RUSSIAN AGRICULTURAL BANK GROUP

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

31 December 2009

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of Russian Agricultural Bank:

1 We have audited the accompanying consolidated financial statements of Open Joint-Stock Company Russian Agricultural Bank and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
30 April 2010

In millions of Russian Roubles	Note	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	7	94 958	83 177
Mandatory cash balances with the Central Bank of the Russian Federation		2 974	963
Trading securities	8	18 022	17 668
Repurchase receivable	8	3 467	-
Other financial instruments at fair value through profit or loss	9	4 070	4 439
Derivative financial instruments	35	28 289	30 777
Due from other banks	10	37 792	96 880
Loans and advances to customers	11	584 407	452 301
Investment securities available for sale	12	7 800	4 793
Investment securities held to maturity	13	7 732	10 207
Deferred income tax asset	29	400	14
Goodwill	14	298	-
Intangible assets	15	1 023	741
Premises and equipment	15	27 446	8 932
Current income tax prepayment	29	229	177
Other assets	16	11 757	2 045
TOTAL ASSETS		**830 664**	**713 114**
LIABILITIES			
Derivative financial instruments	35	167	4 253
Due to other banks	17	192 010	243 102
Customer accounts	18	230 303	154 495
Promissory notes issued	19	12 567	9 845
Other borrowed funds	20	216 484	175 914
Syndicated loans	21	7 570	10 532
Deferred income tax liability	29	1 815	569
Other liabilities	22	7 842	1 106
Subordinated debts	23	46 370	45 540
TOTAL LIABILITIES		**715 128**	**645 356**
EQUITY			
Share capital	24	106 973	61 973
Revaluation reserve for premises		842	952
Revaluation reserve for investment securities available for sale		14	(1 504)
Retained earnings		6 572	6 337
Net assets attributable to the Bank's owners		**114 401**	**67 758**
Non-controlling interests		**1 135**	**-**
TOTAL EQUITY		**115 536**	**67 758**
TOTAL LIABILITES AND EQUITY		**830 664**	**713 114**

Approved for issue and signed on behalf of the Management Board on 30 April 2010.

Y.V. Trushin
Chairman of the Management Board

O.V. Nikonov
Chief Accountant

In millions of Russian Roubles	Note	2009	2008
Interest income	25	93 146	56 082
Interest expense	25	(58 069)	(29 520)
Net interest income		**35 077**	**26 562**
Provision for loan impairment	10, 11	(13 421)	(9 495)
Net interest income after provision for loan impairment		**21 656**	**17 067**
Fee and commission income	26	3 244	2 233
Fee and commission expense	26	(489)	(213)
Gains less losses arising from trading securities		106	174
Gains less losses/(losses net of gains) arising from other financial instruments at fair value through profit or loss		285	(1 079)
Foreign exchange translation losses net of gains		(2 515)	(32 106)
(Losses net of gains)/gains less losses from foreign exchange swaps with settlement dates of more than 30 days		(3 089)	33 009
Losses net of gains arising from other derivative financial instruments		(553)	(943)
Gains less losses arising from dealings in foreign currencies		472	259
Gains less losses arising from disposal of investment securities available for sale	12	528	4
Impairment of investment securities available for sale		(475)	-
Provision for other assets and litigation	16, 22	(319)	(36)
Gains from early redemption of other borrowed funds and buy-back of subordinated debts	20, 23	2 075	1 122
Losses net of gains from non-banking activities	27	(299)	-
Other operating income		212	103
Administrative and other operating expenses	28	(19 999)	(16 259)
Profit before tax		**840**	**3 335**
Income tax expense	29	(589)	(1 282)
Profit for the year		**251**	**2 053**
Other comprehensive income			
Securities available for sale:			
-Revaluation of securities at fair value	12	2 292	(1 881)
-Disposal of securities	12	(528)	3
-Impairment losses recycled to profit or loss		134	-
Revaluation of premises		(106)	24
Income tax recorded directly in other comprehensive income		(358)	419
Other comprehensive income for the year, net of tax		**1 434**	**(1 435)**
Total comprehensive income for the year		**1 685**	**618**
Profit is attributable to:			
Owners of the Bank		358	2 054
Non-controlling interests		(107)	(1)
Profit for the year		**251**	**2 053**
Total comprehensive income is attributable to:			
Owners of the Bank		1 792	619
Non-controlling interests		(107)	(1)
Total comprehensive income for the year		**1 685**	**618**

In millions of Russian Roubles	**Note**	**Attributable to owners of the Bank**					**Non-controlling interests**	**Total equity**
		Share capital	**Revaluation reserve for premises**	**Revaluation reserve for securities available for sale**	**Retained earnings**	**Total**		
Balance at 31 December 2007		**28 478**	**911**	**(2)**	**4 435**	**33 822**	**1**	**33 823**
Total comprehensive income for the year, net of tax		-	67	(1 502)	2 054	619	(1)	618
Share issue	24	33 495	-	-	-	33 495	-	33 495
Realised revaluation reserve for premises, net of tax		-	(26)	-	26	-	-	-
Dividends declared	30	-	-	-	(178)	(178)	-	(178)
Balance at 31 December 2008		**61 973**	**952**	**(1 504)**	**6 337**	**67 758**	**-**	**67 758**
Total comprehensive income, net of tax		-	(84)	1 518	358	1 792	(107)	1 685
Share issue	24	45 000	-	-	-	45 000	-	45 000
Business combinations	40	-	-	-	-	-	1 242	1 242
Realised revaluation reserve for premises, net of tax		-	(26)	-	26	-	-	-
Dividends declared	30	-	-	-	(149)	(149)	-	(149)
Balance at 31 December 2009		**106 973**	**842**	**14**	**6 572**	**114 401**	**1 135**	**115 536**

In millions of Russian Roubles	Note	2009	2008
Cash flows from operating activities			
Interest received		92 450	55 217
Interest paid		(56 614)	(27 377)
Losses incurred from trading in securities and other financial instruments through profit or loss		(419)	(186)
(Losses incurred)/income received from foreign exchange swaps with settlement dates of more than 30 days		(4 478)	2 975
Losses incurred from other derivative financial instruments		(762)	(717)
Income received from dealings in foreign currencies		472	259
Fees and commissions received		3 031	2 451
Fees and commissions paid		(452)	(233)
Other operating income received		207	102
Staff costs paid		(11 847)	(10 090)
Administrative and other operating expenses paid		(6 401)	(4 691)
Income tax paid		(1 718)	(1 120)
Cash flows from operating activities before changes in operating assets and liabilities		**13 469**	**16 590**
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(2 011)	1 479
Net increase in trading securities and repurchase receivable		(3 677)	(16 882)
Net decrease/(increase) in other financial instruments at fair value through profit or loss		2 357	(4 431)
Net decrease/(increase) in due from other banks		66 501	(89 643)
Net increase in loans and advances to customers		(158 326)	(167 706)
Net increase in other assets		(1 573)	(479)
Net (decrease)/increase in due to other banks		(58 083)	161 760
Net increase in customer accounts		73 240	55 535
Net increase/(decrease) in promissory notes issued		3 072	(21 316)
Net increase/(decrease) in other liabilities		1 511	(25)
Net cash used in operating activities		**(63 520)**	**(65 118)**
Cash flows from investing activities			
Acquisition of premises and equipment		(4 486)	(3 064)
Proceeds from disposal of premises and equipment		108	11
Dividend income received		-	1
Acquisition of intangible assets	15	(498)	(514)
Acquisition of investment securities available for sale	12	(14 391)	(1 549)
Proceeds from disposal of investment securities available for sale		11 984	1 270
Acquisition of investment securities held to maturity		(2 251)	(12 778)
Proceeds from redemption of investment securities held to maturity		4 609	15 778
Acquisition of subsidiaries net of cash disposed of	40	(1 531)	-
Net cash used in investing activities		**(6 456)**	**(845)**
Cash flows from financing activities			
Proceeds from other borrowed funds	20	49 509	66 950
Repayment of other borrowed funds	20	(11 161)	(10 795)
Repayment of syndicated loans	21	(3 281)	(6 972)
Proceeds from subordinated debt	23	-	25 000
Buy-back of subordinated debt	23	-	(117)
Proceeds from placement of bought-back subordinated debt	23	163	-
Issue of ordinary shares	24	45 000	33 495
Dividends paid	30	(149)	(178)
Net cash from financing activities		**80 081**	**107 383**
Effect of exchange rate changes on cash and cash equivalents		**1 676**	**7 767**
Net increase in cash and cash equivalents		**11 781**	**49 187**
Cash and cash equivalents at the beginning of the year	*7*	83 177	33 990
Cash and cash equivalents at the end of the year	*7*	**94 958**	**83 177**

Significant non-cash movements for the reporting period.

