						
Forwards	1,571,340	18,100	-	-	-	-
Total derivative financial instruments		**19,315**	**9,328**		**34,750**	**306,619**

As at 31 December 2009 and 2008 financial assets at fair value through profit or loss were invested in Eurobonds and bonds of one Bank amounting to RUB 2,853,063 thousand and RUB 1,916,448 thousand, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2008 financial assets at fair value through profit or loss amounting to RUB 1,038,144 thousand were pledged under repurchase agreements with the Central Bank of the Russian Federation.

16. DUE FROM BANKS

Due from banks comprise:

	31 December 2009	31 December 2008
Time deposits with other banks	49,518,927	28,468,803
Correspondent accounts with other banks	14,686,512	15,996,506
Loans under reverse repurchase agreements	834,495	-
	65,039,934	44,465,309
Less: allowance for impairment losses	(491,893)	(576,694)
Total due from banks	**64,548,041**	**43,888,615**

Movements in allowances for impairment losses on balances due from banks for the years ended 31 December 2009 and 2008 are disclosed in Note 6.

As at 31 December 2009 and 2008 the Group had due from 18 and 8 banks, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2009 and 2008 included in balances due from banks are guarantee deposits totaling RUB 161,584 thousand and RUB 161,060 thousand, respectively, placed by the Group for its operations with plastic cards.

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2009 are presented as follows:

	31 December 2009	
	Carrying value of loans	Fair value of collateral
Bonds issued by banks	834,495	985,833
Total	**834,495**	**985,833**

17. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2009	31 December 2008
Loans to customers	110,125,189	98,618,859
Net investment in finance lease	2,199,252	3,796,167
Receivables on finance lease	1,113,588	841,440
	113,438,029	103,256,466
Less: allowance for impairment losses	(6,979,241)	(3,603,886)
Total loans to customers	**106,458,788**	**99,652,580**

Movements in allowance for impairment losses for the years ended 31 December 2009 and 2008 are disclosed in Note 6.

As at 31 December 2009 and 2008 included in receivables on finance lease are advances paid to suppliers for delivery of equipment to be subsequently transferred to customers under finance lease agreements amounting to RUB 136,637 thousand and RUB 269,494 thousand, respectively.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2009	31 December 2008
Loans collateralized by pledge of cash	49,563,600	22,796,435
Loans collateralized by pledge of real estate	21,003,898	23,583,930
Loans collateralized by pledge of equipment	13,133,238	18,912,302
Loans collateralized by pledge of corporate guarantees	10,675,776	7,208,165
Loans collateralized by pledge of inventories	2,483,044	720,477
Loans collateralized by rights of claim	574,665	550,567
Loans collateralized by pledge of corporate shares	552,213	584,729
Loans collateralized by pledge of MBRD's promissory notes	105,000	2,372,800
Other collateral	2,779,457	330,705
Unsecured loans	12,567,138	26,196,356
	113,438,029	103,256,466
Less: allowance for impairment losses	(6,979,241)	(3,603,886)
Total loans to customers	**106,458,788**	**99,652,580**

	31 December 2009	31 December 2008
Analysis by sector:		
Finance sector	38,418,709	28,983,863
Individuals	26,508,232	26,105,373
Manufacturing	14,387,332	12,758,031
Trade	9,704,895	8,326,025
Real estate	9,066,952	11,770,195
Finance leases	3,077,988	4,783,381
Transport and communication	3,015,717	3,575,102
Oil industry	2,600,611	1,124,005
Culture and art	1,851,902	1,680,907
Food	1,211,309	98,969
Hotel business	731,781	823,581
Agriculture	512,063	460,581
Other	2,350,538	2,766,453
	113,438,029	103,256,466
Less: allowance for impairment losses	(6,979,241)	(3,603,886)
Total loans to customers	**106,458,788**	**99,652,580**

Loans to individuals comprise the following credit products:

	31 December 2009	31 December 2008
Mortgage loans	11,384,878	11,322,116
Car loans	5,447,535	8,537,865
Consumer loans	4,968,989	2,047,129
Other	4,706,830	4,198,263
	26,508,232	26,105,373
Less: allowance for impairment losses	(2,937,119)	(1,157,625)
Total loans to individuals	**23,571,113**	**24,947,748**

As at 31 December 2009 and 2008 the Group granted loans to 19 and 5 customers totaling RUB 47,893,990 thousand and RUB 27,786,985 thousand, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2009 and 2008 included in loans to customers were loans amounting to RUB 14,858,774 thousand and RUB 8,272,289 thousand, respectively, whose terms were renegotiated. Otherwise these loans would be past due or impaired.

The table below summarizes an analysis of loans to customers by impairment:

	31 December 2009			31 December 2008		
	Carrying value of loans before allowance	Allowance for impairment losses	Carrying value	Carrying value of loans before allowance	Allowance for impairment losses	Carrying value
Loans to customers individually determined to be impaired	16,166,583	2,659,483	13,507,100	5,784,493	1,038,921	4,745,572
Loans to customers collectively determined to be impaired	32,031,134	4,319,758	27,711,376	50,027,588	2,564,965	47,462,623
Unimpaired loans	65,240,312	-	65,240,312	47,444,385	-	47,444,385
Total	**113,438,029**	**6,979,241**	**106,458,788**	**103,256,466**	**3,603,886**	**99,652,580**

As at 31 December 2009 and 2008 loans to customers included loans totaling RUB 16,166,583 thousand and RUB 5,784,493 thousand, respectively, that were individually determined to be impaired due to negative changes in financial position of borrowers and guarantors. As at 31 December 2009 and 2008 such loans were collateralized by pledge with fair value of RUB 5,669,554 thousand and RUB 1,339,676 thousand, respectively.

During the year ended 31 December 2009 the Group took possession of non-financial assets totaling RUB 1,028,868 thousand pledged as collateral on loans granted.

In December 2009 the Group sold assets with carrying value of RUB 1,633,800 thousand to its major shareholder. The difference between the consideration received by the Group from the sale of assets totaling RUB 3,028,000 thousand and the carrying value of sold assets at the moment of sale in the amount of RUB 1,394,200 thousand was charged to equity.

The components of net investment in finance lease as at 31 December 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
Not later than one year	1,621,147	2,468,610
From one year to five years	1,126,229	2,733,986
Minimum lease payments	2,747,376	5,202,596
Less: unearned finance income	(548,124)	(1,406,429)
Net investment in finance lease	2,199,252	3,796,167
Current portion	1,251,716	1,671,932
Long-term portion	947,536	2,124,235
Net investment in finance lease	**2,199,252**	**3,796,167**

18. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	31 December 2009	31 December 2008
Bonds issued by companies and banks	1,082,266	855,926
Debt securities	755,931	477,566
Equity securities	52,128	51,861
	1,890,325	1,385,353
Less: allowance for impairment losses	(50)	-
Total investments available-for-sale	**1,890,275**	**1,385,353**

Movements in allowances for impairment for the years ended 31 December 2009 and 2008 are disclosed in Note 6.

19. INVESTMENTS HELD TO MATURITY

	31 December 2009		31 December 2008	
	Nominal interest rate	Amount	Nominal interest rate	Amount
Bonds issued by banks	12.20-16%	9,579,268	8-10%	937,766
Corporate bonds	7.49-7.63%	192,057	8-12%	435,616
Total investments held to maturity		**9,771,325**		**1,373,382**

As at 31 December 2008 investments held to maturity amounting to RUB 1,373,382 thousand (the fair value of RUB 1,373,995 thousand) were pledged as collateral under repurchase agreements with the Central Bank of the Russian Federation.

