Commercial Bank Garant-Invest (CJSC)

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

Contents

Тел: +7 495 797 5665
Факс: +7 495 797 5660
E-mail: reception@bdo.ru
www.bdo.ru

ЗАО БДО Юникон
Россия, 117587, Москва,
Варшавское шоссе,
д. 125, стр. 1, секция 11

Independent Auditor's Report

To the Shareholders and the Board of Directors of Commercial Bank Garant-Invest (Closed joint stock company)

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Denis A. Taradov

Partner

5 April 2010

Moscow, Russian Federation

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

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

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

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

On behalf of the Bank's management the financial statements for the year ended 31 December 2009 were authorised for issue on 5 April 2010 by:

N.V. Barinov, Chairman of the Executive Board	N.M. Poletaeva, Chief Accountant

Commercial Bank Garant-Invest (CJSC)

Moscow

5 April 2010

(in thousands of Russian Roubles)

	Note	2009	2008
Assets			
Cash and cash equivalents	5	405 154	694 250
Mandatory cash balances with the Central Bank of the Russian Federation		26 496	4 104
Financial assets at fair value through profit or loss	6	21 375	546
Due from other banks	7	827 566	203 536
Loans to customers	8	3 496 407	2 561 877
Financial assets available for sale	9	569 026	4 000
Investments held to maturity	10	-	16 814
Investments in subsidiaries	11	-	27 238
Investment property	12	-	13 988
Premises and equipment	13	126 979	86 581
Other assets	14	21 520	10 988
Current tax assets		-	4 468
Total assets		**5 494 523**	**3 628 390**
Liabilities			
Due to other banks	15	18 008	18 840
Customer accounts	16	4 595 531	2 716 768
Debt securities issued	17	85 229	126 412
Other borrowed funds	18	151 505	147 375
Other liabilities	19	9 843	11 758
Current tax liabilities		1 300	-
Deferred tax liabilities	25	41 373	42 203
Total liabilities		**4 902 789**	**3 063 356**
Equity			
Share capital	20	387 040	387 040
Share premium	20	40 295	40 295
Revaluation reserve for premises and equipment	13	89 021	72 499
Retained earnings		75 378	65 200
Total equity		**591 734**	**565 034**
Total liabilities and equity		**5 494 523**	**3 628 390**

N.V. Barinov,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

5 April 2010

(in thousands of Russian Roubles)

	Note	2009	2008
Interest income	22	458 817	311 301
Interest expense	22	(243 355)	(162 987)
Net interest income		**215 462**	**148 314**
Provision for impairment of loans to customers	8	(196 832)	(62 009)
Net interest income after provision for impairment of loans to customers		**18 630**	**86 305**
Gains less losses arising from financial assets at fair value through profit or loss		4 338	(12 151)
Gains less losses from dealing in foreign currency		32 312	21 261
Foreign exchange translation gains less losses		(7 235)	(2 422)
Fee and commission income	23	52 015	39 704
Fee and commission expense	23	(10 518)	(9 983)
Loss from revaluation of investment property	12	-	(10 558)
Provision for impairment of financial assets available for sale and other assets	9,14	-	(58)
Other operating income		14 483	9 037
Operating income		**104 025**	**121 135**
Operating expenses	24	(91 263)	(109 882)
Profit before taxation		**12 762**	**11 253**
Income tax (charge)/ recovery	25	(2 584)	2 119
Net profit		**10 178**	**13 372**
Other comprehensive income			
Effect of revaluation of premises and equipment	13	20 652	(39 088)
Income tax relating to components of comprehensive income	25	(4 130)	13 006
Other comprehensive income/(expense) after taxation		**16 522**	**(26 082)**
Total comprehensive income/(expense) for the period		**26 700**	**(12 710)**

N.V. Barinov,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

5 April 2010

(in thousands of Russian Roubles)

	2009	2008
Cash flows from operating activities		
Interest received	456 345	305 350
Interest paid	(245 191)	(134 091)
Gains less losses arising from financial assets at fair value through profit or loss	1 183	(11 367)
Gains less losses arising from dealing in foreign currency	32 312	21 261
Fees and commissions received	52 409	39 311
Fees and commissions paid	(10 518)	(9 983)
Other operating income	14 483	9 037
Operating expenses	(74 581)	(107 801)
Income tax paid	(1 776)	(7 234)
Cash flows provided by operating activities before changes in operating assets and liabilities	**224 666**	**104 483**
Net (increase)/ decrease in operating assets		
Mandatory cash balances with the Central Bank of the Russian Federation	(22 392)	51 160
Financial assets at fair value through profit or loss	(17 674)	(1 330)
Due from other banks	(607 652)	(64 637)
Loans to customers	(1 129 312)	(775 280)
Other assets	(32 469)	(4 028)
Net (increase)/ decrease in operating liabilities		
Due to other banks	(854)	(30 702)
Customer accounts	1 881 855	750 489
Debt securities issued	(40 462)	(23 120)
Other liabilities	(6 282)	(5 574)
Net cash flows from operating activities	**249 424**	**1 461**
Cash flows from investing activities		
Purchase of investments held to maturity (Note 10)	-	(16 319)
Proceeds from repayment of investments held to maturity (Note 10)	17 106	408 286
Purchase of financial assets available for sale (Note 9)	(582 389)	(1 000)
Proceeds from sale of financial assets available for sale (note 9)	20 325	-
Proceeds from sale of subsidiaries	20 750	60
Purchase of premises and equipment (Note 13)	(11 784)	(1 978)
Proceeds from sale of premises and equipment	200	125
Net cash flows from investing activities	**(535 792)**	**389 174**
Effect of exchange rate changes on cash and cash equivalents	(1 322)	36 416
Net change in cash and cash equivalents	**(287 690)**	**427 051**
Cash and cash equivalents at the beginning of the year	692 837	265 786
Cash and cash equivalents at the end of the year (Note 5)	**405 147**	**692 837**

N.V. Barinov,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

5 April 2010

(in thousands of Russian Roubles)

	Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	Total equity
Balance as at 1 January 2008	**387 040**	**40 295**	**98 581**	**51 828**	**577 744**
Comprehensive income/(expense) for 2008	-	-	(26 082)	13 372	(12 710)
Balance as at 31 December 2008	**387 040**	**40 295**	**72 499**	**65 200**	**565 034**
Comprehensive income for 2009			16 522	10 178	26 700
Balance as at 31 December 2009	**387 040**	**40 295**	**89 021**	**75 378**	**591 734**

N.V. Barinov,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

5 April 2010

1. Principal Activities of the Bank

Commercial Bank Garant-Invest (Closed joint stock company) (the Bank) is a credit institution formed through restructuring of Commercial Bank Garant-Invest (limited liability company) subject to a decision of the general participants' meeting (Minutes No. 19 of 9 June 1999). The Bank operates subject to License No. 2576 issued by the Central Bank of the Russian Federation (CBR) on 24 September 1999 for conducting banking transactions in Russian Roubles and foreign currency with legal entities and individuals. The Bank also holds licenses issued by the Federal Commission for the Securities Market (FCSM) for securities transactions: brokerage, dealing and securities management transactions.

The Bank is a member of the Association of Russian Banks, Moscow Interbank Currency Exchange, Moscow International Business Association, International payment systems VISA, MasterCard Worldwide, Diners Club, and also a founder of Non-Commercial Partnership Russian Council of Shopping Centers.

The priority lines of the Bank's business are commercial banking services in the Russian Federation.

The Bank's legal and mailing address is at: 19/1, 1st Kolobovskiy Lane, Moscow, 127051.

Since 15 July 2005 the Bank has been a member of the Obligatory Deposit Insurance System regulated by the state corporation Deposit Insurance Agency.

The average annual number of the Bank's employees in 2009 was 116 (2008: 114).

(in thousands of Russian Roubles)

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

Shareholder	2009 Ownership (%)	2008 Ownership (%)
A.V. Eremeev	9.72	9.72
LLC Monitor-Time	7.64	1.81
A.Yu. Panfilov	6.39	6.39
S.Yu. Krasavin	5.00	5.00
LLC Fenix Group	5.00	5.00
A.V. Shepel	5.00	5.00
V.V. Smirnova	4.86	4.86
Yu.V. Panfilov	4.85	4.85
A.M. Syaglov	3.99	3.99
N.A. Gorbunova	3.89	3.89
T.G. Panfilova	3.68	3.16
V.F. Smirnov	3.62	3.62
A.A. Busalov	3.19	3.19
LLC Panorama Graphics	3.06	3.06
T.A. Krasavina	3.04	3.04
LLC Unit Trust Holding	2.62	2.62
JSC Renovation	2.57	2.57
O.P. Panfilova	2.47	2.47
LLC Myasoopttorg	2.47	2.47
LLC Karat-700	2.47	2.47
A.A. Semenov	1.99	1.99
T.V. Bulavintseva	1.95	-
N.M. Golushko	1.44	1.44
G.V. Martynov	1.25	1.25
S.A. Kameneva	1.23	1.23
S.V. Zavedetskiy	1.21	1.21
S.I. Belskaya	1.05	1.05
N.G. Lotyanu	1.03	1.03
S.N. Morozov	1.03	1.03
E.V. Arefyeva	1.01	1.01
LLC Russo-Balt Express	-	3.09
LLC PakRim Trade	-	2.74
Shareholders with less than 1% stake in the Bank's share capital	1.28	3.75
Total	**100.00**	**100.00**

As at 31 December 2009, members of the Board of Directors controlled 12 936 689 shares of the Bank or 6.39% (2008: 12 936 689 shares of the Bank or 6.39%).

2. Operating Environment of the Bank

General

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

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

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

(in thousands of Russian Roubles)

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

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

During 2009 the refinancing rate was lowered from 12.5% to 8.75% per annum. Required reserve ratio for credit institutions' obligations was raised from 0.5% to 2.5%.