As a result of acquisition of subsidiaries and their consolidation by the Group as at 31 December 2009 (refer to Note 40) the following significant non-cash changes of the Group's consolidated statement of financial position occurred:

- Increase of premises and equipment for the amount of RR 16 398 million.
- Increase of other assets for the amount of RR 3 758 million.
- Increase of other liabilities for the amount of RR 4 989 million.
- Decrease of loans and advances to customers for the amount of RR 7 731 million.

Other non-cash transactions relate to elimination of accruals, forex translation effect, provisions, depreciation, non-cash restructuring, etc.

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the “IASB”) for the year ended 31 December 2009 for Open Joint-Stock Company Russian Agricultural Bank (the “Bank”) and its subsidiaries (together referred to as the “Group”). Refer to Note 39 for information about the subsidiaries.

Principal activity. The Bank was incorporated and is domiciled in the Russian Federation. The Bank is an open joint-stock company limited by shares and was set up in accordance with Russian regulations.

The Bank’s only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property. The Bank’s principal business activity is commercial and retail banking operations in the Russian Federation with emphasis on lending to agricultural enterprises. The main objectives of the Bank are:

- to participate in realisation of the monetary policy of the Russian Federation in the area of agricultural production;
- to develop within the agricultural industry a national system of lending to the domestic agricultural producers; and
- to maintain an effective and uninterrupted performance of the settlement system in the area of agricultural production across the Russian Federation.

The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation (“CBRF”) since 13 June 2000. The Bank participates in the State deposit insurance scheme, which was introduced by the Federal Law #177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand (prior to 1 October 2008: 100% up to RR 100 thousand and 90% in excess of RR 100 thousand up to a limit of RR 400 thousand) per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank has 78 (2008: 78) branches within the Russian Federation. The Bank’s registered address is 119034 Russia, Moscow, Gagarinsky lane 3.

The number of the Group’s employees at 31 December 2009 was 33 134 (2008: 24 511).

Activities of the Group include deposit taking and commercial lending, foreign exchange dealing, cash operations and securities trading. Some of the Bank’s subsidiaries perform grain storage and sugar trading. Refer to Note 39. These activities are conducted principally in Russia.

Presentation currency. These consolidated financial statements are presented in the currency of the Russian Federation, millions of Russian Roubles ("RR millions").

2 Operating Environment of the Group

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

- Lower commodity prices have resulted in lower income from exports and thus lower domestic demand. Russia’s economy contracted in 2009.
- The rise in Russian and emerging market risk premium resulted in a steep increase in foreign financing costs.
- The depreciation of the Russian Rouble against hard currencies (compared to RR 25.3718 for 1 US Dollar at 1 October 2008) increased the burden of foreign currency corporate debt, which has risen considerably in recent years.
- As part of preventive steps to ease the effects of the situation in financial markets on the economy, the Government incurred a large fiscal deficit in 2009.

2 Operating environment of the Group (Continued)

Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group.

Borrowers of the Group were adversely affected by the financial and economic environment, which in turn has had an impact on their ability to repay the amounts owed. Deteriorating economic conditions for borrowers were reflected in revised estimates of expected future cash flows in impairment assessments.

The market in Russia for many types of collateral, especially real estate, has been severely affected by the volatile global financial markets, resulting in a low level of liquidity for certain types of assets. In some cases the Group has also experienced unforeseeable delays in recovering collateral. As a result, the actual realisable value on future foreclosure may differ from the value ascribed in estimating allowances for impairment at the end of the reporting period. Under IFRS, impairment losses on financial assets expected as a result of future events, no matter how likely, cannot be recognised until such events arise.

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

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

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

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by initial recognition of financial instruments at fair value, the revaluation of premises, investment securities available for sale, and financial instruments categorised as at fair value through profit or loss (trading securities, repurchase receivable and derivative financial instruments). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

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

The excess of the cost of acquisition over the acquirer’s share of the fair value of the net assets of the acquiree at each exchange transaction is recorded as goodwill. The excess of the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost (“negative goodwill”) is recognized immediately in profit or loss.

3 Summary of Significant Accounting Policies (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The difference, if any, between the fair values of the net assets at the dates of exchange and at the date of acquisition is recorded directly in equity.

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

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

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with non-controlling shareholders. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded directly in equity. The Group recognizes the difference between sales consideration and carrying amount of non-controlling interest sold in the consolidated statement of changes in equity.

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

Derecognition of financial assets. The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include interbank loans, deposits and reverse sale and repurchase agreements with other banks with original maturity of less than one month. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

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

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase. The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

Other financial instruments at fair value through profit or loss. Other financial instruments at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and performance of these investments is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

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

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

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

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each end of the reporting period. The Group may reclassify financial assets into this category from fair value through profit or loss or available for sale categories in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Investment securities held to maturity are carried at amortised cost.

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

3 Summary of Significant Accounting Policies (Continued)

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

Impairment of financial assets carried at amortised cost. Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realizability of related collateral, if any. Refer to Note 11 for the detailed principal criteria to determine whether there is objective evidence that an impairment loss has occurred.

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

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

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

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

Premises owned by the Group and used in a banking activity were for the first time revalued at fair value as at 31 December 2007 and are subject to regular subsequent revaluation. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation is recognized by proportionally restating the gross carrying amount and accumulated depreciation of the revalued premises. These restatements are shown separately in the reconciliation of movements in premises in Note 15. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Construction in progress is carried at historical cost, less provision for impairment where required. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

At each end of reporting period management assesses whether there is any indication of impairment of equipment. If any such indication exists, management 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. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

3 Summary of Significant Accounting Policies (Continued)

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following useful lives in years are applied for the main categories of premises and equipment:

	Useful lives in years
Premises	40
Equipment	5 - 20
Leasehold improvements	10

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

Intangible assets. All of the Group's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 5 years.

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

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss recognized in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Earned rental income is recorded in profit or loss within other operating income. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

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

Inventory. Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

3 Summary of Significant Accounting Policies (Continued)

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in premises and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other liabilities. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

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

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

Promissory notes issued. Promissory notes issued by the Group are carried at amortised cost. If the Group purchases its own promissory notes issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Other borrowed funds. Other borrowed funds represent amounts attracted from Eurobonds issue and bonds denominated in Russian roubles. Issued Eurobonds and bonds denominated in Russian roubles carry a coupon and are redeemable on a specific date. Other borrowed funds are carried at amortised cost. If the Group repurchases its borrowed funds, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains/(losses) arising from early retirement of debt.

Syndicated loans. Syndicated loans include the amounts attracted in US Dollars and Euro by organisation of syndications, are redeemable on a specific date and carried at amortised cost.

Subordinated debts. Subordinated debts are carried at amortised cost. Creditors' claims on subordinated debts will be considered only after all claims of other creditors of the Group are satisfied.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts (forwards and swaps) and futures on shares are carried at their fair value. Non-derivative transactions are aggregated and treated as a derivative when the transaction result, in substance, is a derivative.

An embedded derivative shall be separated from the host contract and accounted for as a derivative if, and only if:

a. the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

b. a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

c. the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

If an embedded derivative is separated, the host contract shall be accounted for under IAS 39 Financial Instruments: Recognition and Measurement, and in accordance with other appropriate Standards if it is not a financial instrument. If a contract contains one or more embedded derivatives, the Group may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss.

All derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative financial instruments are included in gains less losses from derivative financial instruments. The Group does not apply hedge accounting.

3 Summary of Significant Accounting Policies (Continued)

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

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

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

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

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

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

3 Summary of Significant Accounting Policies (Continued)

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

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

Commission on agency services are recognized based on the applicable service contracts.

Revenue recognition – sale of goods. During 2009 the Group acquired several non-banking entities and supplemented its accounting policy for recognition of the respective revenue.