20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Land and buildings	Leasehold improve-ments	Furniture and equipment	Construction in progress	Total property, plant and equipment	Intangible assets	Total property, plant and equipment and intangible assets
At initial/revalued cost							
31 December 2007	**2,269,034**	**203,891**	**852,575**	**3,340**	**3,328,840**	**154,767**	**3,483,607**
Additions	25,822	40,867	296,178	407,440	770,307	111,904	**882,211**
Disposals	-	(22,116)	(104,688)	-	(126,804)	(6,877)	**(133,681)**
Elimination of accumulated depreciation on revaluation	(38,593)	-	-	-	(38,593)	-	**(38,593)**
Revaluation	(226,971)	-	-	-	(226,971)	-	**(226,971)**
Foreign currency translation differences	66,237	-	13,705	-	79,942	-	**79,942**
31 December 2008	**2,095,529**	**222,642**	**1,057,770**	**410,780**	**3,786,721**	**259,794**	**4,046,515**
Group reorganization	652,213	6,241	438,359	-	1,096,813	-	**1,096,813**
Additions	83,092	10,292	338,646	1,265,018	1,697,048	90,890	**1,787,938**
Disposals	-	(43,314)	(103,910)	(70)	(147,294)	(4,517)	**(151,811)**
Elimination of accumulated depreciation on revaluation	(55,109)	-	-	-	(55,109)	-	**(55,109)**
Revaluation	(321,859)	-	-	-	(321,859)	-	**(321,859)**
Foreign currency translation differences	12,238	-	4,876	-	17,114	-	**17,114**
31 December 2009	**2,466,104**	**195,861**	**1,735,741**	**1,675,728**	**6,073,434**	**346,167**	**6,419,601**
Accumulated depreciation							
31 December 2007	**9,810**	**90,352**	**317,330**	-	**417,492**	**51,455**	**468,947**
Charge for the year	44,239	40,970	189,553	-	274,762	33,385	**308,147**
Disposals	-	(9,233)	(34,029)	-	(43,262)	(4,769)	**(48,031)**
Elimination of accumulated depreciation on revaluation	(38,593)	-	-	-	(38,593)	-	**(38,593)**
Foreign currency translation differences	2,322	-	9,086	-	11,408	-	**11,408**
31 December 2008	**17,778**	**122,089**	**481,940**	-	**621,807**	**80,071**	**701,878**
Group reorganization	-	-	248,810	-	248,810	-	**248,810**
Charge for the year	56,991	32,700	241,506	-	331,197	33,361	**364,558**
Disposals	-	(25,978)	(67,978)	-	(93,956)	(3,422)	**(97,378)**
Elimination of accumulated depreciation on revaluation	(55,109)	-	-	-	(55,109)	-	**(55,109)**
Foreign currency translation differences	835	-	2,807	-	3,642	-	**3,642**
31 December 2009	**20,495**	**128,811**	**907,085**	-	**1,056,391**	**110,010**	**1,166,401**
Net book value							
31 December 2009	**2,445,609**	**67,050**	**828,656**	**1,675,728**	**5,017,043**	**236,157**	**5,253,200**
31 December 2008	**2,077,751**	**100,553**	**575,830**	**410,780**	**3,164,914**	**179,723**	**3,344,637**

As at 31 December 2009 and 2008 property, plant and equipment with the carrying value of RUB 475,015 thousand and RUB 370,110 thousand, respectively, was pledged as collateral for the loan received from another bank. As at 31 December 2009 and 2008 the outstanding loan balance was included in due to banks and other financial institutions in the amount of RUB 213,168 thousand and RUB 233,520 thousand, respectively.

One of the Group's building with the carrying value of RUB 1,241,300 thousand is pledged as collateral under the contract between LLC "Nostro" and third party. The Group recorded respective provision amounting to RUB 808,626 thousand in its financial statements (Note 27).

In 2009 the Group started reconstruction of the building with its carrying value of RUB 80,391 thousand. As at 31 December 2009 the reconstruction project is under revision. Total value of capital expenditures is undefined.

As at 31 December 2009 expected additional capital expenditures for a construction-in-progress item with carrying value of RUB 1,085,883 thousand amount to RUB 180,000 thousand.

As at 31 December 2009 and 2008 included in property, plant and equipment and intangible assets was fully depreciated equipment of RUB 324,215 thousand and RUB 129,951 thousand, respectively.

Land and buildings owned by the Group were revalued by professional appraisers as at 31 December 2009. The following methods were used for the estimation of their fair value: discounted cash flow method (income approach), integrated cost estimation method (cost based method), method of sales comparison (comparative approach). For the estimation of the final value, certain weights were assigned to the results obtained using different approaches, depending on the degree to which the estimates met the following characteristics: reliability and completeness of the information, specifies the estimated property and other.

As at 31 December 2009 and 2008 land and buildings owned by the Group were recognized at the current market value according to the professional appraiser's report. As a result, the carrying value of these assets amounted to RUB 2,445,609 thousand and RUB 2,077,751 thousand, respectively. If the buildings and land were accounted for at historical cost restated for inflation less accumulated depreciation and impairment losses, their carrying value as at 31 December 2009 and 2008 would be RUB 2,423,970 thousand and RUB 1,868,026 thousand, respectively.

During the year ended 31 December 2009 the Group took possession of non-financial assets pledged as collateral on loans granted.

As at 31 December 2009 the value of such assets included in construction-in-progress amounted to RUB 134,867 thousand.

21. INVESTMENT PROPERTY

During the year ended 31 December 2009 the Group took possession of non-financial assets pledged as collateral on loans granted.

As at 31 December 2009 the value of such assets included in investment property amounted to RUB 894,001 thousand. Net gain from changes in the fair value of investment property amounted to RUB 25,579 thousand and is recorded in other income.

22. OTHER ASSETS

Other assets comprise:

	31 December 2009	31 December 2008
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Receivables on other transactions	423,124	280,801
Trade accounts receivable	158,207	-
Other	998	870
	582,329	281,671
Less: allowance for impairment losses	(113,505)	(3,420)
	468,824	278,251
Other non-financial assets:		
Equipment withdrawn under finance leases	280,786	73,262
Taxes, other than income tax	161,900	274,188
Prepaid expenses	71,519	77,616
Debtors from capital investments	65,213	-
Equipment purchased to transfer to finance lease	25,035	49,836
Precious metals	11,861	-
Other	5,668	1,357
Total other assets	**1,090,806**	**754,510**

Movements in allowances for impairment losses on other assets for the years ended 31 December 2009 and 2008 are disclosed in Note 6.

23. DUE TO THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Due to the Central Bank of the Russian Federation comprise:

	31 December 2009	31 December 2008
Loans from CBR	1,503,699	25,658,932
Loans under repurchase agreements	-	1,941,623
Total due to the Central Bank of the Russian Federation	**1,503,699**	**27,600,555**

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2008 are presented as follows:

	31 December 2008	
	Fair value of collateral	Carrying value of loans
Bonds issued by Russian banks	1,985,645	1,549,388
Bonds issued by Russian companies	426,490	392,235
Total	**2,412,135**	**1,941,623**

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise:

	31 December 2009	31 December 2008
Loans and term deposits from banks and other financial institutions	29,606,324	34,626,165
Correspondent accounts of other banks	26,580,199	18,808,411
Total due to banks and other financial institutions	**56,186,523**	**53,434,576**

As at 31 December 2009 and 2008 due to banks and other financial institutions of RUB 41,462,908 thousand (73% of total due to banks and other financial institution) and RUB 37,793,000 thousand (70% of total due to banks and other financial institution), respectively, were due to 12 and 8 banks, which represents significant concentration.

25. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2009	31 December 2008
Time deposits	70,205,960	30,863,783
Repayable on demand	53,881,113	17,592,384
Total customer accounts	**124,087,073**	**48,456,167**

As at 31 December 2009 and 2008 customer accounts of RUB 157,906 thousand and RUB 227,046 thousand, respectively, were held as security under guarantees issued by the Group.

As at 31 December 2009 and 2008 customer accounts of RUB 58,646,238 thousand (47% of the total customer accounts) and RUB 10,166,323 thousand (20% of the total customer accounts), respectively, were due to 14 and 2 customers, which represents significant concentration.