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

Inflation

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

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

Currency transactions

Foreign currencies, in particular the US Dollar and EUR, play a significant role in the underlying economics of many business transactions in the Russian Federation. The table below shows the CBR exchange rates of RUR relative to USD and EUR:

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

Financial market transactions

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

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

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

3. Basis of Presentation

General principles

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

Functional and presentation currency

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

Estimates and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements preparation, and the reported amounts of revenues and expenses during the reporting period. Issues that require best estimate and are most significant for the financial statements are disclosed in Notes 4, 8, 12, 13.

Going concern

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

These financial statements were prepared on a going concern assumption. However, the Bank's liquidity position disclosed in Note 27 indicates that there is an insufficiency of funds maturing in less than 1 month to meet the Bank's current obligations.

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

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

Changes in Accounting Policies

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

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

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

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

IFRSs and IFRIC interpretations not yet effective

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

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

(in thousands of Russian Roubles)

Subsidiaries

Subsidiaries are those entities in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over financial and operating policies.

The financial statements of the subsidiaries are not included in these separate financial statements of the parent company. In preparation of the financial statements of the parent company, investments in subsidiaries are reflected at cost according to IAS 27 "Consolidated and Separate Financial Statements".

The Bank's investments in the subsidiaries recognised at cost as at 31 December 2008 are presented below:

Name	Nature of business	Date of acquisition	Percentage of ownership (%) 2008
LLC Managing Company of Garant-Invest Group	Asset management consulting	20 June 2003	100
LLC Monitor-Time	Leasing	7 August 1998	100
LLC Garant-Invest Development	Services	22 December 2004	100
LLL Stroy-Park	Services	22 December 2004	100
LLC Development-Real	Development	21 December 2004	100
LLC EuroStroyHolding	Development	22 December 2004	100
LLC Garant-Invest Real Estate	Development	3 January 2001	100
LLC A.P. Dental Center	Wholesale trade	28 December 2000	100
LLC Garant-Invest Management	Leasing and finances	16 February 2001	100
LLC Garant-Trade	Trade	28 November 2001	100
LLC Private security enterprise Garant-Zashchita	Security services	15 July 2002	99
LLC Garant-Trade M	Trading and leasing	28 February 2002	99
LLC Garant-Stroy Invest	Development and leasing	22 October 2002	99
CJSC A.P. Dental	Wholesale trade	13 November 1996	67
CJSC A.P. Prom	Manufacturing of sausage products	1 December 1998	50

In 2009 the Bank sold its subsidiaries.

4. Summary of Significant Accounting Policies

Cash and cash equivalents

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

Cash and cash equivalents exclude mandatory reserves with the Central Bank of the Russian Federation.

Mandatory cash balances with the Central Bank of the Russian Federation

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

Financial assets

The Bank classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables (this category includes due from other banks and loans to customers);
- investments held to maturity;

- financial assets available for sale.

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

Initial recognition of financial assets

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

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

Fair value measurement

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

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

Judgement is based on the time value of money, credit risk level, volatility of the instrument, market risk level and other applicable factors.

Derecognition of financial assets

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

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

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

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value. In this case the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Reclassification of financial assets

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

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading securities and other financial assets at fair value through profit or loss.

Trading securities represent securities acquired principally for the purpose of generating a profit from short-term fluctuations in price or trader's margin, or securities included in a portfolio where a pattern of short-term trading exists. The Bank classifies securities as trading securities when it intends to sell them within a short period of time after purchase. Trading securities are not reclassified out of this category except for rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term.

Trading securities are recognised at fair value. Interest earned on trading securities is reflected as interest income in the statement of comprehensive income. Dividends are recognised in the statement of comprehensive income as other operating income when the Bank's right to receive dividends is established and dividends are likely to be received. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in the statement of comprehensive income as gains less losses arising from financial assets at fair value through profit or loss in the period in which they arise.

Other financial assets at fair value through profit or loss include securities that were initially classified in this category provided one of the following criteria was met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets and recognising gains and losses on them on a different basis; or
- a group of financial assets and/or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy and information about this basis is regularly disclosed and revised by the Bank's management.

Recognition and measurement of financial assets designated in this category is in compliance with the accounting policies in respect of trading securities presented above.

Due from other banks

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

Loans to customers

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

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

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

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

Loans to customers originated at interest rates different from market rates are remeasured at origination to their fair values, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. The difference between the fair value and the nominal value at origination is credited or charged to the statement of comprehensive income as gains/losses on origination of loans to customers at rates above/below market. Subsequently, the carrying amount of such loans is adjusted for amortisation and the related gains/losses are recorded within the statement of comprehensive income using the effective interest method.

The Bank acquires loans from third parties at nominal value. Loans are initially measured at fair value representing the cash advanced to the borrower. Subsequently, the loans are recorded using the above method.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets not included into any of the above three categories.

Financial assets available for sale are initially recognised at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial asset. Financial assets available for sale are subsequently remeasured to fair value based on quoted bid prices. Certain financial assets available for sale for which there is no available independent quotation have been fair valued by the Bank's management on the basis of results of recent sales of similar financial assets to unrelated third parties or determined on the basis of indicative quotations for purchase/sale of each type of securities published by information agencies or provided by professional securities market participants. If there is no active market and it is impossible to determine the fair value of equity financial asset using reliable methods, investments are allowed to be recognised at acquisition cost.

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

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

Investments held to maturity

This category of financial assets represents non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. The Bank's management determines the appropriate classification of financial assets at the time of purchase.

The Bank assesses its intention and ability to hold its held-to-maturity financial assets to maturity not only when those financial assets are initially recognised, but also at subsequent reporting date.

Initially, investments held to maturity are recorded at fair value (which includes transaction costs) and are subsequently carried at amortised cost. Gains and losses on investments held to maturity are recognised in the statement of comprehensive income when such assets are impaired, as well as through the amortisation process.

If the Bank sells significant portion of its portfolio of investments held to maturity before their maturity the remaining financial assets from this category shall be reclassified as financial assets available for sale.

Interest earned on investments held to maturity is recognised in the statement of comprehensive income.

Promissory notes purchased

Promissory notes purchased are included in financial assets at fair value through profit or loss, financial assets available for sale, investments held to maturity, due from other banks or loans to customers, depending on their economic substance and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Impairment of financial assets

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

(1) Impairment of due from other banks and loans to customers

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

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

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

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

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

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

The main criterion used for determining objective evidence of loss from impairment of due from other banks and loans to customers representing collectively measured financial assets is availability of observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

Such information may include adverse changes in the payment status of borrowers in the group (for example, an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount), national or local economic conditions that correlate with defaults on the assets in the group (for example, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

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

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

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

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

(2) Impairment of financial assets available for sale

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

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

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

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

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

(3) Impairment of investments held to maturity

The Bank assesses whether objective evidence of impairment exists individually for investments held to maturity. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If, in the next year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is recognised as income in the statement of comprehensive income.

Financial liabilities

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

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

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

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

Financial liabilities carried at amortised cost

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

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

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

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

Other borrowed funds. Other borrowed funds include subordinated deposits recorded as cash is advanced to the Bank.

Offsetting

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

Investment property

Investment property is property held by the Bank to earn rentals or for capital appreciation or both, rather than for: (a) use in the Bank’s ordinary course of business, for administrative purposes; or (b) sale in the ordinary course of business.

Investment property is initially recognised at cost and subsequently recognised at cost or remeasured at fair value based on its market value. The market value of the Bank’s investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have experience in valuation of property of similar location and category. Changes in the fair value of investment property are recorded through the profit and loss accounts in the statement of comprehensive income and presented separately. In addition, the following amounts are recognised in the statement of comprehensive income as other income: rental income; direct operating expenses arising from investment property that generates rental income; other direct operating expenses arising from investment property that does not generate rental income.

If the investment property is used by the Bank for its own operating activities, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Premises and equipment

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

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

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

After revaluation of buildings, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

The revaluation reserve for premises and equipment is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset. Each year the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from revaluation reserve for premises and equipment to retained earnings.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and recorded as operating expenses in the statement of comprehensive income.

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

Construction in progress is carried at cost less impairment provision. As soon as construction is completed, assets are reclassified as premises and equipment at their carrying value at the date of reclassification. Construction in progress is not depreciated until the asset is available for use.

Depreciation

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

- Buildings – 40 years;
- Furniture, computers and office equipment –3 – 5 years;
- Motor vehicles – 4 years.

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

Operating lease - the Bank as lessee

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

Operating lease – the Bank as lessor

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

Share capital

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

Share premium

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

Dividends

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

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

Contingent assets and liabilities

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

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

Credit related commitments

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

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

Provisions

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

Taxation

The income tax charge/recovery comprises current tax and deferred tax and is recorded in the statement of comprehensive income. Income tax expense is recorded in the financial statements in accordance with the applicable legislation of the Russian Federation. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted during the reporting period.

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

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

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

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

Income and expense recognition

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

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

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

Employee benefits and social insurance contributions

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

(in thousands of Russian Roubles)

Foreign currency

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

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

5. Cash and Cash Equivalents

	2009	2008
Cash on hand	140 152	161 702
Balances with the CBR (other than mandatory reserve deposits)	148 169	105 248
Correspondent accounts and overnight deposits with other banks of:		
- the Russian Federation;	47 566	51 180
- other countries	69 267	376 120
Total cash and cash equivalents	**405 154**	**694 250**

As at 31 December 2009, cash and cash equivalents included accrued interest on correspondent accounts with other banks in the amount of RUR 7 thousand (2008: RUR 1 413 thousand). These amounts are excluded from cash and cash equivalents for the purpose of cash flow statement.

As at 31 December 2009, the Bank had cash balances above 10% of the Bank's capital with one counterparty bank (ING Belgium) (2008: two counterparty banks (International Investment Bank (OJSC), ING Belgium). The aggregate amount of these funds equalled RUR 63 125 thousand or 15.6% of total cash and cash equivalents (2008: RUR 324 778 thousand or 46.8% of total cash and cash equivalents).