Revenues from sales of goods are recognized at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognized when the goods are passed to the customer at the destination point. Sales are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

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

At 31 December 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 30.2442 (2008: USD 1 = RR 29.3804), EUR 1 = RR 43.3883 (2008: EUR 1 = RR 41.4411).

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported on the consolidated statement of financial position. The extent of such balances and transactions is indicated in Note 34. For the purposes of disclosure, fiduciary activities do not encompass safe custody functions. Commissions received from fiduciary activities are shown in fee and commission income.

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group makes payments to a non-state pension fund in respect of certain groups of employees (a defined contribution plan). These payments are included in staff expenses in consolidated profit or loss.

Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes.

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The CODM has been identified as the Management Board.

In these consolidated financial statements the Group defined operating segments on the basis of organizational structure and geographical areas. The standard had an impact on the presentation of the Group's information about its operating segments but had no impact on the recognition or measurement of specific transactions and balances.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

Voluntary changes in presentation. The Group made voluntary changes in presentation as it believes that it will result in the consolidated financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the Group's financial position and financial performance.

The effect of changes in presentation on the consolidated statement of comprehensive income was as follows:

In millions of Russian Roubles	**At 31 December 2008**
Increase in	
(Losses net of gains)/gains less losses from foreign exchange swaps with settlement dates of more than 30 days	33 009
Gains less losses arising from dealings in foreign currencies	259
Losses net of gains arising from other derivative financial instruments	(943)
Decrease in	
Gains less losses/(losses net of gains) from derivative financial instruments	(33 500)
Losses net of gains from trading in foreign currencies	1 175

The effect of changes in presentation on the consolidated statement of cash flow was as follows:

In millions of Russian Roubles	**At 31 December 2008**
Increase in	
Repayment of other borrowed funds	1 053
Buy-back of subordinated debts	69
(Losses incurred)/income received from foreign exchange swaps with settlement dates of more than 30 days	2 975
Income received from dealings in foreign currencies	259
Losses incurred from other derivative financial instruments	(717)
Decrease in	
Gains from early redemption of other borrowed debt and buy-back of subordinated debts	(1 122)
Income received/(losses incurred) from derivative financial instruments	(3 692)
(Losses incurred)/income received from trading in foreign currencies	1 175

Renaming of the lines. The Group renamed the line "Other securities at fair value through profit or loss" to "Other financial instruments at fair value through profit or loss", since the Group classified certain amounts due from other banks into this category starting from 1 January 2009. Refer to Note 9.

Amendments of the financial statements after issue. Any further changes to these financial statements require approval of the Group's Management who authorised these financial statements for issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/- one month, the provision would be approximately RR 354 million (2008: RR 247 million) higher or RR 352 million (2008: RR 267 million) lower.

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. Refer to Note 36.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 29.

Fair value of financial instruments carries at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques with observable data. Changes in assumptions about these factors could affect reported fair values. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2009.

***IFRS 8, Operating Segments*.** The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. Adoption of IFRS 8 resulted in the compositional change in the operating segments. The Group first time defined operating segments on the basis of internal reporting. Federal districts of the Russian Federation have been designated as reporting segments.

IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognized as an expense using the effective interest method.

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

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

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS.

The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41.

Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting.

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

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

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The amendment did not have an impact on these financial statements.

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

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

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

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

Embedded Derivatives-Amendments to IFRIC 9 and IAS 39, issued in March 2009 (effective for annual periods ending on or after 30 June 2009). The amendments clarify that on reclassification of a financial asset out of the ‘at fair value through profit or loss’ category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on these financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on these financial statements.

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

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group had early adopted amendments to IAS 24. Refer to Note 38.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Group’s consolidated financial statements.

6 New Accounting Pronouncements

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

6 New Accounting Pronouncements (Continued)

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

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

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The Group does not expect the amendment to affect its future consolidated financial statements.

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

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

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group does not expect the amendment to have any effect on its consolidated financial statements.

Eligible Hedged Items - Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Group's consolidated financial statements.

6 New Accounting Pronouncements (Continued)

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

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

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

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

IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2013). IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

6 New Accounting Pronouncements (Continued)

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

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

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

7 Cash and Cash Equivalents

In millions of Russian Roubles	**2009**	**2008**
Cash on hand	12 373	5 504
Cash balances with the CBRF (other than mandatory reserve deposits)	17 691	27 841
Correspondent accounts and deposits with other banks with original maturities less than one month	63 006	46 577
Settlement accounts with MICEX, RTS and NCC	1 749	3 212
Deals with securities purchased under "reverse-repo agreements" with original maturities of less than one month	139	43
Total cash and cash equivalents	**94 958**	**83 177**

As at 31 December 2009 cash equivalents of RR 139 million (2008: RR 43 million) are effectively collateralized by securities purchased under reverse sale and repurchase agreements at a fair value of RR 252 million (2008: RR 59 million). The Group has a right to sell or repledge these securities.

As at 31 December 2009 correspondent accounts and deposits with other banks with original maturities less than one month included the balance with one foreign bank with rating AA- (S&P) in the amount of RR 46 914 million or 49% of total cash and cash equivalents (2008: the same foreign bank with rating AA- (S&P) in the amount of RR 41 104 million or 49% of total cash and cash equivalents).

7 Cash and Cash Equivalents (Continued)

Analysis by credit quality of cash and cash equivalents is as follows:

In millions of Russian Roubles	2009	2008
Current and not impaired		
Cash on hand	12 373	5 504
Cash balances with the CBRF (other than mandatory reserve deposits)	17 691	27 841
Correspondent accounts and deposits with other banks with original maturities less than one month:		
- OECD banks and their subsidiary banks	47 536	41 176
- top 30 Russian banks (by net assets) and their subsidiary banks	15 165	4 880
- other Russian banks	303	521
- other non-resident banks	2	-
Settlement accounts with MICEX, RTS and NCC	1 749	3 212
Deals with securities purchased under “reverse-repo agreements” with original maturities of less than one month:		
- top 30 Russian banks (by net assets) and their subsidiary banks	100	43
- other Russian banks	39	-
Total cash and cash equivalents	**94 958**	**83 177**

For the estimated fair value of cash and cash equivalents refer to Note 36. Geography analysis and interest rate analysis of cash and cash equivalents are disclosed in Note 32.

8 Trading Securities and Repurchase Receivable

In millions of Russian Roubles	2009	2008
Trading securities		
Corporate bonds	16 481	17 313
Securities in trust	1 220	-
Municipal bonds	321	355
Total trading securities	**18 022**	**17 668**
Repurchase receivable		
Corporate bonds	3 410	-
Municipal bonds	57	-
Total repurchase receivable	**3 467**	**-**

As at 31 December 2009 the securities in trust are corporate bonds managed by the trust company in accordance with the investment declaration (2008: nil).

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Group does not analyse or monitor impairment indicators.

8 Trading Securities and Repurchase Receivable (Continued)

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

In millions of Russian Roubles	**Securities internationally rated not lower than BB- (S&P)***	**Securities internationally rated lower than BB- (S&P)***	**Internationally unrated securities**	**Total**
Trading securities				
Corporate bonds	15 881	236	364	16 481
Securities in trust	750	285	185	1 220
Municipal bonds	321	-	-	321
Total debt trading securities	**16 952**	**521**	**549**	**18 022**
Repurchase receivable				
Corporate bonds	3 410	-	-	3 410
Municipal bonds	57	-	-	57
Total repurchase receivable	**3 467**	**-**	**-**	**3 467**

*or ratings of other analogous rating agencies.

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

In millions of Russian Roubles	**Securities internationally rated not lower than BB- (S&P)***	**Securities internationally rated lower than BB- (S&P)***	**Internationally unrated securities**	**Total**
Corporate bonds	16 490	-	823	17 313
Municipal bonds	355	-	-	355
Total debt trading securities	**16 845**	**-**	**823**	**17 668**

*or ratings of other analogous rating agencies.

If a security's rating is unavailable the issuer's rating is used.