	31 December 2009	31 December 2008
Analysis by sector:		
Individuals	41,296,865	21,109,772
Finance sector	34,716,530	6,864,304
Transport and communication	29,738,351	11,020,074
Manufacturing	8,352,361	1,632,790
Real estate and construction	4,362,361	3,362,626
Trade	2,343,269	1,960,490
Other	3,277,336	2,506,111
Total customer accounts	**124,087,073**	**48,456,167**

26. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Maturity month/year	Annual coupon rate, %	31 December 2009	31 December 2008
Ruble-denominated bonds	March 2013 – June 2014	10.4-15.6%	16,336,211	6,118,504
Interest bearing / discounted promissory notes	January 2010 – December 2011	6.86-26.50%	1,522,406	7,087,076
Discount / interest free promissory notes	January 2010	-	591	49,938
Eurobonds	June 2009 – December 2010	9.33%	-	2,929,036
Certificates of deposit	September 2009	9.5%	-	1,384
Total debt securities issued			**17,859,208**	**16,185,938**

27. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2009	31 December 2008
Other financial liabilities:		
Salaries and other compensations payable to employees	119,659	100,236
Settlements with suppliers and contractors	98,517	48,532
Advances received under lease agreements	68,805	170,982
Other	35,246	12,931
	322,227	332,681
Other non-financial liabilities:		
Provisions for guarantees and related commitments	810,792	33,858
Taxes payable, other than income tax	132,574	71,668
Accrued expenses	113,157	102,318
Payments to Deposit Insurance Fund	55,818	19,609
Deferred income on guaranties issued	42,499	11,693
Other	62,303	24,188
Total other liabilities	**1,539,370**	**596,015**

Following the court judgment, the Group recorded in its financial statements the provision for liabilities of LLC “Nostro” to a third party under the contract of pledge in the amount of RUB 808,626 thousand (Note 6).

28. SUBORDINATED DEBT

	Currency	Maturity date	Interest rate %	31 December 2009	31 December 2008
Subordinated debt from the parent company	RUB	2017-2019	1.25%	6,006,148	3,589,371
Subordinated Eurobonds	USD	2016	8.87-9.45%	1,577,009	1,777,256
Subordinated debt from another bank	USD	2011	1.22%	182,795	176,415
Total subordinated debt				**7,765,952**	**5,543,042**

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group’s liabilities to all other creditors.

The Group is obligated to comply with financial covenants in relation to subordinated debt disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2009 and 2008.

29. SHARE CAPITAL

As at 31 December 2009 and 2008 authorized share capital consisted of 1,765,000 ordinary shares with par value of RUB 500 each and 1,000 preference shares with par value of RUB 500 each.

In 2009 the Group did not issue new shares. During 2008 the Group issued additional 675,000 ordinary shares with a par value of RUB 500 each and the offering price of RUB 10 thousand per share.

The table below provides a reconciliation of the number of shares issued for the years ended 31 December 2009 and 2008:

	Preference shares, pieces	Ordinary shares, pieces
31 December 2007	1,000	1,090,000
Issue of shares	-	675,000
31 December 2008	1,000	1,765,000
Issue of shares	-	-
31 December 2009	**1,000**	**1,765,000**

All shares are ranked equally and carry one vote. Preference shares are not cumulative.

As at 31 December 2009 and 2008 share premium totaling RUB 11,507,804 thousand represents an excess of contributions received over the par value of shares issued.

The Group's distributable reserves among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Group's statute that provide for the creation of a reserve for these purposes of 15% of the Group's share capital reported in MBRD's statutory books.

30. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies for the contingent liabilities as it does for financial instruments recorded in the statement of financial position.

As at 31 December 2008 provision for losses on contingent liabilities amounted to RUB 33,858 thousand.

As at December 2009 and 2008, guarantees issued for amounts of RUB 157,906 thousand and RUB 227,046 thousand, respectively, were covered by customer accounts.

As at 31 December 2009 and 2008 contingencies comprised the following:

	31 December 2009	31 December 2008
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	8,258,776	5,741,427
Letters of credit and other transaction related contingent obligations	7,755	23,647
Unused loan commitments	5,064,551	4,618,208
Total contingent liabilities and credit commitments	**13,331,082**	**10,383,282**

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non-cancelable operating leases of premises, motor vehicles and equipment in effect as at 31 December 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
Less than 1 year	584,873	450,650
Later than 1 year and not later than 5 years	685,299	741,447
Later than 5 years	573,892	654,957
Total operating lease commitments	**1,844,064**	**1,847,054**

Fiduciary activities – In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client due to gross negligence or willful misconduct by the Group only. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the clients' position. In the judgment of management, as at 31 December 2009 and 2008 the maximum potential financial risk on securities accepted by the Group on behalf of its customers does not exceed RUB 3,722,152 thousand and RUB 4,035,584 thousand, respectively.

The Group also provides depositary services to its customers. As of 31 December 2009 and 2008, the Group had customer securities amounting to 250,735,476 securities and 400,024,815 securities, respectively, in its nominal holder accounts.

Legal proceedings – From time to time and in the normal course of business, claims against the MBRD are received from customers and counterparties. Management is of the opinion that no material losses will be incurred, except for losses that have been provided for in these consolidated financial statements.

Taxation – Provisions of the RF tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the RF tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the Russian tax authorities often interpret the tax legislation not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Russian tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of "unjustified tax benefit", "primary commercial goal of transaction" and the criteria of "commercial purpose (substance) of transaction".

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/derivatives and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as understatement of the tax base. The management of the Group is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the RF Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

Operating environment – Despite recently the economic environment has improved in Russia, it still has certain features typical for developing countries, including strict currency control, restrictions on translation of foreign currency, relatively high level of inflation and the continuing structural reforms implemented by the government.

Laws and regulations affecting businesses in Russia continue to change rapidly. Tax, currency and customs legislation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Continuing world liquidity crisis – The financial markets, both globally and in Russia, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets generally and the strength of counterparties, and many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system. By the end of 2009 crisis indicators became less noticeable. Thus, Bank liquidity in Russia and worldwide is restored and interest rates on financial assets are lowered.

The global financial turmoil has significantly affected Russia's economy. It has resulted in a decrease of Russia's GDP, significant declines in debt and equity prices and a substantial outflow of capital. In addition, Russia is also facing a relatively high level of inflation (according to the information received from the government statistical services, the increase in consumer prices for the years ended 31 December 2009 and 2008 amounted to 8.8% and 13.3%, respectively). Since Russia produces and exports large volumes of oil and gas, Russia's economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2008 - 2009. The Russia government initiated the adoption of a package of federal laws and regulations to restore investor confidence provide liquidity and support medium-term growth of Russia's economy, however, at this stage there is no clarity with respect to efficiency of these measures.

While many countries, including Russia, have recently reported improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from decline in the oil and gas prices could slow or disrupt the Russia economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

While the Russia government has introduced a range of stabilization measures aimed at providing liquidity to Russia banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Such factors as increased unemployment in Russia, reduced liquidity and income of entities, as well as an increased number of failures of individuals and legal entities to perform their obligations, have a negative impact on the ability of the Group's borrowers to settle debts. Moreover, the impaired economic environment resulted in reduced value of assets pledged as collateral for loans and other commitments. In accordance with the available information, the Group's management assessed the impairment taking into account the estimated future cash flows.

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

31. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives then significant influence over the Bank; and that have joint control over the Group;

(b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) Joint ventures in which the Group is a venturer;

(d) Members of key management personnel of the Group or its parent;

(e) Close members of the family of any individuals referred to in (a) or (d);

(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

(g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions between MBRD and its subsidiaries, which are related parties of MBRD, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties as at 31 December 2009 and 2008 are disclosed below:

	31 December 2009		31 December 2008	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Financial assets at fair value through profit or loss	478,959	17,896,389	26,063	3,575,444
- shareholders	463,960		9,237	
- entities under common control with the Group	14,999		16,826	
Loans to customers	8,546,461	113,438,029	22,872,483	103,256,466
- key management personnel of the Group or its parent	8,524		12,495	
- shareholders	441,736		318,392	
- entities under common control with the Group	8,096,201		22,541,596	
Allowance for impairment losses on loans to customers	(189,674)	(6,979,241)	(361,840)	(3,603,886)
- key management personnel of the Group or its parent	-		(485)	
- shareholders	-		(902)	
- entities under common control with the Group	(189,674)		(360,453)	
Investments available-for-sale	51,661	1,890,275	160,820	1,385,353
- shareholders	1		109,160	
- entities under common control with the Group	51,660		51,660	
Other assets	33,198	1,090,806	47,827	754,510
- shareholders	8,260		431	
- entities under common control with the Group	24,938		47,396	
Financial liabilities at fair value through profit or loss	-	9,328	305,956	306,619
- entities under common control with the Group	-		305,956	
Customer accounts	44,313,662	124,087,073	22,622,689	48,456,167
- shareholders	3,936,667		420,656	
- key management personnel of the Group or its parent	57,931		4,467,617	
- entities under common control with the Group	40,319,064		17,734,416	
Subordinated debt	6,006,148	7,765,952	3,589,371	5,543,042
- shareholders	6,006,148		3,589,371	
Other liabilities	9,425	1,539,370	11,315	596,015
- shareholders	384		118	
- key management personnel of the Group or its parent	4,451		4,186	
- entities under common control with the Group	4,590		7,011	
Commitments on loans and unused credit lines	21,622	5,064,551	172,518	4,618,208
- shareholders	-		184	
- entities under common control with the Group	21,622		172,334	
Guarantees issued and similar commitments	527,320	8,258,776	497,272	5,741,427
- shareholders	11,523		23,544	
- entities under common control with the Group	515,797		473,728	