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss recognised in the statement of financial position as at 31 December 2009 in the amount of RUR 21 375 thousand (2008: RUR 546 thousand) include trading securities and represent Rouble-denominated shares of OJSC Raspadskaya, OJSC Sberbank of Russia, OJSC Lukoil Oil Company and JSC Gazprom.

As the trading securities are stated at fair value determined on the basis of observable market quotations, the Bank does not analyse or monitor the impairment indicators.

7. Due from Other Banks

	2009	2008
Loans and deposits with other banks	646 018	-
Promissory notes of other banks	181 548	203 536
Total due from other banks	**827 566**	**203 536**

As at 31 December 2009 promissory notes of other banks are represented by US Dollar-denominated debt securities of OJSC Credit Bank of Moscow and OJSC First Republic Bank (2008: RUR-denominated securities of OJSC Mezhtopenergobank and JSB SOBINBANK) with maturity date in January 2010 and interest rate between 0.4% and 0.6% (2008: with maturity date from February to December 2009 and interest rate between 9.7% and 14.8%).

(in thousands of Russian Roubles)

The Bank did not create provisions for impairment of due from other banks in 2009 and 2008.

Due from other banks in 2009 and 2008 are not collateralised.

The credit quality analysis of due from other banks as at 31 December 2009 and 31 December 2008 has shown that all the above classes of due from other banks in the total amount of RUR 827 566 thousand (2008: RUR 203 536 thousand) are current.

There are no renegotiated balances representing the carrying amount of due from other banks that would otherwise be past due or impaired whose terms have been renegotiated.

As at 31 December 2009, the Bank acquired promissory notes (above 10% of the Bank's capital) of two counterparty banks and deposits (above 10% of the Bank's capital) of three counterparty banks (2008: promissory notes of two counterparty banks). The aggregate amount of these funds equalled RUR 692 525 thousand or 83.7 % of total due from other banks (2008: RUR 203 536 thousand or 100% of total due from other banks).

8. Loans to Customers

	2009	2008
Corporate loans	3 527 352	2 390 014
Housing loans to individuals	120 197	55 300
Consumer loans to individuals	114 215	195 835
Loans to small and medium business	64 892	54 145
Less: provision for impairment of loans to customers	(330 249)	(133 417)
Total loans to customers	**3 496 407**	**2 561 877**

As at 31 December 2009, accrued interest income on impaired loans to customers amounted to RUR 2 292 thousand (2008: none).

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

	Corporate loans	Housing loans to individuals	Consumer loans to individuals	Loans to small and medium business	Total
Provision for impairment of loans to customers as at 1 January 2008	**70 612**	**-**	**15**	**781**	**71 408**
Provision /(recovery of provision) for loan impairment during 2008	54 393	-	(15)	7 631	**62 009**
Provision for impairment of loans to customers as at 31 December 2008	**125 005**	**-**	**-**	**8 412**	**133 417**
Provision /(recovery of provision) for loan impairment during 2009	171 437	27 685	132	(2 422)	**196 832**
Provision for impairment of loans to customers as at 31 December 2009	**296 442**	**27 685**	**132**	**5 990**	**330 249**

(in thousands of Russian Roubles)

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

	2009		2008	
	Amount	%	Amount	%
Trade	3 003 424	78.5%	1 504 589	55.8%
Construction	441 174	11.5%	283 048	10.5%
Individuals	234 412	6.2%	251 135	9.3%
Financial activities	88 755	2.3%	645 478	23.9%
Other	58 891	1.5%	11 044	0.5%
Total loans to customers (gross)	**3 826 656**	**100.0%**	**2 695 294**	**100.0%**

As at 31 December 2009, the Bank issued loans to 30 borrowers (2008: 26 borrowers) with total amount exceeding 10% of the Bank's capital. The aggregate amount of these loans was RUR 3 484 941 thousand or 91.1% of total loans to customers (2008: RUR 2 486 879 thousand or 92.3% of total loans to customers).

The credit quality analysis of loans as at 31 December 2009 is as follows:

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision
Corporate loans				
Individually impaired loans				
Current loans (not past due)	2 806 941	235 546	2 571 395	8.4%
Collectively impaired loans				
Current loans (not past due)	720 411	60 896	659 515	8.5%
Total corporate loans	**3 527 352**	**296 442**	**3 230 910**	**8.4%**
Housing loans to individuals				
Unimpaired loans				
Current loans (not past due)	66 957	-	66 957	0.0%
Individually impaired loans				
Current loans (not past due)	53 240	27 685	25 555	52.0%
Total housing loans to individuals	**120 197**	**27 685**	**92 512**	**23.0%**
Consumer loans to individuals				
Unimpaired loans				
Current loans (not past due)	114 039	-	114 039	0.0%
Collectively impaired loans				
6 to 12 months overdue	176	132	44	75.0%
Total consumer loans to individuals	**114 215**	**132**	**114 083**	**0.1%**

(in thousands of Russian Roubles)

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision
Loans to small and medium business				
Unimpaired loans				
Current loans (not past due)	21 171	-	21 171	0.0%
Individually impaired loans				
Current loans (not past due)	23 541	2 119	21 422	9.0%
Collectively impaired loans				
Current loans (not past due)	20 180	3 871	16 309	19.2%
Total loans to small and medium business	**64 892**	**5 990**	**58 902**	**9.2%**
Total loans to customers	**3 826 656**	**330 249**	**3 496 407**	**8.6%**

The credit quality analysis of loans as at 31 December 2008 is as follows:

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision
Corporate loans				
Individually impaired loans				
Current loans (not past due)	1 838 565	44 981	1 793 584	2.4%
Collectively impaired loans				
Current loans (not past due)	551 449	80 024	471 425	14.5%
Total corporate loans	**2 390 014**	**125 005**	**2 265 009**	**5.2%**
Housing loans to individuals				
Unimpaired loans				
Current loans (not past due)	55 300	-	55 300	0.0%
Total housing loans to individuals	**55 300**	**-**	**55 300**	**0.0%**
Consumer loans to individuals				
Unimpaired loans				
Current loans (not past due)	195 835	-	195 835	0.0%
Total consumer loans to individuals	**195 835**	**-**	**195 835**	**0.0%**

(in thousands of Russian Roubles)

	Loans before impairment provision	Impairment provision	Loans less impairment provision	Ratio of impairment provision to total loans before impairment provision
Loans to small and medium business				
Individually impaired loans				
Current loans (not past due)	27 445	427	27 018	1.6%
Collectively impaired loans				
Current loans (not past due)	26 700	7 985	18 715	29.9%
Total loans to small and medium business	**54 145**	**8 412**	**45 733**	**15.5%**
Total loans to customers	**2 695 294**	**133 417**	**2 561 877**	**4.9%**

Current and unimpaired loans represent loans issued to borrowers with high level of liquidity and profitability.

Individually impaired loans include loans which show certain signs of impairment, are material in value and individually assessed by the Bank for impairment.

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

As at 31 December 2009, current loans to customers include loans in the amount of RUR 105 347 thousand (2008: RUR 372 573 thousand) that would otherwise be past due whose terms have been renegotiated.

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

	Corporate loans	Housing loans to individuals	Consumer loans to individuals	Loans to small and medium business	Total
Goods for sale	906 002	-	-	-	906 002
Guarantees	-	194 135	10 282	30 244	234 661
Premises and equipment	118 384	-	-	6 016	124 400
Own securities	-	-	-	21 600	21 600
Transport	-	-	-	375	375
Total collateral	**1 024 386**	**194 135**	**10 282**	**58 235**	**1 287 038**

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

	Corporate loans	Housing loans to individuals	Consumer loans to individuals	Loans to small and medium business	Total
Guarantees	176 000	26 493	46 053	-	248 546
Securities	-	-	70 000	15 000	85 000
Construction machinery	69 217	-	-	-	69 217
Motor vehicles	1 214	-	436	52 283	53 933
Total collateral	**246 431**	**26 493**	**116 489**	**67 283**	**456 696**

The collateral value may differ from the fair value of the collateral.

As at 31 December 2009, loans to customers in the total amount of RUR 3 033 426 thousand or 79.3% of total loans to customers are unsecured (2008: RUR 2 278 709 thousand or 84.5% of total loans to customers).

(in thousands of Russian Roubles)

The table below provides information on the collateral held as security of individually impaired loans as at 31 December 2009:

	Corporate loans	Housing loans to individuals	Loans to small and medium business	Total
Goods for sale	803 663	-	-	803 663
Premises and equipment	118 384	-	-	118 384
Guarantees	-	97 963	-	97 963
Own securities	-	-	21 600	21 600
Total collateral	**922 047**	**97 963**	**21 600**	**1 041 610**

The table below provides information on the collateral held as security of individually impaired loans as at 31 December 2008:

	Corporate loans	Loans to small and medium business	Total
Guarantees	93 100	-	93 100
Construction machinery	53 485	-	53 485
Motor vehicles	-	52 283	52 283
Securities	-	15 000	15 000
Total collateral	**146 585**	**67 283**	**213 868**

9. Financial Assets Available for Sale

	2009	2008
Corporate equity securities		
- interests in the share capital of companies	-	4 006
Corporate debt securities		
- Promissory notes	569 026	-
Less: provision for impairment of financial assets available for sale	-	(6)
Total financial assets available for sale	**569 026**	**4 000**

As at 31 December 2009, promissory notes are issued by commercial banks in Russian Roubles and US Dollars. Promissory notes have maturity dates from February 2010 to December 2010 and yield to maturity ranging from 0.3% to 16.1%.

As at 31 December 2008, corporate equity securities represent investments in Managing Company of Garant-Invest Investment Fund in the amount of RUR 4 000 thousand (10% ownership interest) and LLC NMT in the amount of RUR 6 thousand (18% ownership interest).