Corporate bonds are securities denominated in Russian Roubles issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. These bonds have maturity dates from May 2011 to February 2014 (2008: from June 2009 to December 2013), coupon rates from 11.5% to 20.0% p.a. (2008: from 9.8% to 13.5% p.a.) and yield to maturity or to next repricing date from 9.6% to 21.5% p.a. (2008: from 1.8% to 13.5% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Municipal bonds are represented by bonds issued by Russian municipal authorities. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. As at 31 December 2009 these bonds have maturity dates from September 2010 to June 2017 (2008: from September 2010 to June 2017), coupon rates from 6.8% to 8.0% p.a. (2008: from 6.8% to 8.0% p.a.) and yield to maturity from 9.1% to 9.9% p.a. (2008: from 2.0% to 7.3% p.a.) depending on the type of the bond issue, the issuer and the market conditions.

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

For the estimated fair value of trading securities and repurchase receivable refer to Note 36. Geographical and interest rate analyses of trading securities and repurchase receivable are disclosed in Note 32.

8 Trading Securities and Repurchase Receivable (Continued)

The Group reclassified the following financial assets from held for trading category during 2008:

In million of Russian Roubles	**Amount reclassified**	**Undiscounted cash flows expected to be recovered**	**Effective interest rate (%)**
Reclassified into held to maturity			
Federal loan bonds (OFZ)	4 141	7 825	5.7 – 7.3
Municipal bonds	1 201	1 698	7.1 – 9.2
Corporate bonds	980	1 411	6.7 – 10.1
Corporate Eurobonds	793	1 300	7.0 – 8.8
Reclassified into available for sale			
Municipal bonds	53	56	7.0
Corporate bonds	2 792	3 868	7.3 – 15.4
Corporate Eurobonds	1 959	2 918	6.2 – 11.6
Corporate shares	12	12	-
Total	**11 931**	**19 088**	

The reclassification was made effective from 1 July 2008 when, in management's opinion, the third quarter 2008 collapse in financial markets liquidity and stability commenced, which has also led to the International Accounting Standards Board issuing the amendment allowing reclassifications from that date.

Management believes that the declines in market prices that occurred in the third quarter of 2008 represent a rare event as they are significantly out of line with historical volatilities observed in financial markets.

The carrying amounts and fair values of all financial assets that have been reclassified from trading securities and which were not yet sold or otherwise derecognized, were as follows:

In millions of Russian Roubles	**2009**		**2008**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Reclassified into held to maturity				
Federal loan bonds (OFZ)	3 917	3 573	4 126	3 590
Municipal bonds	1 148	1 040	1 201	914
Corporate bonds	695	628	982	806
Corporate Eurobonds	1 033	1 078	995	688
Reclassified into available for sale				
Municipal bonds	-	-	51	51
Corporate bonds	422	422	2 181	2 181
Corporate Eurobonds	2 097	2 097	1 352	1 352
Corporate shares	10	10	5	5
Total	**9 322**	**8 848**	**10 893**	**9 587**

8 Trading Securities and Repurchase Receivable (Continued)

Income or loss recognised for 2009 and fair value gain or loss that would have been recognised if financial assets had not been reclassified were as follows:

	Income recognised in profit or loss after reclassification			**Gain that would have been recognised in profit or loss if the assets had not been reclassified**
In millions of Russian Roubles	**(Losses net of gains)/gains less losses from sale**	**Interest income**	**Foreign exchange gains less losses**	
Reclassified into held to maturity				
Federal loan bonds (OFZ)	-	264	-	169
Municipal bonds	-	105	-	184
Corporate bonds	-	56	-	115
Corporate Eurobonds	-	88	27	365
Reclassified into available for sale				
Municipal bonds	(2)	2	-	-
Corporate bonds	(2)	207	-	98
Corporate Eurobonds	3	220	64	964
Corporate shares	-	-	-	5
Total	**(1)**	**942**	**91**	**1 900**

Income or loss recognised for six months 2008 after reclassification, and fair value gain or loss that would have been recognised if financial assets had not been reclassified were as follows:

	Income recognised in profit or loss after reclassification		**Loss that would have been recognised in profit or loss if the assets had not been reclassified**
In millions of Russian Roubles	**Interest income**	**Foreign exchange gains less losses**	
Reclassified into held to maturity			
Federal loan bonds (OFZ)	150	-	(536)
Municipal bonds	51	-	(287)
Corporate bonds	38	-	(177)
Corporate Eurobonds	35	208	(307)
Reclassified into available for sale			
Municipal bonds	3	-	(2)
Corporate bonds	142	-	(484)
Corporate Eurobonds	92	506	(1 119)
Corporate shares	-	-	(7)
Total	**511**	**714**	**(2 919)**

For the fair value analysis of trading securities and repurchase receivable refer to Note 36.

9 Other Financial Instruments at Fair Value Through Profit or Loss

In millions of Russian Roubles	2009	2008
Credit Linked Notes	700	4 439
Due from other banks	3 370	-
Total other financial instruments at fair value through profit or loss	**4 070**	**4 439**

International credit rankings of issuers of the above notes and of counterparty banks were not less than BB- as at 31 December 2009 (2008: not less than BB-).

The Group irrevocably designated the above financial instruments, which are not part of its trading book, as at fair value through profit or loss. The financial instruments meet the criteria for classification as at fair value through profit or loss because key management personnel assess performance of the investments based on their fair values in accordance with a documented strategy.

The management classified financial instruments with embedded derivatives as other financial instruments at fair value through profit or loss, while there was an option to separate the embedded derivative and value the host contract at amortized cost.

In May 2008, the Group purchased a Credit Linked Note from another OECD bank in the nominal amount of RR 2 500 million at the net price of 19.5% of nominal amount with maturity in May 2023 and zero coupon. The Note has an embedded Credit Default Swap linked to the Bank's own credit risk.

In February 2009, the Group placed a deposit in another OECD bank in the nominal amount of USD 100 million with maturity in February 2010 and interest rate of 11.5% p.a. The contract has an embedded Credit Default Swap linked to the Bank's own credit risk. The deposit was closed at maturity.

For the fair value analysis of other financial instruments at fair value through profit or loss refer to Note 36. Geography analysis and interest rate analysis of other financial instruments at fair value through profit or loss are disclosed in Note 32.

10 Due from Other Banks

In millions of Russian Roubles	2009	2008
Current term placements with other banks	37 643	96 880
Overdue deposits in other banks	156	-
Less: Provision for impairment	(7)	-
Total due from other banks	**37 792**	**96 880**

Analysis of the movements in the provision for impairment of due from other banks is as follows:

In millions of Russian Roubles	2009	2008
Provision for impairment at 1 January	**-**	**-**
Provision for impairment during the year	7	-
Provision for impairment at 31 December	**7**	**-**

The overdue loans were repaid subsequently to the end of the reporting period.

10 Due from Other Banks (Continued)

Analysis by credit quality of amounts due from other banks is as follows:

In millions of Russian Roubles	2009	2008
Current and not impaired		
- OECD banks and their subsidiary banks	24 380	74 407
- Other non-resident banks	7 194	3 060
- Top 30 Russian banks (by net assets) and their subsidiary banks	-	14 844
- Other Russian banks	6 069	4 569
Total current and not impaired	**37 643**	**96 880**
Individually assessed for impairment		
- 6 to 30 days overdue	**156**	**-**
Total individually assessed for impairment	**156**	**-**
Total due from other banks (before impairment)	**37 799**	**96 880**
Provision for impairment	**(7)**	**-**
Total due from other banks	**37 792**	**96 880**

Overdue loans represent not only past due payments but the whole outstanding balance of such loans.

Analysis of amounts due from other banks by collateral is as follows:

In millions of Russian Roubles	2009	2008
Unsecured interbank loans	9 481	71 275
Interbank loans collateralised by:		
- guarantee deposits	24 374	23 687
- other assets	3 937	1 918
Total due from other banks	**37 792**	**96 880**

As at 31 December 2009 the Group has placements with one foreign bank with aggregated balances of RR 24 374 million, or 64% of total due from other banks (2008: three foreign and one Russian banks with aggregated balances of RR 77 623 million, or 80% of total due from other banks).

Refer to Note 36 for the disclosure of fair value of due from other banks. Geographical and interest rate analyses of due from other banks are disclosed in Note 32.