The remuneration of directors and other members of key management was as follows:

	31 December 2009		31 December 2008	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Key management personnel compensation:				
short-term employee benefits	232,879	2,542,316	119,914	2,197,320

Included in the consolidated income statement for the years ended 31 December 2009 and 2008 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2009		Year ended 31 December 2008	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	1,759,270	19,673,405	2,119,433	13,833,164
- shareholders	117,290		1,151,294	
- entities under common control with the Group	1,640,717		962,837	
- key management personnel of the Group or its parent	1,263		5,302	
Interest expense	(1,992,736)	(14,182,985)	(873,254)	(8,877,194)
- shareholders	(430,121)		(140,657)	
- entities under common control with the Group	(1,035,648)		(732,597)	
- key management personnel of the Group or its parent	(527)		-	
(Provision)/recovery of provision for impairment losses	172,166	(3,540,796)	(105,927)	(1,098,084)
- shareholders	902		191	
- entities under common control with the Group	170,779		(118,132)	
- key management personnel of the Group or its parent	485		12,014	
Net gain/(loss) on financial assets at fair value through profit or loss	-	224	(305,956)	(1,012,215)
- entities under common control with the Group	-		(305,956)	
Net gain on foreign exchange operations	114,026	721,839	82,408	891,255
- shareholders	10,958		8,580	
- entities under common control with the Group	103,068		73,828	
Fee and commission income received	149,459	1,452,669	149,702	1,116,220
- shareholders	15,848		25,581	
- entities under common control with the Group	133,611		124,121	
Other income	124,003	280,791	401	148,744
- shareholders	94,838		1	
- entities under common control with the Group	29,165		400	
Operating expenses (net of staff costs)	(83,777)	(3,105,700)	(94,289)	(2,438,255)
- shareholders	(19,298)		(16,734)	
- entities under common control with the Group	(64,479)		(77,555)	
Recovery of provision/(provision) for other operations	-	(891,372)	5,088	(13,271)
- entities under common control with the Group	-		4,084	
- shareholders	-		1,004	

32. SEGMENT REPORTING

The Group separates operating segments based on its organizational structure. Operating segments are presented based on management accounting records provided to the Group's management responsible for taking operating decisions. Segments, whose revenue, financial result or assets are 10% or more of all the segments, are reported separately.

For management purposes the Group is divided into operating segments based on the organizational structure of the Group. Principal activities of segments include banking operations; subsidiaries are involved in financial operations, in particular, finance leases. The following segments are presented in the consolidated financial statements:

1. MBRD;
2. OJSC "Dalcombank" (hereinafter, "Dalcombank");
3. East West United Bank S.A. (hereinafter, "EWUB");
4. Other subsidiaries.

The Group's management analyzes the results of each operating segment on a regular basis to decide how to allocate resources and to assess its performance.

Operations between segments are carried out on arm's-length conditions, so that the IFRS financial statements can be analyzed without the exception of intra-group operations.

Control over subsidiaries is exercised at the Group management level.

Segment information about these businesses is presented below:

	MBRD	Dalcombank	EWUB	Other subsidiaries	Intra-group eliminations and adjustments	Total 31 December 2009
Interest income	13,517,637	2,142,570	4,509,590	960,771	(1,457,163)	19,673,405
Interest expenses	(9,588,375)	(1,017,572)	(3,992,123)	(1,042,338)	1,457,423	(14,182,985)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	**3,929,262**	**1,124,998**	**517,467**	**(81,567)**	**260**	**5,490,420**
(Provision)/recovery of provision for impairment losses on interest bearing assets	(2,796,066)	(64,047)	255,027	(935,710)	-	(3,540,796)
		-	-	-	-	-
NET INTEREST INCOME/(EXPENSE)	**1,133,196**	**1,060,951**	**772,494**	**(1,017,277)**	**260**	**1,949,624**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	259,927	(23,413)	(221,973)	-	(14,317)	224
Net gain on foreign exchange operations	726,984	(28,323)	26,627	(19,486)	16,037	721,839
Net (loss)/gain on disposal of investments available-for-sale	-	(1,304)	-	(8,071)	(8,687)	(18,062)
Fee and commission income received	966,339	367,559	119,813	-	(1,042)	1,452,669
Fee and commission expense paid	(211,103)	(51,478)	(2,604)	(3,884)	803	(268,266)
Recovery of provision/(provision) for impairment losses on other transactions	33,931	(10,518)	-	(914,785)	-	(891,372)
Other income	72,432	17,709	60,986	240,025	(110,361)	280,791
NET NON-INTEREST INCOME/(EXPENSE)	**1,848,510**	**270,233**	**(17,151)**	**(706,201)**	**(117,567)**	**1,277,823**
OPERATING INCOME/(EXPENSE)	**2,981,705**	**1,331,185**	**755,343**	**(1,723,478)**	**(117,307)**	**3,227,447**
		-				
OPERATING EXPENSES	**(3,727,121)**	**(1,133,964)**	**(336,623)**	**(569,296)**	**118,987**	**(5,648,016)**
(LOSS)/PROFIT BEFORE INCOME TAX	**(745,415)**	**197,221**	**418,720**	**(2,292,774)**	**1,680**	**(2,420,569)**
Income tax (expense)/gain	(215,950)	(67,862)	(235,124)	244,682	-	(274,254)
NET (LOSS)/PROFIT	**(961,365)**	**129,359**	**183,596**	**(2,048,092)**	**1,680**	**(2,694,823)**
Revenue from operations with external counterparties	**15,516,819**	**2,999,890**	**4,492,600**	**1,275,432**	**(601,172)**	**23,683,569**
Cross-segment revenue	**(1,242,640)**	**(24,462)**	**(17,510)**	**(290,921)**	**1,575,533**	**-**

	MBRD	Dalcombank	EWUB	Other subsidiaries	Intra-group eliminations and adjustments	Total 31 December 2009
Depreciation and amortization	234,101	51,152	27,537	51,768	-	364,558
Impairment of property, plant and equipment	-	43,234	-	199,574	-	242,808
Capital expenditure	1,389,142	41,938	35,448	321,410	-	1,787,938
Total assets	143,243,151	18,654,207	66,902,026	9,430,393	(17,686,886)	220,542,891
Total liabilities	130,046,163	17,238,386	63,653,804	9,933,735	(11,025,819)	209,846,269

	MBRD	EWUB	Other subsidiaries	Intra-group eliminations and adjustments	Total 31 December 2008
Interest income	11,012,224	3,116,692	965,665	(1,261,417)	13,833,164
Interest expenses	(6,695,214)	(2,667,994)	(777,368)	1,263,382	(8,877,194)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	**4,317,010**	**448,698**	**188,297**	**1,965**	**4,955,970**
Provision for impairment losses on interest bearing assets	(710,446)	(355,257)	(32,381)	-	(1,098,084)
			-	-	-
NET INTEREST INCOME	**3,606,564**	**93,441**	**155,916**	**1,965**	**3,857,886**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(1,225,653)	213,438	-	-	(1,012,215)
Net gain/(loss) on foreign exchange operations	798,868	49,871	45,016	(2,500)	891,255
Net (loss)/gain on derecognition of investments available-for-sale	202,133	-	-	-	202,133
Fee and commission income received	1,049,889	94,752	-	(28,421)	1,116,220
Fee and commission expense paid	(183,120)	(3,679)	(10,166)	2,395	(194,570)
Provision for impairment losses on other transactions	(13,271)	-	-	-	(13,271)
Other income	24,339	60,582	128,043	(64,220)	148,744
NET NON-INTEREST INCOME/(EXPENSE)	**653,185**	**414,964**	**162,893**	**(92,746)**	**1,138,296**
OPERATING INCOME	**4,259,749**	**508,405**	**318,809**	**(90,781)**	**4,996,182**
OPERATING EXPENSES	(4,068,745)	(314,165)	(316,406)	63,741	(4,635,575)
PROFIT/(LOSS) BEFORE INCOME TAX	**191,004**	**194,240**	**2,403**	**(27,040)**	**360,607**
Income tax (expense)/gain	(253,137)	42,549	(42,755)	-	(253,343)
NET PROFIT/(LOSS)	**(62,133)**	**236,789**	**(40,352)**	**(27,040)**	**107,264**
Revenue from operations with external counterparties	**12,060,948**	**3,535,335**	**1,152,248**	**(212,672)**	**16,535,859**
Cross-segment revenue	**(1,108,920)**	**(32,620)**	**(215,017)**	**1,356,558**	**-**