As at 31 December 2009, the Bank sold its interest in the share capital of Managing Company of Garant-Invest Investment Fund and LLC NMT at nominal value.

Below is the information on changes in the portfolio of financial assets available for sale:

	2009	2008
Carrying amount as at 1 January	**4 006**	**3 006**
Acquisition	582 389	1 000
Disposals	(20 325)	-
Accrued interest income	3 860	-
Interest received	(904)	-
Carrying amount as at 31 December	**569 026**	**4 006**

(in thousands of Russian Roubles)

Below is the analysis of movements in the provision for impairment of financial assets available for sale during 2008:

Provision for impairment of financial assets available for sale as at 31 December 2007	**-**
Provision for impairment during 2008	6
Provision for impairment of financial assets available for sale as at 31 December 2008	**6**
Recovery of provision for impairment during 2009	(6)
Provision for impairment of financial assets available for sale as at 31 December 2009	**-**

As at 31 December 2009, financial assets available for sale in amount of RUR 232 215 thousand were provided as collateral to third parties under limits of borrowing from other banks (2008: none) (Note 15).

10. Investments Held to Maturity

As at 31 December 2009, there are no investments held to maturity (2008: promissory note in the total amount of RUR 16 814 thousand).

As at 31 December 2008, a Rouble-denominated promissory note was issued by the Russian commercial organisation LLC Garant-Invest Real Estate. The promissory note has maturity on 22 March 2009 and yield to maturity of 12.5%

In 2008 the Bank did not create provisions for impairment of investments held to maturity.

Below is the information on changes in the portfolio of investments held to maturity:

	2009	2008
Carrying value as at 1 January	**16 814**	**408 462**
Acquisition	-	16 319
Repayment	(16 319)	(408 286)
Accrued interest income	292	37 354
Interest received	(787)	(37 035)
Carrying value as at 31 December	**-**	**16 814**

The credit quality analysis of debt securities classified as held to maturity has shown that as at 31 December 2008 all debt securities in the total amount of RUR 16 814 thousand are current.

As at 31 December 2008, there were no renegotiated balances representing the carrying amount of investments held to maturity that would otherwise be past due or impaired whose terms have been renegotiated.

Debt securities are not collateralised.

(in thousands of Russian Roubles)

11. Investments in Subsidiaries

In 2009 the Bank sold all its subsidiaries.

Below is the list of investments in subsidiaries as at 31 December 2008:

	2008	
Description	**Amount of investments**	**Percentage of ownership, %**
LLC A.P. Dental Center	9 493	100
LLC Monitor-Time	6 411	100
LLC Garant-Invest Real Estate	3 848	100
LLC Garant-Invest Management	3 702	100
LLC Managing Company of Garant-Invest Group	2 000	100
LLC Garant-Trade M	1 689	99
CJSC A.P. Dental	24	67
CJSC A.P. Prom	21	50
LLC Garant-Invest Development	10	100
LLL Stroy-Park	10	100
LLC Development-Real	10	100
LLC EuroStroyHolding	10	100
LLC Private security enterprise Garant-Zashchita	10	99
Total investments in subsidiaries	**27 238**	

Below is the information on changes in the carrying value of investments in subsidiaries and associates:

	2009	2008
Carrying value as at 1 January	**27 238**	**27 298**
Sale of investments in subsidiary LLC A.P. Dental Center	(9 493)	-
Sale of investments in subsidiary LLC Monitor-Time	(6 411)	-
Sale of investments in subsidiary LLC Garant-Invest Real Estate	(3 848)	-
Sale of investments in subsidiary LLC Garant-Invest Management	(3 702)	-
Sale of investments in subsidiary LLC Managing Company of Garant-Invest Group	(2 000)	-
Sale of investments in subsidiary LLC Garant-Trade M	(1 689)	-
Sale of investments in subsidiary CJSC A.P. Dental	(24)	-
Sale of investments in subsidiary CJSC A.P. Prom	(21)	-
Sale of investments in subsidiary LLC Garant-Invest Development	(10)	-
Sale of investments in subsidiary LLL Stroy-Park	(10)	-
Sale of investments in subsidiary LLC Development-Real	(10)	-
Sale of investments in subsidiary LLC EuroStroyHolding	(10)	-
Sale of investments in subsidiary LLC Private security enterprise Garant-Zashchita	(10)	-
Sale of investments in subsidiary LLC StroyTekhnoService	-	(10)
Sale of investments in subsidiary LLC Real-Exclusive	-	(10)
Sale of investments in subsidiary LLC Garant-Estate	-	(10)
Sale of investments in subsidiary LLC Garant-Development	-	(10)
Sale of investments in subsidiary LLC Development-Invest	-	(10)
Sale of investments in subsidiary OOO LLC LuxstroyContact	-	(10)
Carrying value as at 31 December	**-**	**27 238**

The Bank did not create provisions for impairment of investments in subsidiaries as at 31 December 2009 and 2008.

(in thousands of Russian Roubles)

12. Investment Property

As at 31 December 2009, the Bank has no investment property.

Below is the information on changes in the fair value of investment property:

	2009	2008
Cost as at 1 January	**13 988**	**24 546**
Transfer to premises and equipment	(13 988)	-
Change in the fair value during the year	-	(10 558)
Cost as at 31 December	**-**	**13 988**

Investment property represents part of the leased building. As at 31 December 2008, the Bank's investment property was evaluated by American Appraisal (AAR) Inc. and was based on the market value. In the income statement for 2008, gains/(losses) from revaluation of investment property included revaluation deficit of investment property in the amount of RUR 10 558 thousand.

During 2008 direct operating expenses relating to investment property generating rental income amounted to RUR 67 thousand. Rental income for 2008 totalled RUR 2 919 thousand.

13. Premises and Equipment

	Buildings	Furniture, computers and office equipment	Motor vehicles	Total
Net book value as at 31 December 2008	**82 967**	**1 829**	**1 785**	**86 581**
Cost (or revalued amount)				
Balance as at 1 January 2009	82 967	9 165	8 298	100 430
Transfer from investment property	13 988	-	-	13 988
Additions	-	597	11 187	11 784
Revaluation	20 652	-	-	20 652
Accumulated depreciation eliminated on revaluation	(2 074)	-	-	(2 074)
Disposals	-	(561)	-	(561)
Balance as at 31 December 2009	**115 533**	**9 201**	**19 485**	**144 219**
Accumulated depreciation				
Balance as at 1 January 2009	-	7 336	6 513	13 849
Depreciation charge	2 074	429	3 323	5 826
Accumulated depreciation eliminated on revaluation	(2 074)	-	-	(2 074)
Disposals		(361)	-	(361)
Balance as at 31 December 2009	**-**	**7 404**	**9 836**	**17 240**
Net book value as at 31 December 2009	**115 533**	**1 797**	**9 649**	**126 979**

(in thousands of Russian Roubles)

	Buildings	Furniture, computers and office equipment	Motor vehicles	Total
Net book value as at 31 December 2007	**125 185**	**2 353**	**1 630**	**129 168**
Cost (or revalued amount)				
Balance as at 1 January 2008	125 185	15 601	7 351	148 137
Acquisition	-	648	1 330	1 978
Revaluation	(39 088)	-	-	(39 088)
Accumulated depreciation eliminated on revaluation	(3 130)	-	-	(3 130)
Disposals	-	(7 084)	(383)	(7 467)
Balance as at 31 December 2008	**82 967**	**9 165**	**8 298**	**100 430**
Accumulated depreciation				
Balance as at 1 January 2008	-	13 248	5 721	18 969
Depreciation charge	3 130	1 086	1 175	5 391
Disposals	-	(6 998)	(383)	(7 381)
Accumulated depreciation eliminated on revaluation	(3 130)	-	-	(3 130)
Balance as at 31 December 2008	**-**	**7 336**	**6 513**	**13 849**
Net book value as at 31 December 2008	**82 967**	**1 829**	**1 785**	**86 581**

The Bank's buildings were appraised by an independent appraiser as at 31 December 2009. The appraisal was performed by Knight Frank LLC (2008: American Appraisal (AAR) Inc.) and was based on the market value. As at 31 December 2009, the net book value of buildings includes the amount of RUR 111 276 thousand (2008: RUR 90 624 thousand), which represents positive revaluation of the Bank's buildings reflected within other comprehensive income. In 2008 the revaluation reserve includes the amount of revaluation of buildings (reclassified into investment property) that is accumulated before the date of reclassification.

As at 31 December 2009, total deferred tax liability of RUR 22 255 thousand (2008: RUR 18 125 thousand) was computed in respect of this revaluation and posted to equity in accordance with IAS 16 (see Note 25).

If the buildings were measured using the cost model, the net book value would include:

	2009	2008
Cost	5 355	5 355
Transfer from investment property	1 369	-
Accumulated depreciation and impairment	(936)	(782)
Net book value	**5 788**	**4 573**

(in thousands of Russian Roubles)

14. Other Assets

	2009	2008
Cash deposits with stock exchange	9 091	-
Advance payments relating to business transactions	4 676	3 654
Plastic cards settlements	3 897	6 819
Receivables on securities transactions	2 399	21
Prepaid taxes (other than income tax)	826	-
Other	670	546
Less: provision for impairment of other assets	(39)	(52)
Total other assets	**21 520**	**10 988**

Cash deposits with stock exchange represent cash deposited with Moscow Interbank Currency Exchange (MICEX).

Movements in the provision for impairment of other assets during 2009 and 2008 are as follows:

	Other
Provision for impairment of other assets as at 1 January 2008	**-**
Provision for impairment of other assets during 2008	52
Provision for impairment of other assets as at 31 December 2008	**52**
Provision for impairment of other assets during 2009	6
Assets written off during 2009 as uncollectible	(19)
Provision for impairment of other assets as at 31 December 2009	**39**

The Bank has no collateral for impaired assets recognised as other assets.