11 Loans and Advances to Customers

In millions of Russian Roubles	2009	2008
Loans to legal entities		
- Loans to corporates	503 568	398 547
- Lending for food interventions	42 666	10 442
- Deals with securities purchased under “reverse-repo agreements”	894	622
- Investments in agricultural cooperatives	702	702
Loans to individuals	66 527	58 545
Total loans and advances to customers (before impairment)	**614 357**	**468 858**
Less: Provision for loan impairment	(29 950)	(16 557)
Total loans and advances to customers	**584 407**	**452 301**

As at 31 December 2009 included in gross amount of loans are loans in the amount of RR 362 335 million (2008: RR 292 910 million), where borrowers are eligible for interest subsidies from federal and regional budgets. Subsidies are paid directly to the borrowers.

Lending for food interventions is represented by loans to a company, which is 100% owned by the Federal Government of the Russian Federation.

Investments in agricultural cooperatives represent contributions made by the Group as part of its participation in the National Project "Development of the Agro-Industrial Sector". According to the contracts with cooperatives the Group receives fixed annual dividends at the rate 1/2 of the rate of refinancing of the Bank of Russia of the contributions made. The Group’s management has a right to withdraw to make cooperative member contributions for the period of 5 years and at the end to withdraw its contributions.

As at 31 December 2009, loans and advances to customers of RR 894 million (2008: RR 622 million) are effectively collateralised by securities purchased under reverse repo agreements with a fair value of RR 985 million (2008: RR 816 million). The Group has the right to sell or repledge securities.

Analysis of the movements in the provision for loan impairment is as follows:

	2009				2008			
In millions of Russian Roubles	**Loans to corporates**	**Investments in agricultural cooperatives**	**Loans to individuals**	**Total**	**Loans to corporates**	**Investments in agricultural cooperatives**	**Loans to individuals**	**Total**
Provision for loan impairment at 1 January	**15 249**	**20**	**1 288**	**16 557**	**6 526**	**-**	**576**	**7 102**
Provision for loan impairment during the year	13 211	(12)	215	13 414	8 763	20	712	9 495
Loans and advances to customers written off during the year as uncollectible	(21)	-	-	(21)	(40)	-	-	(40)
Provision for loan impairment at 31 December	**28 439**	**8**	**1 503**	**29 950**	**15 249**	**20**	**1 288**	**16 557**

In 2009 no provision for “Lending for food interventions” and “Reverse repo agreements” was created (2008: nil).

11 Loans and Advances to Customers (Continued)

The economic sector structure of the credit portfolio is as follows:

	2009		2008	
In millions of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Agriculture	392 916	64	281 419	60
Manufacturing	82 608	13	72 124	15
Individuals	66 526	11	58 545	13
Trading	40 039	6	32 159	7
Construction	22 034	4	14 819	3
Other	10 234	2	9 792	2
Total loans and advances to customers (before impairment)	**614 357**	**100**	**468 858**	**100**

As at 31 December 2009, the aggregate amount of loans to individuals included loans in the amount of RR 49 026 million issued to individuals-sole farmers (2008: RR 43 812 million).

Loan portfolio analysis by credit quality. The Group estimates credit risk on the basis of professional judgement pronounced upon completing a comprehensive review of a borrower's activities taking into account their financial situation, debt service quality as well as all other information available to the Group related to any other risks of the borrower.

In reviewing the borrower's financial position the Group applies a system of coefficients according to which the borrower's financial situation is assessed as follows:

- *good* if the total score in evaluation of financial situation using the coefficient approach is 53 or more;
- *average* if the total score in evaluation of financial situation using the coefficient approach ranges from 52 to 25 (inclusive);
- *poor* if the total score in evaluation of financial situation using the coefficient approach is less than 25.

In accordance with the methodology of financial assets impairment evaluation, the Group includes loans, for which there is no identified loss event or a borrower/debtor default into the category "*collectively assessed for impairment".*

As a *loss event* the Group recognizes objective evidence of asset impairment that emerged subsequent to initial recognition, namely:

- *for loans issued to legal entities (including individual entrepreneurs – sole farmers):*
  - significant financial difficulty of the borrower – changes in financial position from the moment when the loan is issued from good or average to poor (score of 24 and below in accordance with the methodology of evaluation and analysis of the Group's borrower financial position taking into consideration their industry, organisational and legal specifics);
  - violation of contract – principal or interest overdue by more than 5 days;
- *for loans issued to individuals:*
  - significant financial difficulty of the borrower – changes in the scoring of the borrower's financial position from the moment when the loan was issued from good to poor. i.e., loss or significant decrease in income or cost of property, out of which the individual intended to repay the debt (e.g., termination of labour relations between the employer and the individual if the latter has no significant savings, existence of court decisions on bringing the individual to criminal responsibility in the form of imprisonment that came into effect, existence of documentarily supported information of revocation of the license from the credit institution with which the individual's deposit is placed, if failure to receive this deposit impacts the ability of the individual borrower to fulfil his/her obligations on the loan);
  - violation of contract – principal or interest overdue by more than 30 days.

11 Loans and Advances to Customers (Continued)

As a *default* of a borrower/debtor the Group recognizes objective evidence that it is impossible for the creditor to claim future cash flows due under the contract, unless the collateral is used (default of the borrower/debtor), namely:

- *for legal entities (including individual entrepreneurs – sole farmers):*
  - the debtors excluded from the Single State Register of Legal Entities without legal succession (based upon the results of completed bankruptcy proceedings or on the basis of court decision on liquidation of the borrower at the presentation of the authorised body);
  - the debtors, with respect to whom bankruptcy proceedings are completed but they are not excluded from the Single State Register of Legal Entities;
  - the debtors, with respect to whom bankruptcy proceedings are conducted however the court has rejected the claim to include the amounts payable to the Bank into the register of creditors and/or there is no actual property used as a collateral that belongs to these debtors;
  - the debtors, with respect to whom court decision has entered into force but the court has rejected the claim to collect the debt in the Bank's favour or collection under a write-off execution is impossible due to expiry of the term, during which it can be presented for execution;
  - the debtors, who actually discontinued their operation and with respect to whom there exists a documentary confirmation of their actual absence;
  - principal or interest overdue by over 365 days;
- *for individuals:*
  - death of the debtor in the absence of heirs and inheritance;
  - the debtors, with respect to whom court decision has entered into force but the court has rejected the claim to collect the debt in the Bank's favour or collection under a writ of execution is impossible due to expiry of the term, during which it can be presented for execution;
  - principal or interest overdue by over 365 days;
  - the debtors, who do not reside at the place of residence indicated in the loan agreement and with respect to whom it is impossible to identify the new place of residence.

11 Loans and Advances to Customers (Continued)

Lending for food interventions and reverse repo agreements are assessed for impairment by the Group on the individual basis as the nature of the borrowers/products is unique and exposures could not be grouped with others.

Analysis by credit quality of loans outstanding at 31 December 2009 is as follows:

In millions of Russian Roubles	**Loans to corporates**	**Lending for food interven-tions**	**Reverse repo agreements**	**Investments in agricultural cooperatives**	**Loans to individuals**	**Total**
1. Current and not impaired						
- good financial position	-	42 666	894	-	-	43 560
Total current and not impaired	**-**	**42 666**	**894**	**-**	**-**	**43 560**
2. Collectively assessed for impairment						
Current						
- good financial position	256 669	-	-	702	-	257 371
- average financial position	139 482	-	-	-	-	139 482
- included in portfolios of similar risk loans	618	-	-	-	62 582	63 200
- loans whose terms were renegotiated	43 454	-	-	-	1 346	44 800
Overdue						
- overdue by: less than 6 days for legal entities, less than 31 days for individuals	5 096	-	-	-	380	5 476
Total collectively assessed for impairment	**445 319**	**-**	**-**	**702**	**64 308**	**510 329**
3. Individually assessed for impairment						
- watch list	23 828	-	-	-	-	23 828
- poor financial position	2 841	-	-	-	-	2 841
- 6 to 30 days overdue	1 925	-	-	-	-	1 925
- 31 to 90 days overdue	5 193	-	-	-	314	5 507
- 91 to 180 days overdue	4 905	-	-	-	321	5 226
- 181 to 365 days overdue	7 815	-	-	-	681	8 496
- over 365 days overdue	11 742	-	-	-	903	12 645
Total individually assessed for impairment	**58 249**	**-**	**-**	**-**	**2 219**	**60 468**
Total loans and advances to customers (before impairment)	**503 568**	**42 666**	**894**	**702**	**66 527**	**614 357**
Provision for loan impairment	**(28 439)**	**-**	**-**	**(8)**	**(1 503)**	**(29 950)**
Total loans and advances to customers	**475 129**	**42 666**	**894**	**694**	**65 024**	**584 407**