	MBRD	EWUB	Other subsidiaries	Intragroup eliminations and adjustments	Total 31 December 2008
Depreciation and amortization	243,004	21,632	43,511	-	308,147
Capital expenditure	418,446	8,951	454,814	-	882,211
Total assets	123,077,186	57,311,176	10,586,314	(24,406,785)	166,567,892
Total liabilities	110,285,424	54,913,146	8,890,004	(21,318,343)	152,770,230

Information on geographic segments of the Group as at 31 December 2009 and 2008 is presented below:

	Russian Federation	Other countries	Total 31 December 2009	Russian Federation	Other countries	Total 31 December 2008
Operating income before interest expenses	20,288,466	3,395,103	23,683,569	14,630,256	1,905,603	16,535,859
Non-current assets	5,651,967	495,234	6,147,201	2,940,338	404,299	3,344,637

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities recorded at amortized cost in the Group's consolidated statement of financial position is presented below

	31 December 2009		31 December 2008	
	Carrying value	Fair value	Carrying value	Fair value
Cash and balances with the Central banks	12,362,223	12,326,223	12,191,296	12,191,296
Due from banks	64,548,041	64,548,041	43,888,615	43,888,615
Investments held to maturity	9,771,325	9,969,718	1,373,382	1,373,995
Other financial assets	468,824	468,824	278,251	278,251
Due to the Central Bank of the Russian Federation	1,503,699	1,503,699	27,600,555	27,600,555
Due to banks and other financial institutions	56,186,523	56,186,523	53,434,576	53,434,576
Customer accounts	124,087,073	124,087,073	48,456,167	48,456,167
Debt securities issued	17,859,208	17,759,498	16,185,938	13,919,448
Other financial liabilities	322,227	322,227	332,681	332,681
Subordinated debt	7,765,952	7,868,031	5,543,042	4,557,946

As at 31 December 2009 loans to customers and investments available-for-sale with total carrying value of RUB 106,458,788 thousand and RUB 52,128 thousand are accounted for at amortized and initial cost, respectively. As at 31 December 2008 loans to customers and investments available-for-sale with total carrying value of RUB 99,652,580 thousand and RUB 1,385,353 thousand are accounted for at amortized and initial cost, respectively. It is not practicable within time and cost constraints to determine the fair value of loans and investments with sufficient reliability.

Financial instruments recognized at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the available initial information as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant amount of judgment.
- Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.
- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Group's approach to the assessment and ranking in the fair value hierarchy of certain significant classes of financial instruments recorded at fair value as at 31 December 2009 is presented as follows:

	Quoted prices in an active market (Level 1)	Valuation techniques using observable inputs (Level 2)
Financial assets at fair value through profit or loss	13,143,565	4,752,824
Investments available-for-sale	1,838,147	-
Financial liabilities at fair value through profit or loss	9,328	-

As at 31 December 2008:

	Quoted prices in an active market (Level 1)
Financial assets at fair value through profit or loss	3,575,444
Investments available-for-sale	1,333,492
Financial liabilities at fair value through profit or loss	306,619

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to equity holders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 28, and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Management Board, the Group adjusts the capital structure by paying dividends, issuing additional shares, taking additional loans or paying on existing loans.

The Group's overall capital risk management policy remains unchanged from 2008.

The Central Bank of the Russian Federation requires that the banks comply with the minimum capital adequacy ratios calculated on the basis of the statutory financial statements of the banks. During the years ended 31 December 2009 and 2008 the Group met capital adequacy requirements established by the CBR.

Commission de Surveillance du Secteur Financier (the "CSSF") of Luxembourg requires banks to maintain a statutory capital adequacy ratio computed based on accounting principles generally accepted in Luxembourg. As at 31 December 2009 and 2008 East West United Bank S.A. was in compliance with the capital requirements imposed by the CSSF.

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basle Committee:

	31 December 2009	31 December 2008
Tier 1 capital		
Share capital	1,360,908	1,360,908
Share premium	11,507,804	11,507,804
(Accumulated deficit)/retained earnings	(3,656,031)	58,485
Minority interest	1,104,395	815,330
Total Tier 1 capital	**10,317,076**	**13,742,527**
Tier 2 capital		
Investments available-for-sale fair value reserve	(78,516)	(412,099)
Cumulative translation reserve	336,276	263,919
Property, plant and equipment revaluation reserve	121,815	203,315
Subordinated debt	5,158,538	5,543,042
Total Tier 2 capital	**5,538,113**	**5,598,177**
Total regulatory capital	**15,855,189**	**19,340,704**
Capital adequacy ratios:		
Tier 1 capital	8.79%	13.51%
Total capital	13.50%	19.02%

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

As at 31 December 2009 and 2008 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

35. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent in the Group's operations are those related to:

- Credit exposures;
- Liquidity risk;
- Market risk.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group issues loans to corporate and retail customers. Ruble-denominated loans to Russian customers represent a significant portion of the Group's loan portfolio. Loans issued are typically short-term and secured by collateral. The Group has established procedures for granting loans and monitoring loan quality as well as for extension and refinancing the existing loans. These procedures are set out in the credit policy approved by the Group's Management Board and are effective for all loans.

The Credit Committee performs primary Group's lending and approval process, makes all decisions with respect to any loan granted by the Group's headquarters and branches to corporate clients and individuals. The final decisions with respect to transactions exceeding 25% of the Group's total assets and transactions with related parties are made by the Board of Directors of MBRD. Certain transactions between the Group and related parties require the approval by directors or shareholders with no interest in the transaction.

The Group evaluates borrowers based on their credit history, quality of the collateral offered and financial position. In addition, it may take into account certain business relationships when determining the interest rate on loans issued to certain related parties.

The Group monitors its loan portfolio on a regular basis. As well as ensuring that the borrower fulfils its loan obligations, the Group regularly reviews all available information on the borrower's operations. In particular, the Group obtains and analyzes financial statements of borrowers on a quarterly basis, regularly monitors the value of collateral on each loan. In relation to its loan portfolio, the Group also monitors the level of non-performing loans and the concentration of loan portfolio per borrower, group of borrowers or industry.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The Group established a department that performs valuation and monitoring of collateral. When evaluating collateral, the Group makes adjustments to the market value of the assets and the amount of potential sales costs.

Maximum exposure of credit risk

The Group's maximum credit risk exposure may vary significantly depending on the individual risks inherent in specific assets and overall market risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

As at 31 December 2009:

	Maximum exposure	Offset	Net exposure after offset	Collateral	Net exposure after offset and collateral
Balances with the Central banks	8,984,024	-	8,984,024	-	8,984,024
Financial assets at fair value through profit or loss	17,878,400	-	17,878,400	-	17,878,400
Due from banks	64,548,041	-	64,548,041	(834,495)	63,713,546
Loans to customers	106,458,788	(49,668,600)	56,790,188	(44,223,050)	12,567,138
Investments available-for-sale	1,838,147	-	1,838,147	-	1,838,147
Investments held to maturity	9,771,325	-	9,771,325	-	9,771,325
Other financial assets	468,824	-	468,824	-	468,824
Guarantees issued and similar commitments	8,258,776	(157,906)	8,100,870	(1,032,436)	7,068,434
Letters of credit and other transaction related contingent obligations	7,755	-	7,755	(7,755)	-
Unused loan commitments	5,064,551	-	5,064,551	-	5,064,551

As at 31 December 2008:

	Maximum exposure	Offset	Net exposure after offset	Collateral	Net exposure after offset and collateral
Balances with the Central banks	9,932,844	-	9,932,844	-	9,932,844
Financial assets at fair value through profit or loss	3,565,641	-	3,565,641	-	3,565,641
Due from banks	43,888,615	-	43,888,615	-	43,888,615
Loans to customers	99,652,580	(25,169,235)	74,483,345	(50,659,789)	23,823,556
Investments available-for-sale	1,333,492	-	1,333,492	-	1,333,492
Investments held to maturity	1,373,382	-	1,373,382	-	1,373,382
Other financial assets	278,251	-	278,251	-	278,251
Guarantees and other similar commitments	5,707,569	(227,046)	5,480,523	(1,231,517)	4,249,006
Letters of credit and other transaction related contingent obligations	23,647	-	23,647	-	23,647
Unused loan commitments	4,618,208	-	4,618,208	-	4,618,208

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

As at 31 December 2009 and 2008 balances with the Central banks amounted to RUB 8,984,024 thousand and RUB 9,932,844 thousand, respectively. The credit rating of the Russian Federation according to the international rating agencies in 2009 corresponded to investment level BBB. The credit rating of Luxembourg according to the international rating agencies in 2009 corresponded to investment level AAA.