The credit quality analysis of the financial assets classified as other assets as at 31 December 2009 is as follows:

	Current and unimpaired	Past due and impaired more than 1 year	Total
Cash deposits with stock exchange	9 091	-	9 091
Plastic cards settlements	3 897	-	3 897
Receivables on securities transactions	2 399	-	2 399
Other	-	39	39
Less: provision for impairment of other assets	-	(39)	(39)
Total financial assets classified as other assets	**15 387**	**-**	**15 387**

The credit quality analysis of the financial assets classified as other assets as at 31 December 2008 is as follows:

	Current and unimpaired	Past due and impaired more than 1 year	Total
Plastic cards settlements	6 819	-	6 819
Receivables on securities transactions	21	-	21
Other	489	52	541
Less: provision for impairment of other assets	-	(52)	(52)
Total financial assets classified as other assets	**7 329**	**-**	**7 329**

(in thousands of Russian Roubles)

15. Due to Other Banks

	2009	2008
Correspondent accounts and 'overnight' deposits of other banks	18 008	18 840
Total due to other banks	**18 008**	**18 840**

As at 31 December 2009, financial assets available for sale in amount of RUR 232 215 thousand were provided by the Bank as the collateral to third parties under the limits of borrowing from other banks (2008: none) (Note 9).

As at 31 December 2009 and 31 December 2008, the Bank had no cash balances of counterparty banks above 10% of its capital.

16. Customer Accounts

	2009	2008
State and municipal organisations		
— Term deposits	15 900	-
Legal entities		
— Current/settlement accounts	949 175	689 332
— Term deposits	2 076 310	963 401
Individuals		
— Current/demand accounts	205 592	268 765
— Term deposits	1 348 554	795 270
Total customer accounts	**4 595 531**	**2 716 768**

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

Economic sector concentrations within customer accounts are as follows:

	2009		2008	
	Amount	**%**	**Amount**	**%**
Individuals	1 554 146	33.8	1 064 035	39.2
Trade	1 523 363	33.1	266 181	9.8
Financial services	619 238	13.5	92 362	3.4
Construction	435 739	9.5	261 261	9.6
Services	298 218	6.5	74 969	2.7
Industry	12 614	0.3	852 424	31.4
Other	152 213	3.3	105 536	3.9
Total customer accounts	**4 595 531**	**100%**	**2 716 768**	**100%**

As at 31 December 2009, the Bank had 9 customers (2008: 5 customers) with total balances over 10% of the Bank's capital. The aggregate amount of these customer accounts was RUR 2 250 943 thousand or 48.9% of total customer accounts (2008: RUR 1 290 871 thousand or 47.5% of total customer accounts).

17. Debt Securities Issued

	2009	2008
Promissory notes	62 044	126 412
Certificates of deposit	23 185	-
Total debt securities issued	**85 229**	**126 412**

As at 31 December 2009, debt securities issued by the Bank include promissory notes of RUR 62 044 thousand (2008: RUR 126 412 thousand) denominated in Russian Roubles and Euros (2008: denominated in Russian Roubles and US Dollars). These notes mature in the period from December 2009 to August 2010 (2008: from January 2009 to October 2009), and have the interest rate from 10.0% to 14.0% (2008: from 4.0% to 13.0%).

(in thousands of Russian Roubles)

As at 31 December 2009, debt securities issued by the Bank include certificates of deposit of RUR 23 185 thousand (2008: none) denominated in Russian Roubles. The maturity date of these certificates of deposit is June 2010 and the interest rate is 13%.

As at 31 December 2009 the Bank had no debt securities issued in the total amount exceeding 10% of the Bank's capital (2008: balances above 10% of the Bank's capital belong to one customer of the Bank, the aggregate amount of these funds is RUR 70 005 thousand or 55.4% of total debt securities issued).

18. Other Borrowed Funds

As at 31 December 2009, the Bank borrowed funds in US dollars in the form of a subordinated deposit of USD 5 000 thousand (equivalent of RUR 151 221 thousand) (2008: subordinated deposit of USD 5 000 thousand (equivalent of RUR 146 902 thousand). The interest rate on this subordinated deposit is Libor +5.0% p.a.

The subordinated deposit was attracted from Bahir Trading Limited (Cyprus).

These funds are expected to be repaid on expiry of the contract term.

Below is the information on movements in other borrowed funds:

	2009	2008
Carrying value as at 1 January	**147 375**	**123 175**
Effect of exchange rate changes	3 852	23 727
Accrued interest expenses	10 176	10 562
Paid interest expenses	(9 898)	(10 089)
Carrying value as at 31 December	**151 505**	**147 375**

19. Other Liabilities

	2009	2008
Remuneration payable to employees	4 368	7 248
Plastic cards settlements	3 607	3 134
Accounts payable	1 215	817
Taxes payable other than income tax	653	392
Other	-	167
Total other liabilities	**9 843**	**11 758**

20. Share Capital and Share Premium

Authorised, issued and fully paid share capital of the Bank comprises:

	2009			2008		
	Number of shares	Nominal value	Inflation adjusted value	Number of shares	Nominal value	Inflation adjusted value
Ordinary shares	202 563 280	202 563	387 040	202 563 280	202 563	387 040
Total share capital	**202 563 280**	**202 563**	**387 040**	**202 563 280**	**202 563**	**387 040**

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

Share premium represents the excess of contributions over the nominal value of the shares issued. As at 31 December 2009, the share premium amounted to RUR 40 295 thousand (2008: RUR 40 295 thousand) (the amounts were adjusted for inflation).

21. Retained Earnings according to Russian Accounting Standards

According to Russian legislation only accumulated retained earnings reflected in the Bank's statutory financial statements may be distributed as dividends among the shareholders. As at 31 December 2009, the Bank's retained earnings amounted to RUR 178 297 thousand (2008: RUR 156 400 thousand), including profit of the reporting period in the amount of RUR 21 897 thousand (2008: RUR 20 010 thousand).

(in thousands of Russian Roubles)

The retained earnings reflected in the Bank's statutory records includes a reserve fund in the amount of RUR 156 400 thousand (2008: RUR 136 051 thousand) that represents funds provided, as required by the regulations of the Russian Federation, in respect of the Bank's general banking risks, including future losses and other unforeseen risks or contingent liabilities.

22. Interest Income and Expense

	2009	2008
Interest income		
Loans to customers	437 802	264 919
Due from other banks	16 863	9 028
Financial assets available for sale	3 860	-
Investments held to maturity	292	37 354
Total interest income	**458 817**	**311 301**
Interest expense		
Customer accounts	217 873	138 766
Debt securities issued	13 037	8 293
Other borrowed funds	10 176	10 562
Loans and deposits of other banks	2 269	5 366
Total interest expense	**243 355**	**162 987**
Net interest income	**215 462**	**148 314**

23. Fee and Commission Income and Expense

	2009	2008
Fee and commission income		
Commission on cash and settlement transactions	35 379	26 465
Commission for use of plastic cards	7 191	7 633
Commission on cash collection	4 732	3 632
Commission on guarantees issued	3 305	31
Other	1 408	1 943
Total fee and commission income	**52 015**	**39 704**
Fee and commission expense		
Commission on settlement transactions	10 518	9 983
Total fee and commission expense	**10 518**	**9 983**
Net fee and commission income	**41 497**	**29 721**

24. Operating Expenses

	Note	2009	2008
Staff costs		52 728	69 012
Administrative expenses		13 439	11 843
Professional services (security, communications, etc.)		7 086	7 750
Depreciation of premises and equipment	11	5 826	5 391
Taxes other than income tax		5 616	4 004
Deposit insurance expenses		4 284	4 130
Advertising and marketing		593	2 676
Other		1 691	5 076
Total operating expenses		**91 263**	**109 882**

(in thousands of Russian Roubles)

25. Income Tax

Income tax expense comprises the following:

	2009	2008
Current income tax expense	7 544	5 038
Deferred taxation movement due to origination and reversal of temporary differences	(830)	(9 768)
Effect of change in income tax rate	-	(10 395)
Less: deferred taxation charged to other comprehensive income/(expense)	(4 130)	13 006
Income tax expense/ (recovery) for the year	**2 584**	**(2 119)**

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

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

	2009	2008
IFRS profit before taxation	**12 762**	**11 253**
Theoretical tax charge at the applicable statutory rate (2009: 20 %; 2008: 24%)	2 552	2 701
Effect of change in income tax rate recognised in the statement of comprehensive income	-	(5 207)
Non-deductible expenses less non-taxable income	32	387
Income tax expense/ (recovery) for the year	**2 584**	**(2 119)**

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial statement purposes and for the Bank profits tax purposes.

	2009	Movement	2008
Tax effect of deductible temporary differences			
Other liabilities	874	874	-
Revaluation of financial assets at fair value through profit or loss	-	(157)	157
Depreciation	538	(19)	557
Other	18	(3 453)	3 471
Gross deferred tax assets	**1 430**	**(2 755)**	**4 185**
Tax effect of taxable temporary differences			
Revaluation of premises and equipment	22 255	4 130	18 125
Provision for impairment of loans to customers	19 128	(6 076)	25 204
Investments held to maturity	257	257	-
Revaluation of investment property	-	(1 761)	1 761
Revaluation of financial assets at fair value through profit or loss	788	788	-
Other	375	(923)	1 298
Gross deferred tax liabilities	**42 803**	**(3 585)**	**46 388**
Total net deferred tax liability	**41 373**	**(830)**	**42 203**

(in thousands of Russian Roubles)

	2008	Movement	Effect of change in income tax rate	2007
Tax effect of deductible temporary differences				
Revaluation of financial assets at fair value through profit or loss	157	157	-	-
Depreciation	557	(1 285)	(368)	2 210
Other	3 471	1 753	(343)	2 061
Gross deferred tax assets	**4 185**	**625**	**(711)**	**4 271**
Tax effect of taxable temporary differences				
Revaluation of premises and equipment	18 125	(7 818)	(5 188)	31 131
Provision for loans to customers	25 204	392	(4 963)	29 775
Revaluation of investment property	1 761	(2 112)	(774)	4 647
Other	1 298	395	(181)	1 084
Gross deferred tax liabilities	**46 388**	**(9 143)**	**(11 105)**	**66 637**
Total net deferred tax liability	**42 203**	**(9 768)**	**(10 395)**	**62 366**

Net deferred tax liability represents income tax amount payable in future periods in respect of taxable temporary differences.