11 Loans and Advances to Customers (Continued)

Analysis of loans by credit quality at 31 December 2008 is as follows:

In millions of Russian Roubles	Loans to corporates	Lending for food interven-tions	Reverse repo agreements	Investments in agricultural cooperatives	Loans to individuals	Total
1. Current and not impaired						
- good financial position	-	10 442	622	-	-	11 064
Total current and not impaired	-	**10 442**	**622**	**-**	**-**	**11 064**
2. Collectively assessed for impairment						
Current						
- good financial position	183 773	-	-	702	-	184 475
- average financial position	132 823	-	-	-	-	132 823
- included in portfolios of similar risk loans	40 559	-	-	-	56 667	97 226
- loans whose terms were renegotiated	5 520	-	-	-	738	6 258
Overdue						
- overdue by: less than 6 days for legal entities, less than 31 days for individuals	1 148	-	-	-	434	1 582
Total collectively assessed for impairment	**363 823**	**-**	-	**702**	**57 839**	**422 364**
3. Individually assessed for impairment						
- watch list	16 484					16 484
- poor financial position	1 961	-	-	-	-	1 961
- 6 to 30 days overdue	1 413	-	-	-	-	1 413
- 31 to 90 days overdue	4 543	-	-	-	194	4 737
- 91 to 180 days overdue	3 640	-	-	-	159	3 799
- 181 to 365 days overdue	3 799	-	-	-	241	4 040
- over 365 days overdue	2 884	-	-	-	112	2 996
Total individually assessed for impairment	**34 724**	**-**	**-**	**-**	**706**	**35 430**
Total loans and advances to customers (before impairment)	**398 547**	**10 442**	**622**	**702**	**58 545**	**468 858**
Provision for loan impairment	**(15 249)**	**-**	**-**	**(20)**	**(1 288)**	**(16 557)**
Total loans and advances to customers	**383 298**	**10 442**	**622**	**682**	**57 257**	**452 301**

11 Loans and Advances to Customers (Continued)

Loans included in the watch list are in the process of restructuring and/or renegotiation. Watch list includes loans and advances to customers overdue from 6 to 90 days of RR 554 million (2008: RR 311 million) and loans and advances to customers overdue more than 90 days of RR 2 259 million (2008: nil).

Loans included in portfolio with similar risk loans consist of immaterial loans with homogeneous credit characteristics without any signs of impairment, which are not analysed by the Group on individual basis.

The table below summarizes the results of quality analysis of the loan portfolio:

In millions of Russian Roubles	**2009**	**2008**
Current loans	527 469	443 722
Loans whose terms were renegotiated	44 800	6 258
Overdue loans	42 088	18 878
Provision for loan impairment	(29 950)	(16 557)
Total loans and advances to customers	**584 407**	**452 301**

Overdue loans represent not only past due payments but also outstanding balance of such loans.

Loan collateral

The Group accepts different types of collateral, such as: inventories (finished products, raw materials, goods in turnover), equipment, including agricultural machinery, motor vehicles, real estate, land plots, construction in progress, sea and other vessels, farm animals, future crop, property acquired in the future, property rights, warranties, banking guarantees, government guarantees of Russian Federation and municipal guarantees.

Among other measures aimed at credit enhancement is the Group’s requirement to insure the subject of collateral. Property is insured by insurance companies that have accreditation and a cooperation agreement with the Bank.

The Group monitors the condition and reviews the structure of the collateral. The primary purpose of the review of the structure of collateral as well as monitoring of the collateral rights by the Group include:

- obtaining complete and objective information on the available collateral property and its structure;
- development of optimal schemes of realisation of collateral rights with account for the specifics of regional distribution;
- improving the effectiveness and timeliness of collateral foreclosure process;
- preparation of statistical and analytical information for the Group management;
- control over the Group’s regional branches with respect to issued loans.

The majority of collateral (over 70%) (2008: over 70%) relates to the following types: real estate – 41% (2008: 37%), equipment - 19% (2008: 21%) and goods in turnover – 16% (2008: 17%).

According to the Group’s internal policy documents it is allowed to issue unsecured loans in the following cases:

- for legal entities – overdrafts;
- for individuals – overdrafts and loans issued within the scope of Selskoe Podvorje (Rural Farm) program – loans up to RR 50 thousand (or equivalent in currency) under the programs “Consumer loans”; “Loans to the sole farmers”, “Reliable Customer”.

11 Loans and Advances to Customers (Continued)

The Group has developed an internal methodology, on the basis of which fair value of collateral is determined. The fair value of collateral is defined at the loan granting date and is not reassessed subsequently on a timely basis as such timely reassessment is impracticable. Actual realisable value of collateral in respect of loans to corporate customers and individuals may significantly differ from the value disclosed below.

The value of collateral presented below was calculated based on this methodology:

In millions of Russian Roubles	2009		2008	
	Past due but not impaired*	**Individually assessed for impairment**	**Past due but not impaired***	**Individually assessed for impairment**
Collateral in respect of loans to corporate customers				
- real estate	4 450	33 496	429	16 956
- equipment	1 957	17 820	343	12 639
- goods in turnover	839	5 527	388	10 521
- motor vehicles	757	5 319	254	3 211
- farm animals, poultry	445	2 672	497	2 440
- future crop	619	1 459	22	1 958
- other assets	305	3 288	-	214
Total value of collateral in respect of corporate customers	**9 372**	**69 581**	**1 933**	**47 939**

* Past due but not impaired loans are loans overdue less than 6 days for legal entities and overdue less than 31 days for individuals included in collectively assessed for impairment.

Past due but not impaired loans* to individuals are secured with various types of collateral with value determined based on the Group's internal methodology of RR 164 million (2008: RR 301 million) as well as by warranties of third parties with nominal value of RR 1 098 million (2008: RR 1 282 million).

Loans to individuals individually assessed for impairment are secured with various types of collateral with value determined based on the Group's internal methodology of RR 807 million (2008: RR 354 million) as well as by warranties of third parties with nominal value of RR 5 449 million (2008: RR 2 400 million).

Refer to Note 36 for the disclosure of fair value of loans and advances to customers. Geographical and interest rate analyses of loans and advances to customers are disclosed in Note 32. The information on related party balances is disclosed in Note 38.

12 Investment Securities Available for Sale

In millions of Russian Roubles	**2009**	**2008**
Corporate bonds	3 449	3 043
Corporate Eurobonds	2 355	1 548
State Eurobonds	1 531	51
Federal loan bonds (OFZ)	363	-
Municipal bonds	92	146
Corporate shares	10	5
Total investment securities available for sale	**7 800**	**4 793**

The primary factor that the Group considers in determining whether a debt security is impaired is its overdue status.

12 Investment Securities Available for Sale (Continued)

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2009 is as follows:

In millions of Russian Roubles	Securities internationally rated not lower than BB- (S&P)*	Securities internationally rated lower than BB- (S&P)*	Internationally unrated securities	Total
Corporate bonds	825	-	2 624	3 449
Corporate Eurobonds	1 835	520	-	2 355
State Eurobonds	1 531	-	-	1 531
Federal loan bonds (OFZ)	363	-	-	363
Municipal bonds	92	-	-	92
Total debt investment securities available for sale	**4 646**	**520**	**2 624**	**7 790**

* or ratings of other analogous rating agencies.

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2008 is as follows:

In millions of Russian Roubles	Securities internationally rated not lower than BB- (S&P)*	Securities internationally rated lower than BB- (S&P)*	Internationally unrated securities	Total
Corporate bonds	1 543	366	1 134	3 043
Corporate Eurobonds	1 173	375	-	1 548
Municipal bonds	95	51	-	146
State Eurobonds	51	-	-	51
Total debt investment securities available for sale	**2 862**	**792**	**1 134**	**4 788**

* or ratings of other analogous rating agencies.