The following table details the credit ratings of financial assets held by the Group as at 31 December 2009:

	AAA	AA	A	BBB	<BBB	Not rated	Total at 31 December 2009
Financial assets at fair value through profit or loss	17,997	4,490	453,560	1,344,160	15,615,456	442,737	**17,878,400**
Due from banks	791,059	11,433,867	20,121,343	10,177,803	14,079,836	7,944,133	**64,548,041**
Investments available-for-sale	14,897	26,052	24,651	805,938	926,265	40,395	**1,838,198**
Investments held to maturity	-	-	-	192,057	9,579,268	-	**9,771,325**

As at 31 December 2008:

	AAA	AA	A	BBB	<BBB	Not rated	Total at 31 December 2008
Financial assets at fair value through profit or loss	-	-	-	16,379	3,286,590	262,672	**3,565,641**
Due from banks	4,849	3,644,291	228,695	8,881,199	18,972,520	12,157,061	**43,888,615**
Investments available-for-sale	-	-	302,271	185,366	566,666	279,189	**1,333,492**
Investments held to maturity	-	-	178,140	286,244	908,999	-	**1,373,383**

The information on credit exposure with respect to loans to customers can not be obtained due to time and cost constraints.

The banking industry is generally exposed to credit risk through its loans to customers and interbank deposits. With regard to the loans to customers this risk exposure is concentrated within the Russian Federation and Luxembourg. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Geographical concentration

The Assets and Liabilities Management Committee ("ALMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the RF.

Country risk (risk of global changes in the Bank services market and markets of the Group's principal debtors, changes in investment attractiveness of securities) are managed through on-going monitoring.

The geographical concentration of financial assets and liabilities is set out below:

	Russia	Non-OECD countries	OECD countries	31 December 2009 Total
FINANCIAL ASSETS				
Cash and balances with the Central banks	10,272,838	-	1,692	10,274,530
Financial assets at fair value through profit or loss	17,895,174	-	1,215	17,896,389
Due from banks	18,864,836	10,483,439	35,199,766	64,548,041
Loans to customers	62,437,462	35,304,037	8,717,289	106,458,788
Investments available-for-sale	1,108,396	527,081	254,798	1,890,275
Investments held to maturity	9,771,325	-	-	9,771,325
Other financial assets	436,879	-	31,945	468,824
TOTAL FINANCIAL ASSETS	**120, 786,910**	**46,314,557**	**44,206,705**	**211,308,172**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss	-	-	9,328	9,328
Due to the Central Bank of the Russian Federation	1,503,699	-	-	1,503,699
Due to banks and other financial institutions	33,869,461	19,968,529	2,348,533	56,186,523
Customer accounts	110,978,750	11,976,286	1,132,037	124,087,073
Debt securities issued	17,859,208	-	-	17,859,208
Other financial liabilities	279,174	-	43,053	322,227
Subordinated debt	6,188,943	-	1,577,009	7,765,952
TOTAL FINANCIAL LIABILITIES	**170,679,235**	**31,944,815**	**5,109,960**	**207,734,010**
NET POSITION	**(49,892,325)**	**14,369,742**	**39,096,745**	

	Russia	Non-OECD countries	OECD countries	31 December 2008 Total
FINANCIAL ASSETS				
Cash and balances with the Central banks	10,808,537	-	1,078	10,809,615
Financial assets at fair value through profit or loss	3,560,254	-	15,190	3,575,444
Due from banks	34,528,937	4,816,574	4,543,104	43,888,615
Loans to customers	76,505,631	14,390,681	8,756,268	99,652,580
Investments available-for-sale	889,171	259,981	236,201	1,385,353
Investments held to maturity	1,373,382	-	-	1,373,382
Other financial assets	246,764	-	31,487	278,251
TOTAL FINANCIAL ASSETS	**127,912,676**	**19,467,236**	**13,583,328**	**160,963,240**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss	306,619	-	-	306,619
Due to the Central Bank of the Russian Federation	27,600,555	-	-	27,600,555
Due to banks and other financial institutions	37,272,225	5,333,702	10,828,649	53,434,576
Customer accounts	44,322,254	1,918,663	2,215,250	48,456,167
Debt securities issued	13,256,902	-	2,929,036	16,185,938
Other financial liabilities	303,055	-	29,626	332,681
Subordinated debt	3,765,786	-	1,777,256	5,543,042
TOTAL FINANCIAL LIABILITIES	**126,827,396**	**7,252,365**	**17,779,817**	**151,859,578**
NET POSITION	**1,085,280**	**12,214,871**	**(4,196,489)**	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The ALMC controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The analysis of cash flow forecasts is the key tool used by the Group to monitor the liquidity risk. Cash flow forecasts contain a detailed breakdown by maturity and value of all assets and liabilities based on agreements and commitments entered into by the Group. In order to manage liquidity, the Group regularly requests from its major corporate customers a schedule of upcoming changes in their deposit and loan balances. In retail banking, the Group carries out scenario analyses and stress testing to forecast cash flows.

The Group aims to match the terms of loans and deposits whenever possible. Gap analysis is used to monitor liquidity positions on a weekly basis. A maximum gap is set and monitored for a liquidity deficit. Stress testing is also carried out on a monthly basis using statistical analysis on the stability of deposits. For liquidity management purposes, the Group calculates expected liquidity surpluses/shortfalls over various time periods on the basis of cash flow forecasts under an "average expected scenario" assuming there are no significant losses or withdrawals of client deposits over the relevant period
and under a "worst-case scenario" assuming losses are incurred as a result of market or credit risk or significant withdrawals of deposits. The "worst-case scenario" is essentially a stress-testing technique which is based on an analysis of the impact of a combination of negative factors.

The review of liquidity and interest rate risks is provided below:

(a) The term to maturity of non-derivative financial liabilities, calculated for undiscounted cash flows on financial liabilities (principal amount and interest) using the earliest of the dates when the Group will have to settle the liability, and

(b) Estimated term till maturity of financial assets, that are not derivatives, calculated for non-discounted cash flows on financial assets (including interests), which will be received on these assets based on contractual terms of maturity, except the cases when the Group expects that cash flows will be received in the different time.