As at 31 December 2009, the total deferred tax liability of RUR 22 255 thousand (2008: RUR 18 125 thousand) was calculated in respect of positive revaluation of buildings at fair value and recorded within revaluation reserve for premises and equipment (Note 13).

26. Components of Comprehensive Income

	2009	2008
Revaluation of premises and equipment		
Revaluation of premises and equipment (Note 13)	20 652	(39 088)
Effect from revaluation of premises and equipment	**20 652**	**(39 088)**
Income tax relating to components of comprehensive income		
Revaluation of premises and equipment	(4 130)	13 006
Income tax relating to components of comprehensive income	**(4 130)**	**13 006**
Other comprehensive income after taxation	**16 522**	**(26 082)**

27. Risk Management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

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

The exposure to any one borrower including banks and broker companies is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures are monitored against limits daily.

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

The Bank's maximum exposure to credit risk is primarily reflected in the carrying amount of financial assets in the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credits, the maximum exposure to credit risk is equal to total liabilities, as described in Note 29.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

The Bank performs the loan maturity analysis and subsequent monitoring of overdue balances. Therefore, the management provides information on overdue maturities and other information on credit risk, as described in Notes 7, 8.

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

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

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

The Bank assesses its market risk exposure in compliance with the requirements of CBR Regulation No. 313-P of 14 November 2007 “On Procedure of Market Risk Calculation by Credit Institutions”.

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

(in thousands of Russian Roubles)

	Russia	OECD	Other countries	Total
Assets				
Cash and cash equivalents	335 887	69 267	-	405 154
Mandatory cash balances with the Central Bank of the Russian Federation	26 496	-	-	26 496
Financial assets at fair value through profit or loss	21 375	-	-	21 375
Due from other banks	577 598	249 968	-	827 566
Loans to customers	3 496 407	-	-	3 496 407
Financial assets available for sale	569 026	-	-	569 026
Premises and equipment	126 979	-	-	126 979
Other assets	21 520	-	-	21 520
Total assets	**5 175 288**	**319 235**	**-**	**5 494 523**
Liabilities				
Due to other banks	-	-	18 008	18 008
Customer accounts	4 156 403	10 433	428 695	4 595 531
Debt securities issued	85 229	-	-	85 229
Other borrowed funds	-	-	151 505	151 505
Other liabilities	9 843	-	-	9 843
Current tax liabilities	1 300	-	-	1 300
Deferred tax liabilities	41 373	-	-	41 373
Total liabilities	**4 294 148**	**10 433**	**598 208**	**4 902 789**
Net balance sheet position	**881 140**	**308 802**	**(598 208)**	**591 734**
Credit related commitments	**180 736**	**-**	**-**	**180 736**

(in thousands of Russian Roubles)

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

	Russia	OECD	Other countries	Total
Assets				
Cash and cash equivalents	318 130	147 191	228 929	694 250
Mandatory cash balances with the Central Bank of the Russian Federation	4 104	-	-	4 104
Financial assets at fair value through profit or loss	546	-	-	546
Due from other banks	203 536	-	-	203 536
Loans to customers	2 561 877	-	-	2 561 877
Financial assets available for sale	4 000	-	-	4 000
Investments held to maturity	16 814	-	-	16 814
Investments in subsidiaries	27 238	-	-	27 238
Investment property	13 988	-	-	13 988
Premises and equipment	86 581	-	-	86 581
Other assets	10 988	-	-	10 988
Current tax assets	4 468	-	-	4 468
Total assets	**3 252 270**	**147 191**	**228 929**	**3 628 390**
Liabilities				
Due to other banks	-	-	18 840	18 840
Customer accounts	2 699 226	9 938	7 604	2 716 768
Debt securities issued	126 412	-	-	126 412
Other borrowed funds	-	-	147 375	147 375
Other liabilities	11 758	-	-	11 758
Deferred tax liabilities	42 203	-	-	42 203
Total liabilities	**2 879 599**	**9 938**	**173 819**	**3 063 356**
Net balance sheet position	**372 671**	**137 253**	**55 110**	**565 034**
Credit related commitments	**15 023**	**-**	**-**	**15 023**

(in thousands of Russian Roubles)

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

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	256 500	70 048	77 826	780	405 154
Mandatory cash balances with the Central Bank of the Russian Federation	26 496	-	-	-	26 496
Financial assets at fair value through profit or loss	21 375	-	-	-	21 375
Due from other banks	145 016	626 145	56 405	-	827 566
Loans to customers	2 072 127	1 044 806	379 474	-	3 496 407
Financial assets available for sale	448 393	120 633	-	-	569 026
Premises and equipment	126 979	-	-	-	126 979
Other assets	21 520	-	-	-	21 520
Total assets	**3 118 406**	**1 861 632**	**513 705**	**780**	**5 494 523**
Liabilities					
Due to other banks	18 008	-	-	-	18 008
Customer accounts	2 868 310	1 284 356	442 820	45	4 595 531
Debt securities issued	58 233	-	26 996	-	85 229
Other borrowed funds	-	151 505	-	-	151 505
Other liabilities	9 843	-	-	-	9 843
Current tax liabilities	1 300	-	-	-	1 300
Deferred tax liabilities	41 373	-	-	-	41 373
Total liabilities	**2 997 067**	**1 435 861**	**469 816**	**45**	**4 902 789**
Net balance sheet position	**121 339**	**425 771**	**43 889**	**735**	**591 734**
Credit related commitments	**175 374**	**3 390**	**1 972**	**-**	**180 736**

(in thousands of Russian Roubles)

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

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	380 671	211 359	101 252	968	694 250
Mandatory cash balances with the Central Bank of the Russian Federation	4 104	-	-	-	4 104
Financial assets at fair value through profit or loss	546	-	-	-	546
Due from other banks	203 536	-	-	-	203 536
Loans to customers	2 266 023	295 854	-	-	2 561 877
Financial assets available for sale	4 000	-	-	-	4 000
Investments held to maturity	16 814	-	-	-	16 814
Investments in subsidiaries	27 238	-	-	-	27 238
Investment property	13 988	-	-	-	13 988
Premises and equipment	86 581	-	-	-	86 581
Other assets	10 988	-	-	-	10 988
Current tax assets	4 468	-	-	-	4 468
Total assets	**3 018 957**	**507 213**	**101 252**	**968**	**3 628 390**
Liabilities					
Due to other banks	18 840	-	-	-	18 840
Customer accounts	2 242 171	366 810	107 344	443	2 716 768
Debt securities issued	119 184	7 228	-	-	126 412
Other borrowed funds	-	147 375	-	-	147 375
Other liabilities	11 734	24	-	-	11 758
Deferred tax liabilities	42 203	-	-	-	42 203
Total liabilities	**2 434 132**	**521 437**	**107 344**	**443**	**3 063 356**
Net balance sheet position	**584 825**	**(14 224)**	**(6 092)**	**525**	**565 034**
Credit related commitments	**10 682**	**3 471**	**870**	**-**	**15 023**

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

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at the reporting date, if all other conditions remain unchanged. A reasonably possible change by each currency is determined based on the analysis of historical data on exchange rate fluctuations one month prior to 31 December 2009.

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

		2009
	Effect on profit before taxation	**Effect on comprehensive income**
USD appreciation by 6%	25 546	20 437
USD depreciation by 6%	(25 546)	(20 437)
EUR appreciation by 7%	3 072	2 458
EUR depreciation by 7%	(3 072)	(2 458)

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at 31 December 2008, if all other conditions remain unchanged. A reasonably possible change by each currency is determined based on the analysis of historical data on maximum movements in foreign exchange rates for December 2008.

(in thousands of Russian Roubles)

		2008
	Effect on profit before taxation	**Effect on comprehensive income/(expense)**
USD appreciation by 7%	(996)	(757)
USD depreciation by 7%	996	757
EUR appreciation by 18%	(1 097)	(834)
EUR depreciation by 18%	1 097	834

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

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

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

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

- Quick ratio (H2) calculated as a ratio of highly liquid assets and liabilities on demand. As at 31 December 2009, this ratio was 34.6% (2008: 50.3%).
- Current liquidity ratio (H3) calculated as a ratio of liquid assets and liabilities maturing within 30 calendar days. As at 31 December 2009, this ratio was 78.6% (2008: 93.8%).
- Long-term liquidity ratio (H4) calculated as a ratio of assets maturing in more than 1 year to equity and liabilities maturing in more than 1 year. As at 31 December 2009, this ratio was 76.6% (2008: 10.0%).

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

The daily liquidity position is monitored by the Planning and Risk Control Department of the Bank, which also performs stress testing under a variety of scenarios covering both normal and more severe market conditions.