Corporate bonds in the Group's portfolio are represented by securities denominated in Russian Roubles issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. As at 31 December 2009 these bonds have maturity dates from November 2010 to November 2014 (2008: from February 2009 to March 2017), annual coupon rates from 7.8% to 20.0% p.a. (2008: from 7.2% to 15.0% p.a.) and yield to maturity or next repricing date from 7.6% to 21.5% p.a. (2008: from 7.6% to 32.9% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Corporate Eurobonds are bonds denominated in USD, issued by major Russian companies. As at 31 December 2009 these bonds have maturity dates from January 2010 to February 2017 (2008: from August 2009 to February 2017), annual coupon rates from 7.5% to 12.0% p.a. (2008: from 7.5% to 10.9% p.a.), payable semi-annually, and yield to maturity or next repricing date from 3.9% to 16.3% p.a. (2008: from 15.0% to 39.4% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

State Eurobonds are represented by Russian Federation bonds denominated in USD. As at 31 December 2009 these bonds have maturity date in March 2030 (2008: March 2030), annual coupon rate 7.5% p.a. (2008: 7.5% p.a.), payable semi-annually, and yield to maturity 5.5% p.a. (2008: 10.1% p.a).

Federal Loan bonds (OFZ) are represented by the state securities denominated in Russian Roubles issued by the Ministry of Finance of Russian Federation. These OFZ have maturity dates in September 2012, annual coupon rate 10.8% p.a., payable quarterly or semi-annually, and yield to maturity 8.0%p.a.

12 Investment Securities Available for Sale (Continued)

Municipal bonds are represented by Russian Roubles bonds issued by Russian municipal authorities. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. As at 31 December 2009 these bonds have maturity dates in June 2012 (2008: from April 2009 to June 2012), annual coupon rate 9.6% p.a. (2008: from 9.8% to 11.0% p.a.) and yield to maturity 16.3% p.a. (2008: from 8.8% to 17.9% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

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

In millions of Russian Roubles	Note	2009	2008
Carrying amount at 1 January		**4 793**	**1 157**
Purchases		14 390	1 549
Additions as the result of reclassification		-	4 817
Disposal as the result of reclassification		-	(222)
Fair value gains less losses		2 292	(1 881)
Realised revaluation reserve		(528)	3
Interest income accrued	25	955	357
Interest income received		(923)	(281)
Proceeds from disposal		(12 587)	(1 270)
Foreign exchange differences gains less losses		(251)	564
Impairment recognised directly in profit or loss		(341)	-
Carrying amount at 31 December		**7 800**	**4 793**

The Group reclassified the following financial assets from the available-for-sale category during 2008:

In million of Russian Roubles	Amount reclassified	Undiscounted cash flows expected to be recovered	Effective interest rate (%)
Reclassified into held to maturity			
Corporate Eurobonds	222	739	8.2
Total	**222**	**739**	

The reclassification was made effective from 1 July 2008 when, in management's opinion, the third quarter 2008 collapse in financial markets liquidity and stability commenced, which has also led to the International Accounting Standards Board issuing the amendment allowing reclassifications from that date.

Management believes that the declines in market prices, which occurred in the third quarter of 2008 represent a rare event as they are significantly out of line with historical volatilities observed in financial markets.

The carrying amounts and fair values of all financial assets that have been reclassified from available for sale securities and which were not yet sold or otherwise derecognized, were as follows:

	2009		2008	
In millions of Russian Roubles	Carrying value	Fair value	Carrying value	Fair value
Reclassified into held to maturity				
Corporate Eurobonds	287	288	278	184
Total	**287**	**288**	**278**	**184**

12 Investment Securities Available for Sale (Continued)

Income or loss recognised for 2009, and fair value gain or loss that would have been recognised if the assets had not been reclassified were as follows:

In millions of Russian Roubles	**Income recognised in profit or loss after reclassification** Interest income	Foreign exchange gains less losses	**Gains that would have been recognised in other comprehensive income if the assets had not been reclassified**
Reclassified into held to maturity			
Corporate Eurobonds	23	9	97
Total	**23**	**9**	**97**

As at 31 December 2008, income or loss recognised after reclassification, and fair value gain or loss that would have been recognised if the assets had not been reclassified were as follows:

In millions of Russian Roubles	**Income recognised in profit or loss after reclassification** Interest income	Foreign exchange gains less losses	**Losses that would have been recognised in other comprehensive income if the assets had not been reclassified**
Reclassified into held to maturity			
Corporate Eurobonds	10	59	(94)
Total	**10**	**59**	**(94)**

For the fair value analysis of investment securities available for sale refer to Note 36. Geographical and interest rate analysis of investment securities available for sale are disclosed in Note 32.

13 Investment Securities Held to Maturity

In millions of Russian Roubles	**2009**	**2008**
Federal Loan bonds (OFZ)	3 917	4 126
Corporate Eurobonds	1 586	1 538
Corporate bonds	1 073	1 351
Municipal bonds	1 156	1 262
Promissory notes	-	1 930
Total investment securities held to maturity	**7 732**	**10 207**

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

In millions of Russian Roubles	**Securities internationally rated not lower than BB- (S&P)***	**Securities internationally rated lower than BB- (S&P)***	**Internationally unrated securities**	**Total**
Federal Loan bonds (OFZ)	3 917	-	-	3 917
Corporate Eurobonds	1 586	-	-	1 586
Corporate bonds	1 073	-	-	1 073
Municipal bonds	763	393	-	1 156
Total investment securities held to maturity	**7 339**	**393**	**-**	**7 732**

* or ratings of other analogous rating agencies.

13 Investment Securities Held to Maturity (Continued)

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

In millions of Russian Roubles	**Securities internationally rated not lower than BB- (S&P)***	**Securities internationally rated lower than BB- (S&P)***	**Internationally unrated securities**	**Total**
Federal Loan bonds (OFZ)	4 126	-	-	4 126
Promissory notes	125	1 764	41	1 930
Corporate Eurobonds	1 538	-	-	1 538
Corporate bonds	1 351	-	-	1 351
Municipal bonds	1 262	-	-	1 262
Total investment securities held to maturity	**8 402**	**1 764**	**41**	**10 207**

* or ratings of other analogous rating agencies.

If a security's rating is unavailable the issuer's rating is used.

The primary factor that the Group considers when deciding whether a debt security is impaired is its overdue status. Since the Group did not have impaired securities held to maturity, no provisions for impairment of these securities were recognised.

Federal Loan bonds (OFZ) are represented by the state securities denominated in Russian Roubles issued by the Ministry of Finance of Russian Federation. These OFZ have maturity dates from May 2010 to February 2036 (2008: from May 2010 to February 2036), annual coupon rates from 5.8% to 10.0% p.a. (2008: from 5.8% to 10.0%, p.a.) payable quarterly or semi-annually, and yield to maturity from 6.2% to 9.7% p.a. (2008: from 6.9% to 11.4% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Corporate Eurobonds are interest bearing securities denominated in USD, issued by major Russian companies. As at 31 December 2009 these bonds have maturity dates from May 2010 to August 2037 (2008: from May 2010 to August 2037), annual coupon rates from 6.7% to 9.6% p.a. (2008: from 6.7% to 9.6% p.a.) payable semi-annually, and yield to maturity or next repricing date from 3.6% to 8.1% p.a. (2008: from 12.3% to 20.8% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Corporate bonds in the Group's portfolio are represented by securities denominated in Russian Roubles, issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. These bonds have maturity dates from July 2011 to September 2020 (2008: from January 2009 to September 2020), annual coupon rates from 7.2% to 8.5% p.a. (2008: from 6.7% to 8.5% p.a.) payable and yield to maturity or next repricing date from 8.5% to 14.3% p.a. (2008: from 5.8% to 20.8% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Municipal bonds are represented by bonds issued by Russian municipal authorities denominated in Russian Roubles. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. As at 31 December 2009 these bonds have maturity dates from December 2010 to December 2015 (2008: from December 2010 to December 2015), annual coupon rates from 7.0% to 9.0% p.a. (2008: from 7.0% to 9.0% p.a.) and yield to maturity from 8.1% to 14.0% p.a. (2008: from 8.8% to 26.7% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Refer to Note 36 for the disclosure of the fair value of investment securities held to maturity. Geographical and interest rate analyses of securities held to maturity are disclosed in Note 32.