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the entity.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
FINANCIAL ASSETS							
Cash and balances with the Central banks	824	-	-	-	-	-	824
Financial assets at fair value through profit or loss	17,871,044	-	-	-	-	-	17,871,044
Due from banks	40,401,269	3,663,128	8,796,509	-	3,024	-	52,863,930
Loans to customers	18,757,096	12,757,321	37,397,548	31,151,204	6,395,619	-	106,458,788
Investments available-for-sale	80,742	94,153	353,137	587,384	722,731	-	1,838,147
Investments held to maturity	-	-	-	7,723,385	2,047,940	-	9,771,325
Total interest bearing financial assets	**77,110,975**	**16,514,602**	**46,547,194**	**39,461,973**	**9,169,314**	**-**	**188,804,058**
Cash and balances with the Central banks	10,273,706	-	-	-	-	-	10,273,706
Financial assets at fair value through profit or loss	24,998	347	-	-	-	-	25,345
Due from banks	11,105,033	-	-	579,078	-	-	11,684,111
Investments available-for-sale	-	-	-	52,128	-	-	52,128
Other financial assets	77,619	61,649	101,238	180,663	38,587	9,068	468,824
TOTAL FINANCIAL ASSETS	**98,592,331**	**16,576,598**	**46,648,432**	**40,273,842**	**9,207,901**	**9,068**	**211,308,172**
FINANCIAL LIABILITIES							
Due to the Central Bank of the Russian Federation	3,699	-	1,500,000	-	-	-	1,503,699
Due to banks and other financial institutions	14,839,837	4,684,253	22,759,366	13,187,085	673,284	-	56,143,825
Customer accounts	27,644,634	7,613,968	32,821,520	23,521,344	391,591	-	91,993,057
Debt securities issued	185,104	5,873,517	11,779,995	20,000	-	-	17,858,616
Subordinated debt	477	-	-	182,318	7,583,157	-	7,765,952
Total interest bearing financial liabilities	**42,673,751**	**18,171,738**	**68,860,881**	**36,910,747**	**8,648,032**	**-**	**175,265,149**
Financial liabilities at fair value through profit or loss	9,328	-	-	-	-	-	9,328
Due to banks and other financial institutions	42,698	-	-	-	-	-	42,698
Customer accounts	32,094,016	-	-	-	-	-	32,094,016
Debt securities issued	592	-	-	-	-	-	592
Other financial liabilities	235,092	27,346	59,789	-	-	-	322,227
TOTAL FINANCIAL LIABILITIES	**75,055,477**	**18,199,084**	**68,920,670**	**36,910,747**	**8,648,032**	**-**	**207,734,010**
Liquidity gap	**23,536,854**	**(1,622,486)**	**(22,272,238)**	**3,363,095**	**559,869**		
Interest sensitivity gap	**34,437,224**	**(1,657,136)**	**(22,313,687)**	**2,551,226**	**521,282**		
Cumulative interest sensitivity gap	**34,437,224**	**32,780,088**	**10,466,401**	**13,017,627**	**13,538,909**		
Cumulative interest sensitivity gap as a percentage of total assets	**16.30%**	**15.51%**	**4.95%**	**6.16%**	**6.41%**		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
FINANCIAL ASSETS							
Cash and balances with the Central banks	1,035	-	-	-	-	-	1,035
Financial assets at fair value through profit or loss	3,530,884	-	-	-	-	-	3,530,884
Due from banks	16,920,462	7,421,771	17,758,533	240,359	2,938	-	42,344,063
Loans to customers	16,456,831	13,341,430	34,964,766	28,767,594	6,121,959	-	99,652,580
Investments available-for-sale	46,285	87,358	225,440	709,057	265,352	-	1,333,492
Investments held to maturity	-	137,712	837,763	219,767	178,140	-	1,373,382
Total interest bearing financial assets	**36,955,497**	**20,988,271**	**53,786,502**	**29,936,777**	**6,568,389**	**-**	**148,235,436**
Cash and balances with the Central banks	10,808,580	-	-	-	-	-	10,808,580
Financial assets at fair value through profit or loss	44,560	-	-	-	-	-	44,560
Due from banks	1,544,552	-	-	-	-	-	1,544,552
Investments available-for-sale	-	-	-	51,861	-	-	51,861
Other financial assets	90,735	18,138	99,338	70,040	-	-	278,251
TOTAL FINANCIAL ASSETS	**49,443,924**	**21,006,409**	**53,885,840**	**30,058,678**	**6,568,389**	**-**	**160,963,240**
FINANCIAL LIABILITIES							
Due to the Central Bank of the Russian Federation	13,817,555	4,783,000	9,000,000	-	-	-	27,600,555
Due to banks and other financial institutions	2,862,069	4,785,090	34,383,798	10,611,972	776,550	-	53,419,479
Customer accounts	14,986,386	3,561,748	10,681,798	9,561,657	-	-	38,791,589
Debt securities issued	2,234,443	892,396	4,791,207	8,217,954	-	-	16,136,000
Subordinated debt	1,326	-	-	175,089	5,366,627	-	5,543,042
Total interest bearing financial liabilities	**33,901,779**	**14,022,234**	**58,856,803**	**28,566,672**	**6,143,177**	**-**	**141,490,665**
Financial liabilities at fair value through profit or loss	59,576	247,043	-	-	-	-	306,619
Due to banks and other financial institutions	15,097	-	-	-	-	-	15,097
Customer accounts	9,664,578	-	-	-	-	-	9,664,578
Debt securities issued	49,938	-	-	-	-	-	49,938
Other financial liabilities	293,561	5,876	31,297	1,947	-	-	332,681
TOTAL FINANCIAL LIABILITIES	**43,984,529**	**14,275,153**	**58,888,100**	**28,568,619**	**6,143,177**	**-**	**151,859,578**
Liquidity gap	**5,459,395**	**6,731,256**	**(5,002,260)**	**1,490,059**	**425,212**	**-**	
Interest sensitivity gap	**3,053,718**	**6,966,037**	**(5,070,301)**	**1,370,105**	**425,212**	**-**	
Cumulative interest sensitivity gap	**3,053,718**	**10,019,755**	**4,949,454**	**6,319,559**	**6,744,771**	**-**	
Cumulative interest sensitivity gap as a percentage of total assets	**1.90%**	**6.22%**	**3.07%**	**3.93%**	**4.19%**		

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded in the statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which represent non-discounted cash flows.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
FINANCIAL LIABILITIES								
Due to the Central Bank of the Russian Federation	9.00%	43,644	-	1,503,698	-	-	-	**1,547,342**
Due to banks and other financial institutions	4.22%	14,221,065	4,367,533	23,678,911	13,963,818	185,591	-	**56,416,918**
Customer accounts	9.07%	23,396,888	8,914,507	38,677,538	27,259,755	2,291,591	-	**100,540,279**
Debt securities issued	15.29%	253,191	1,015,801	2,419,993	22,781,285	-	-	**26,470,270**
Subordinated debt	6.13%	564	73,756	76,358	773,013	8,708,792	-	**9,632,483**
Total interest bearing financial liabilities		**37,915,352**	**14,371,597**	**66,356,498**	**64,777,871**	**11,185,974**	**-**	**194,607,292**
Financial liabilities at fair value through profit or loss		9,328	-	-	-	-	-	**9,328**
Due to banks and other financial institutions		42,698	-	-	-	-	-	**42,698**
Customer accounts		32,094,016	-	-	-	-	-	**32,094,016**
Debt securities issued		592	-	-	-	-	-	**592**
Guarantees issued, letters of credit and similar commitments		464,301	1,011,918	6,671,281	119,031	-	-	**8,266,531**
Unused loan commitments		2,512,536	192,161	1,682,236	496,191	181,427	-	**5,064,551**
Total financial liabilities		**73,038,823**	**15,575,676**	**74,710,015**	**65,393,093**	**11,367,401**	-	**240,085,008**

	Effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2008 Total
FINANCIAL LIABILITIES							
Due to the Central Bank of the Russian Federation	10.14%	13,898,613	4,864,842	9,275,527	-	-	28,038,982
Due to banks and other financial institutions	7.32%	3,001,465	4,964,595	34,870,856	11,685,250	853,704	55,375,870
Customer accounts	10.11%	15,009,964	3,647,415	11,351,904	11,305,862	-	41,315,145
Debt securities issued	11.75%	2,455,666	917,042	5,605,885	10,761,574	-	19,740,167
Subordinated debt	8.33%	1,474	79,141	85,319	1,003,064	9,248,056	10,417,054
Total interest bearing financial liabilities		**34,367,182**	**14,473,035**	**61,189,491**	**34,755,750**	**10,101,760**	**154,887,218**
Financial liabilities at fair value through profit or loss		59,576	247,043	-	-	-	306,619
Due to banks and other financial institutions		15,097	-	-	-	-	15,097
Customer accounts		9,664,578	-	-	-	-	9,664,578
Debt securities issued		49,938	-	-	-	-	49,938
Guarantees issued, letters of credit and similar commitments		39,294	1,259,100	4,004,299	462,381	-	5,765,074
Unused loan commitments		2,420,913	170,949	1,575,644	450,702	-	4,618,208
TOTAL FINANCIAL LIABILITIES		**46,616,578**	**16,150,127**	**66,769,434**	**35,668,833**	**10,101,760**	**175,306,732**

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed.