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

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

(in thousands of Russian Roubles)

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	18 008	-	-	-	18 008
Customer accounts	1 425 098	1 610 872	1 533 938	214 272	4 784 180
Debt securities issued	5 175	55 030	28 726	-	88 931
Other borrowed funds	665	3 327	3 992	194 600	202 584
Total potential future payments under financial liabilities	**1 448 946**	**1 669 229**	**1 566 656**	**408 872**	**5 093 703**

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	18 840	-	-	-	18 840
Customer accounts	1 054 811	1 200 848	547 513	6 246	2 809 418
Debt securities issued	7 753	981	120 343	-	129 077
Other borrowed funds	1 094	5 470	6 564	232 702	245 830
Total potential future payments under financial liabilities	**1 082 498**	**1 207 299**	**674 420**	**238 948**	**3 203 165**

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

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

(in thousands of Russian Roubles)

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	405 154	-	-	-	-	405 154
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	26 496	26 496
Financial assets at fair value through profit or loss	21 375	-	-	-	-	21 375
Due from other banks	646 045	181 521	-	-	-	827 566
Loans to customers	155 543	1 557 516	1 078 236	705 112	-	3 496 407
Financial assets available for sale	-	363 145	205 881	-	-	569 026
Premises and equipment	-	-	-	-	126 979	126 979
Other assets	21 520	-	-	-	-	21 520
Total assets	**1 249 637**	**2 102 182**	**1 284 117**	**705 112**	**153 475**	**5 494 523**
Liabilities						
Due to other banks	18 008	-	-	-	-	18 008
Customer accounts	1 423 951	1 568 330	1 412 640	190 610	-	4 595 531
Debt securities issued	5 175	53 059	26 995	-	-	85 229
Other borrowed funds	284	-	-	151 221	-	151 505
Other liabilities	9 843	-	-	-	-	9 843
Current tax liabilities	-	1 300	-	-	-	1 300
Deferred tax liabilities	-	-	-	-	41 373	41 373
Total liabilities	**1 457 261**	**1 622 689**	**1 439 635**	**341 831**	**41 373**	**4 902 789**
Net liquidity gap as at 31 December 2009	**(207 624)**	**479 493**	**(155 518)**	**363 281**	**112 102**	**591 734**
Cumulative liquidity gap as at 31 December 2009	**(207 624)**	**271 869**	**116 351**	**479 632**	**591 734**	
Credit related commitments	**75**	**2 923**	**10 388**	**167 350**	**-**	**180 736**

(in thousands of Russian Roubles)

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	694 250	-	-	-	-	694 250
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	4 104	4 104
Financial assets at fair value through profit or loss	546	-	-	-	-	546
Due from other banks	-	102 770	100 766	-	-	203 536
Loans to customers	246 612	1 063 967	1 147 672	103 626	-	2 561 877
Financial assets available for sale	-	-	-	-	4 000	4 000
Investments held to maturity	-	16 814	-	-	-	16 814
Investments in subsidiaries	-	-	-	-	27 238	27 238
Investment property	-	-	-	-	13 988	13 988
Premises and equipment	-	-	-	-	86 581	86 581
Other assets	7 557	847	258	2 185	141	10 988
Current tax assets	-	4 468	-	-	-	4 468
Total assets	**948 965**	**1 188 866**	**1 248 696**	**105 811**	**136 052**	**3 628 390**
Liabilities						
Due to other banks	18 840	-	-	-	-	18 840
Customer accounts	1 053 825	1 155 961	501 982	5 000	-	2 716 768
Debt securities issued	7 728	957	117 727	-	-	126 412
Other borrowed funds	473	-	-	146 902	-	147 375
Other liabilities	11 118	236	209	-	195	11 758
Deferred tax liabilities	-	-	-	-	42 203	42 203
Total liabilities	**1 091 984**	**1 157 154**	**619 918**	**151 902**	**42 398**	**3 063 356**
Net liquidity gap as at 31 December 2008	**(143 019)**	**31 712**	**628 778**	**(46 091)**	**93 654**	**565 034**
Cumulative liquidity gap as at 31 December 2008	**(143 019)**	**(111 307)**	**517 471**	**471 380**	**565 034**	
Credit related commitments	**2 516**	**3 626**	**7 590**	**1 291**	**-**	**15 023**

As the above analysis is based on expected maturity, the entire portfolio of financial assets at fair value through profit or loss is categorised as “On demand and less than 1 month” in accordance with the portfolio liquidity assessment by the management.

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

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

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

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

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

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

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

(in thousands of Russian Roubles)

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	3	-	-	-	405 151	405 154
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	26 496	26 496
Financial assets at fair value through profit or loss	-	-	-	-	21 375	21 375
Due from other banks	646 045	181 521	-	-	-	827 566
Loans to customers	155 543	1 557 516	1 078 236	705 112	-	3 496 407
Financial assets available for sale	-	363 145	205 881	-	-	569 026
Premises and equipment	-	-	-	-	126 979	126 979
Other assets	-	-	-	-	21 520	21 520
Total assets	**801 591**	**2 102 182**	**1 284 117**	**705 112**	**601 521**	**5 494 523**
Liabilities						
Due to other banks	18 008	-	-	-	-	18 008
Customer accounts	1 423 951	1 568 330	1 412 640	190 610	-	4 595 531
Debt securities issued	5 175	53 059	26 995	-	-	85 229
Other borrowed funds	-	-	-	151 221	284	151 505
Other liabilities	-	-	-	-	9 843	9 843
Current tax liabilities	-	-	-	-	1 300	1 300
Deferred tax liabilities	-	-	-	-	41 373	41 373
Total liabilities	**1 447 134**	**1 621 389**	**1 439 635**	**341 831**	**52 800**	**4 902 789**
Net interest rate gap as at 31 December 2009	**(645 543)**	**480 793**	**(155 518)**	**363 281**	**548 721**	**591 734**
Cumulative interest rate gap as at 31 December 2009	**(645 543)**	**(164 750)**	**(320 268)**	**43 013**	**591 734**	

(in thousands of Russian Roubles)

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	264 997	-	-	-	429 253	694 250
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	4 104	4 104
Financial assets at fair value through profit or loss	-	-	-	-	546	546
Due from other banks	-	102 770	100 766	-	-	203 536
Loans to customers	246 612	1 063 967	1 147 672	103 626	-	2 561 877
Financial assets available for sale	-	-	-	-	4 000	4 000
Investments held to maturity	-	16 814	-	-	-	16 814
Investments in subsidiaries	-	-	-	-	27 238	27 238
Investment property	-	-	-	-	13 988	13 988
Premises and equipment	-	-	-	-	86 581	86 581
Other assets	-	-	-	-	10 988	10 988
Current tax assets	-	-	-	-	4 468	4 468
Total assets	**511 609**	**1 183 551**	**1 248 438**	**103 626**	**581 166**	**3 628 390**
Liabilities						
Due to other banks	18 840	-	-	-	-	18 840
Customer accounts	142 726	1 155 961	501 982	5 000	911 099	2 716 768
Debt securities issued	7 728	957	117 727	-	-	126 412
Other borrowed funds	-	-	473	146 902	-	147 375
Other liabilities	-	-	-	-	11 758	11 758
Deferred tax liabilities	-	-	-	-	42 203	42 203
Total liabilities	**169 294**	**1 156 918**	**620 182**	**151 902**	**965 060**	**3 063 356**
Net interest rate gap as at 31 December 2008	**342 315**	**26 633**	**628 256**	**(48 276)**	**(383 894)**	**565 034**
Cumulative interest rate gap as at 31 December 2008	**342 315**	**368 948**	**997 204**	**948 928**	**565 034**	

Had interest rates declined by 50 basis points as at 31 December 2009, all other conditions being unchanged, the annual profit would have increased by RUR 756 thousand (2008: RUR 734 thousand) as a result of decrease in interest expense on other floating rate borrowings. Other equity components would have increased by RUR 605 thousand (2008: RUR 558 thousand).

Had interest rates increased by 50 basis points as at 31 December 2009, all other conditions being unchanged, the annual profit would have declined by RUR 756 thousand (2008: RUR 734 thousand) as a result of increase in interest expense on other floating rate borrowings. Other equity components would have decreased by RUR 605 thousand (2008: RUR 558 thousand).

(in thousands of Russian Roubles)

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

	2009			2008		
	RUR	USD	EUR	RUR	USD	EUR
Assets						
Cash and cash equivalents	-	1.5%	-	2.4%	2.0%	-
Due from other banks	4.4%	5.1%	0.1%	12.2%	-	-
Loans to customers	14.32%	13.70%	13.85%	12.4%	13.5%	-
Financial assets available for sale	12.8%	3.3%	-	-	-	-
Investments held to maturity	-	-	-	12.5%	-	-
Liabilities						
Due to other banks	4.0%	-	-	1.5%	-	-
Customer accounts						
- term deposits of legal entities	13.2%	8.8%	2.34%	14.7%	9.1%	-
- term deposits of individuals	13.0	10.0%	9.2	11.1%	9.5%	6.1%
Debt securities issued	12.5%	-	11.0%	10.3%	6.0%	-
Other borrowed funds	-	6.4%	-	-	9.1%	-

Other price risks

The Bank takes on limited exposure to the risk of changes in share prices. The Bank's Treasury Department controls and authorises transactions with equity instruments.

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of share prices as at 31 December 2009 provided all other variables remain unchanged.

	Effect on profit before taxation	Effect on comprehensive income
Financial assets at fair value through profit or loss		
Price decrease by 10%	(2 138)	(1 710)
Price increase by 10%	2 138	1 710

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of share prices as at 31 December 2008 provided all other variables remain unchanged.

	Effect on profit before taxation	Effect on comprehensive income/(expense)
Financial assets at fair value through profit or loss		
Price decrease by 10%	(55)	(42)
Price increase by 10%	55	42

28. Capital Management

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

(in thousands of Russian Roubles)

The table below shows the regulatory capital structure based on the Bank's reports prepared in accordance with the requirements of the Russian legislation:

	2009	2008
Core capital	409 914	349 097
Additional capital	151 221	146 902
Total regulatory capital	**561 135**	**495 999**

As at 31 December 2009, the Bank's capital adequacy ratio calculated based on capital requirements established by the CBR was 12.0% (2008: 17.5%). The minimum admissible value is set by the CBR at 10%.

29. Contingent Liabilities

Legal issues. In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank. Based on its own estimates and internal and external professional advice, the Bank's management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

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

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

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

	2009	2008
Less than 1 year	558	1 241
From 1 to 5 years	2 218	2 070
Total operating lease commitments	**2 776**	**3 311**

Credit related commitments. The main objective of these instruments is to provide funds to customers when necessary. The total outstanding contractual amount of guarantees, letters of credit and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. However, as there is a potential risk, a provision for credit related commitments in respect of issued guarantees is made in the statement of financial position within other liabilities depending on the customer's financial position. With respect to commitments to extend credit and credit lines, the Bank is less exposed to the risk of loss since in the case of impairment of loans issued the Bank will not pay the remaining amounts. Therefore, no provision for these credit related commitments is created.

Outstanding credit related commitments of the Bank are as follows:

	2009	2008
Undrawn credit lines	72 586	15 023
Guarantees issued	108 150	-
Total credit related commitments	**180 736**	**15 023**

In 2009 and 2008 no provision for credit related commitments was created.

(in thousands of Russian Roubles)

30. Fair Value of Financial Instruments

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

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

	2009		2008	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and cash equivalents	405 154	405 154	694 250	694 250
Financial assets at fair value through profit or loss	21 375	21 375	546	546
Due from other banks	827 566	827 566	203 536	203 536
Loans to customers	3 496 407	3 496 407	2 561 877	2 561 877
Financial assets available for sale	569 026	569 026	4 000	4 000
Investments held to maturity	-	-	16 814	16 814
Financial liabilities				
Due to other banks	18 008	18 008	18 840	18 840
Customer accounts	4 595 531	4 595 531	2 716 768	2 716 768
Debt securities issued	85 229	85 229	126 412	126 412
Other borrowed funds	151 505	151 505	147 375	147 375

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

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

Due from other banks. The fair value of floating rate instruments is their carrying amount. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. The management believes that the fair values of due from other banks as at 31 December 2009 and 31 December 2008 do not materially differ from respective carrying amounts. This is primarily due to the short-term nature of investments and the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Loans to customers. Loans to customers are reported net of impairment provisions. The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. The management believes that fair values of loans to customers as at 31 December 2009 and 31 December 2008 do not materially differ from respective carrying amounts. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Due to other banks. The fair value of due to other banks maturing in less than 1 month approximates the carrying amount due to their relatively short-term maturity. The fair value of due to other banks maturing in more than 1 month is the present value of the estimated future cash flows discounted at the respective year-end market rates. The Bank believes that fair values of due to other banks as at 31 December 2009 and 31 December 2008 do not materially differ from respective carrying amounts. This is due to the relatively short-term maturity of these liabilities.

(in thousands of Russian Roubles)

Customer accounts. The estimated fair value of fixed interest bearing placements and other borrowings without a quoted market price is based on discounted cash flows using interest rates for debts with similar maturity. The Bank believes that fair values of customer accounts as at 31 December 2009 and 31 December 2008 do not materially differ from respective carrying amounts. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

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

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

Other borrowed funds. The fair value of other fixed interest rate borrowings and other borrowed funds without a quoted market price is based on discounted cash flows using interest rates for debt instruments with similar maturity. The estimated fair value of other borrowed funds approximates their carrying value as these instruments do not have market quotations and are attracted on special terms.

31. Reconciliation of Categories of Financial Instruments to Statement of Financial Position

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" the Bank classifies its financial assets in the following categories: 1) financial assets at fair value through profit or loss; 2) loans and receivables; 3) investments held to maturity; 4) financial assets available for sale.

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

	Financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Total
Assets				
Cash and cash equivalents	405 154	-	-	405 154
Financial assets at fair value through profit or loss				
-Corporate equity securities	21 375	-	-	21 375
Due from other banks				
- Loans and deposits with other banks	-	-	646 018	646 018
- Promissory notes of other banks	-	-	181 548	181 548
Loans to customers				
- Corporate loans	-	-	3 230 910	3 230 910
- Housing loans to individuals	-	-	92 512	92 512
- Consumer loans to individuals	-	-	114 083	114 083
- Loans to small and medium business	-	-	58 902	58 902
Financial assets available for sale				
- Corporate debt securities	-	569 026	-	569 026
Total financial assets	**426 529**	**569 026**	**4 323 973**	**5 319 528**
Non-financial assets				174 995
Total assets				**5 494 523**

(in thousands of Russian Roubles)

The table below shows reconciliation of categories of financial assets with the above measurement categories as at 31 December 2008:

	Financial assets at fair value through profit or loss	Investments held to maturity	Loans and receivables	Financial assets available for sale	Total
Assets					
Cash and cash equivalents	694 250	-	-	-	694 250
Financial assets at fair value through profit or loss					
- Corporate shares	546	-	-	-	546
Due from other banks					
- Promissory notes of other banks	-	-	203 536	-	203 536
Loans to customers					
- Corporate loans	-	-	2 265 009	-	2 265 009
- Housing loans to individuals	-	-	55 300	-	55 300
- - Consumer loans to individuals	-	-	195 835	-	195 835
- Loans to small and medium business	-	-	45 733	-	45 733
Financial assets available for sale	-	-	-	4 000	4 000
Investments held to maturity					
- Corporate debt securities	-	16 814	-	-	16 814
Investments in subsidiaries	-	-	-	27 238	27 238
Total financial assets	**694 796**	**16 814**	**2 765 413**	**31 238**	**3 508 261**
Non-financial assets					120 129
Total assets					**3 628 390**

All financial liabilities of the Bank are carried at amortised cost.

32. Related Party Transactions

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

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

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

(in thousands of Russian Roubles)

	Shareholders	Subsidiaries	Directors and key management personnel	Other related parties	Total
Loans to customers					
Loans to customers as at 1 January (gross)	105	48 484	3	12 327	60 919
Loans to customers issued during the year	73	72 550	1 779	963	75 365
Loans to customers repaid during the year	(178)	(121 034)	(1 754)	(13 185)	(136 151)
Loans to customers as at 31 December (gross)	**-**	**-**	**28**	**105**	**133**
Provision for impairment of loans to customers	-	966	-	-	**966**
Provision for impairment of loans to customers as at 1 January	-	-	-	-	-
Provision for impairment / (recovery of provision) of loans to customers during the year	-	(966)	-	-	(966)
Provision for impairment of loans to customers as at 31 December	**-**	**-**	**-**	**-**	**-**
Loans to customers as at 1 January (less provision for impairment)	**105**	**47 518**	**3**	**12 327**	**59 953**
Loans to customers as at 31 December (less provision for impairment)	**-**	**-**	**28**	**105**	**133**

(in thousands of Russian Roubles)

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

	Shareholders	Subsidiaries	Directors and key management personnel	Other	Total
Loans to customers					
Loans to customers as at 1 January (gross)	-	67 100	-	7 937	75 037
Loans to customers issued during the year	1 131	52 709	598	10 835	65 273
Loans to customers repaid during the year	(1 026)	(71 325)	(595)	(6 445)	(79 391)
Loans to customers as at 31 December (gross)	**105**	**48 484**	**3**	**12 327**	**60 919**
Provision for impairment of loans to customers					
Provision for impairment of loans to customers as at 1 January	-	-	-	-	-
Provision for impairment of loans to customers during the year	-	966	-	-	966
Provision for impairment of loans to customers as at 31 December	**-**	**966**	**-**	**-**	**966**
Loans to customers as at 1 January (less provision for impairment)	**-**	**67 100**	**-**	**7 937**	**75 037**
Loans to customers as at 31 December (less provision for impairment)	**105**	**47 518**	**3**	**12 327**	**59 953**

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

	Shareholders	Subsidiaries	Directors and key management personnel	Other	Total
Customer accounts					
Customer accounts as at 1 January	110 194	62 952	71 059	12 651	256 856
Customer accounts received during the year	1 034 161	3 502 174	432 728	46 679	1 513 568
Customer accounts repaid during the year	(1 098 352)	(3 565 126)	(469 709)	(56 512)	(1 687 525)
Customer accounts as at 31 December	**46 003**	**-**	**34 078**	**2 818**	**82 899**

(in thousands of Russian Roubles)

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

	Shareholders	Subsidiaries	Directors and key management personnel	Other	Total
Customer accounts as at 1 January	-	127 485	8 269	7 813	143 567
Customer accounts received during the year	349 073	7 259 045	697 373	97 673	8 403 164
Customer accounts repaid during the year	(238 879)	(7 323 578)	(634 583)	(92 835)	(8 289 875)
Customer accounts as at 31 December	**110 194**	**62 952**	**71 059**	**12 651**	**256 856**

Below are other rights and obligations arising from related party transactions as at 31 December 2009:

	Shareholders	Directors and key management personnel	Other	Total
Guarantees received by the Bank	12 290	337	337	12 964

Below are income and expense items arising from related party transactions in 2009:

	Shareholders	Subsidiaries	Directors and key management personnel	Other	Total
Interest income	3	2 547	22	31	56
Interest expense	9 153	799	1 205	211	10 569
Fee and commission income	517	10 611	224	151	892
Fee and commission expense	49	1 422	-	-	49

Below are income and expense items arising from related party transactions in 2008:

	Shareholders	Subsidiaries	Directors and key management personnel	Other	Total
Interest income	7	7 820	9	1 462	9 298
Interest expense	19	3 549	336	531	4 435
Fee and commission income	84	10 133	226	160	10 603

Remuneration to key management personnel in 2009 amounted to RUR 12 241 thousand (2008: RUR 14 328 thousand).

33. Subsequent Events

On 15 March 2010 the extraordinary general meeting of the Bank's shareholders made a decision to increase its share capital by placing 150 000 000 additional ordinary registered uncertified shares with the nominal value of RUR 1 per share under the closed subscription among the predetermined number of persons.

N.V. Barinov,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

5 April 2010