The Group's Financial Committee approves stop-loss limits, both on securities and foreign currency trading portfolios, securities position limits, foreign currency position limits. The largest limit, set for the RUB/USD exposure is in line with the CBR requirements on foreign currency exposure. Stop-loss limits are reviewed on a monthly basis, and positions are monitored and revalued daily. They are monitored in terms of mark-to-market exposure and for compliance with limits. A Value at Risk calculation is also used. In addition, the Group carries out stress testing procedures.

Interest rate sensitivity

The Group manages interest risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax based on asset values as at 31 December 2009 and 2008 is as follows:

	As at 31 December 2009		**As at 31 December 2008**	
	Interest rate 3.25%	**Interest rate -3.25%**	**Interest rate +1%**	**Interest rate -1%**
Financial assets:				
Financial assets at fair value through profit or loss	581,633	(581,633)	71,509	(71,509)
Due from banks	2,097,811	(2,097,811)	877,772	(877,772)
Loans to customers	3,459,911	(3,459,911)	1,993,052	(1,993,052)
Investments available-for-sale	61,434	(61,434)	27,707	(27,707)
Investments held to maturity	317,568	(317,568)	27,468	(27,468)
Financial liabilities:				
Due to the Central Bank of the Russian Federation	(48,870)	48,870	(552,011)	552,011
Due to banks and other financial institutions	(1,826,062)	1,826,062	(1,068,692)	1,068,692
Customer accounts	(4,032,830)	4,032,830	(969,123)	969,123
Debt securities issued	(580,424)	580,424	(323,719)	323,719
Net impact on profit before tax	30,171	(30,171)	83,963	(83,963)
Net impact on shareholders equity	24,137	(24,137)	52,527	(52,527)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on “reasonably possible changes in the risk variable”. The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

The Group’s exposure to foreign currency exchange rate risk is presented in the table below:

	RUB	**USD** USD 1 = RUB 30.2442	**EUR** EUR 1= RUB 43.3883	**Other currency**	**31 December 2009 Total**
Financial assets					
Cash and balances with the Central banks	9,604,925	325,508	327,044	17,053	10,274,530
Financial assets at fair value through profit or loss	6,870,579	11,025,810	-	-	17,896,389
Due from banks	17,823,629	27,153,921	19,478,263	92,228	64,548,041
Loans to customers	51,280,385	46,667,000	8,511,403	-	106,458,788
Investments available-for-sale	158,007	1,307,475	424,793	-	1,890,275
Investments held to maturity	9,771,325	-	-	-	9,771,325
Other financial assets	445,525	12,886	10,370	43	468,824
Total financial assets	**95,954,375**	**86,492,600**	**28,751,873**	**109,324**	**211,308,172**
Financial liabilities					
Financial liabilities at fair value through profit or loss	-	9,328	-	-	9,328
Due to the Central Bank of the Russian Federation	1,503,699	-	-	-	1,503,699
Due to banks and other financial institutions	9,887,564	41,123,416	4,939,239	236,304	56,186,523
Customer accounts	57,403,190	41,974,724	24,644,230	64,929	124,087,073
Debt securities issued	17,549,961	107,074	202,173	-	17,859,208
Other financial liabilities	297,829	24,398	-	-	322,227
Subordinated debt	6,006,148	1,759,804	-	-	7,765,952
Total financial liabilities	**92,648,391**	**84,998,744**	**29,785,642**	**301,233**	**207,734,010**
OPEN BALANCE SHEET POSITION	**3,305,984**	**1,493,856**	**(1,033,769)**	**(191,909)**	

Derivative financial instruments and spot contracts

Transactions using the derivative financial instruments ("derivative instruments") include swaps and forward contracts linked to interest rates and currencies. Derivatives are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date.

Fair values of derivative instruments and spot contracts are included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts:

	RUB	USD USD 1 = RUB 30.2442	EUR EUR 1= RUB 43.3883	Other currency	31 December 2009 Total
Accounts payable on spot and derivative contracts	(1,205,997)	(2,696,711)	(287,014)	-	(4,189,722)
Accounts receivable on spot and derivative contracts	2,393,383	1,458,292	125,054	212,993	4,189,722
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**1,187,386**	**(1,238,419)**	**(161,960)**	**212,993**	
OPEN POSITION	4,493,370	255,437	(1,195,729)	21,084	

	RUB	USD USD 1 = RUB 29.3804	EUR EUR 1 = RUB 41.4411	Other currency	31 December 2008 Total
Financial assets					
Cash and balances with the Central banks	7,469,562	3,160,430	177,658	1,965	10,809,615
Financial assets at fair value through profit or loss	2,979,045	561,648	34,751	-	3,575,444
Due from banks	11,812,075	28,458,587	3,604,436	13,517	43,888,615
Loans to customers	56,700,610	36,751,139	6,200,831	-	99,652,580
Investments available-for-sale	82,751	953,025	349,577	-	1,385,353
Investments held to maturity	1,373,382	-	-	-	1,373,382
Other financial assets	217,361	2,304	58,515	71	278,251
Total financial assets	**80,634,786**	**69,887,133**	**10,425,768**	**15,553**	**160,963,240**
Financial liabilities					
Financial liabilities at fair value through profit or loss	-	306,619	-	-	306,619
Due to the Central Bank of the Russian Federation	27,600,555	-	-	-	27,600,555
Due to banks and other financial institutions	235,786	46,917,371	6,068,950	212,469	53,434,576
Customer accounts	29,132,446	13,702,363	5,616,017	5,341	48,456,167
Debt securities issued	13,010,449	2,997,743	177,746	-	16,185,938
Other financial liabilities	232,559	68,756	31,325	41	332,681
Subordinated debt	3,589,372	1,953,670	-	-	5,543,042
Total financial liabilities	**73,801,167**	**65,946,522**	**11,894,038**	**217,851**	**151,859,578**
OPEN BALANCE SHEET POSITION	**6,833,619**	**3,940,611**	**(1,468,270)**	**(202,298)**	

	RUB	USD USD 1 = RUB 29.3804	EUR EUR 1 = RUB 41.4411	Other currency	31 December 2008 Total
Accounts payable on spot and derivative contracts	-	(4,014,687)	(332)	-	(4,015,019)
Accounts receivable on spot and derivative contracts	2,782,602	332	1,021,730	210,355	4,015,019
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**2,782,602**	**(4,014,355)**	**1,021,398**	**210,355**	
TOTAL OPEN POSITION	**9,616,221**	**(73,744)**	**(446,872)**	**8,057**	

Currency risk sensitivity

The following table details the Group's sensitivity to a 5.01% increase and decrease in the USD against the RUB; to a 3.94% increase and decrease in the EUR against the RUB. This is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5.01%/3.94% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

Impact on net profit and equity based on asset values as at 31 December 2009 and 2008:

	As at 31 December 2009		As at 31 December 2008	
	RUB/USD +5.01%	RUB/USD -5.01%	RUB/USD +15%	RUB/USD -15%
Impact on profit/loss	(12,798)	12,798	11,875	(11,875)
Impact on equity	(10,238)	10,238	27,284	(27,284)
	RUB/EUR +3.94%	**RUB/EUR -3.94%**	**RUB/EUR +5%**	**RUB/EUR -5%**
Impact on profit/loss	47,111	(47,111)	(43,298)	43,298
Impact on equity	37,689	(37,689)	(23,165)	23,165

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

The table below represents an analysis of sensitivity to price risk based on the balance sheet position for investments in securities at the reporting date.

The results of the analysis of the sensitivity of the Groups profit before tax and equity for the year to changes in prices of securities on a simplified scenario of 5.09% symmetrical increase or decrease in all securities prices are given in the table below:

	31 December 2009		31 December 2008	
	5.09% increase in securities price	5.09% decrease in securities price	55% increase in securities price	55% decrease in securities price
Impact on profit before tax	3,566	(3,566)	27,754	(27,754)
Impact on equity	2,853	(2,853)	22,203	(22,203)

36. SUBSEQUENT EVENTS

During the first quarter of 2010 the Group's major customers made scheduled payments using the funds accumulated on the Group's accounts in December 2009 that resulted in a reduction in cash and cash equivalents in the amount of RUB 13,558,900 thousand.

On 18 February 2010, MBRD sold previously issued class A mortgage bonds for the total amount of RUB 1,698,786 thousand to OJSC "AHML". The sales price equal to nominal, and the coupon rate was 8%.