14 Goodwill

Movements in goodwill arising on the acquisition of subsidiaries are:

In millions of Russian Roubles	**Note**	**2009**	**2008**
Carrying amount at 1 January		**-**	**-**
Acquisition of subsidiaries	40	728	-
Impairment loss	28	(430)	-
Carrying amount at 31 December		**298**	**-**

15 Premises, Equipment and Intangible Assets

In millions of Russian Roubles	Note	Office premises	Leasehold (premises) improvements	Office and computer equipment	Land	Total premises and equipment	Intangible assets	Total
Cost at 1 January 2008		4 152	1 156	2 017	200	7 525	526	8 051
Accumulated depreciation		(127)	(30)	(444)	-	(601)	(179)	(780)
Carrying amount at 1 January 2008		**4 025**	**1 126**	**1 573**	**200**	**6 924**	**347**	**7 271**
Additions		1 513	287	1 227	37	3 064	514	3 578
Disposals		-	(17)	(10)	-	(27)	-	(27)
Depreciation charge: before revaluation	27, 28	(73)	(132)	(357)	-	(562)	(120)	(682)
Depreciation charge: realised revaluation reserve	28	(32)	-	-	-	(32)	-	(32)
Changes in gross carrying value resulting from revaluation		(455)	-	-	-	(455)	-	(455)
Changes in accumulated depreciation resulting from revaluation		20	-	-	-	20	-	20
Carrying amount at 31 December 2008		**4 998**	**1 264**	**2 433**	**237**	**8 932**	**741**	**9 673**
Cost at 31 December 2008		5 210	1 423	3 213	237	10 083	1 040	11 123
Accumulated depreciation		(212)	(159)	(780)	-	(1 151)	(299)	(1 450)
Carrying amount at 31 December 2008		**4 998**	**1 264**	**2 433**	**237**	**8 932**	**741**	**9 673**

15 Premises, Equipment and Intangible Assets (Continued)

In millions of Russian Roubles	Note	Used in banking activities: Office premises	Leasehold (premises) improve-ments	Office and computer equipment	Land	Used in non-banking activities: Production premises	Equipment	Land	Total premises and equipment	Intangible assets	Total
Cost at 1 January 2009		5 210	1 423	3 213	237	-	-	-	10 083	1 040	11 123
Accumulated depreciation		(212)	(159)	(780)	-	-	-	-	(1 151)	(299)	(1 450)
Carrying amount at 1 January 2009		**4 998**	**1 264**	**2 433**	**237**	**-**	**-**	**-**	**8 932**	**741**	**9 673**
Acquisitions through business combinations		-	-	-	-	13 367	1 709	1 322	16 398	-	16 398
Additions		2 394	120	1 816	50	444	80	-	4 904	498	5 402
Disposals		(39)	(27)	(19)	(6)	(18)	(8)	-	(117)	-	(117)
Transfer to other assets		-	-	-	-	-	-	(1 161)	(1 161)	-	(1 161)
Depreciation charge: before revaluation	27	(121)	(152)	(608)	-	(243)	(65)	-	(1 189)	(216)	(1 405)
Depreciation charge: realised revaluation reserve and revaluation loss	27	(20)	-	-	-	-	-	-	(20)	-	(20)
Changes in gross carrying value resulting from revaluation		(316)	-	-	-	-	-	-	(316)	-	(316)
Changes in accumulated depreciation resulting from revaluation		15	-	-	-	-	-	-	15	-	15
Carrying amount at 31 December 2009		**6 911**	**1 205**	**3 622**	**281**	**13 550**	**1 716**	**161**	**27 446**	**1 023**	**28 469**
Cost at 31 December 2009		7 249	1 507	4 966	281	13 823	1 804	161	29 791	1 538	31 329
Accumulated depreciation		(338)	(302)	(1 344)	-	(273)	(88)	-	(2 345)	(515)	(2 860)
Carrying amount at 31 December 2009		**6 911**	**1 205**	**3 622**	**281**	**13 550**	**1 716**	**161**	**27 446**	**1 023**	**28 469**

15 Premises, Equipment and Intangible Assets (Continued)

Non-banking premises mainly are represented by grain storages and production premises related to subsidiaries activities.

Intangible assets mainly include capitalised computer software.

Construction in progress in respect of banking and non-banking premises at 31 December 2009 was RR 3 468 million (2008: RR 676 million).

Carrying amount of office premises without revaluation at 31 December 2009 is RR 6 487 million (2008: RR 4 266 million), including cost in amount of RR 6 735 million (2008: RR 4 395 million) and accumulated depreciation of RR 248 million (2008: RR 129 million). Premises were independently valued as at 31 December 2009. The valuation was carried out by an independent appraisers firm, Institute of Valuation of Property and Financial Activity Ltd, who hold a relevant professional qualification and who have recent experience in valuation of assets of similar location and category.

16 Other Assets

In millions of Russian Roubles	**2009**	**2008**
Non-financial assets		
Repossessed collateral	5 610	1 010
Inventory	1 000	348
Prepayment for services	756	455
Prepayment for goods	181	-
Prepaid taxes	33	33
Other	9	54
Financial assets		
Trade receivables	2 893	-
Settlements on plastic cards	804	3
Settlements on funds transfer operations	33	34
Other	608	159
Provision for impairment of other financial assets	(170)	(51)
Total other assets	**11 757**	**2 045**

Repossessed collateral mainly represents the land and production premises measured in accordance with IAS 40 «Investment Property». The Group is not going to use repossessed collateral in its own operations and plans to dispose to the interested investors in the future.

Trade receivables, inventory and prepayment for goods are related to trade activities of subsidiaries. Refer to Note 40.

The movements in the provision for impairment of other financial assets are as follows:

In millions of Russian Roubles	**2009** **Other**	**2008** **Other**
Provision for impairment of other financial assets at 1 January	**51**	**16**
Provision for impairment of other financial assets during the year	119	36
Other financial assets written off during the year as uncollectible	-	(1)
Provision for impairment of other financial assets at 31 December	**170**	**51**

16 Other Assets (Continued)

The movements in repossessed collateral are as follows:

In millions of Russian Rouble	Note	2009	2008
Repossessed collateral at 1 January		1 010	-
Additions for the year		4 901	1 070
Disposal for the year		(256)	(60)
Depreciation charge	28	(45)	-
Repossessed collateral at 31 December		**5 610**	**1 010**

As at 31 December 2009 the fair value of repossessed collateral was RR 5 703 million (2008: RR 1 010 million).

For the estimated fair value of other financial assets refer to the Note 36. Geographical analysis of other assets is disclosed in Note 32.

17 Due to Other Banks

In millions of Russian Roubles	2009	2008
Borrowings from other banks with term to maturity		
- less than 30 days	29 050	3 701
- from 31 to 180 days	3 779	34 503
- from 181 days to 1 year	23 388	12 405
- from 1 year to 3 years	11 670	11 364
- more than 3 years	53 913	75 283
Borrowings from the CBRF with term to maturity		
- sale and repurchase agreements less than 30 days	3 000	-
- less than 30 days	190	-
- from 31 to 180 days	64 019	105 827
- from 181 days to 1 year	2 917	-
Correspondent accounts and overnight placements of other banks	84	19
Total due to other banks	**192 010**	**243 102**

As at 31 December 2009 the Group had balances due to two foreign banks with the aggregated amount of RR 45 836 million, or 24% of total due to other banks (2008: due to the same two foreign banks with aggregated amount of RR 48 877 million, or 20% of total due to other banks).

Refer to Note 36 for the disclosure of the fair value of due to other banks. Geographical, maturity and interest rate analyses of due to other banks are disclosed in Note 32.

18 Customer Accounts

In millions of Russian Roubles	2009	2008
State and public organisations		
- Current/settlement accounts	4 864	5 069
- Term deposits	52 954	29 877
Other legal entities		
- Current/settlement accounts	30 658	32 568
- Term deposits	60 480	36 562
- Sale and repurchase agreements with securities	-	23
Individuals		
- Current/demand accounts	10 760	7 361
- Term deposits	70 587	43 035
Total customer accounts	**230 303**	**154 495**

State and public organisations exclude state-controlled joint-stock companies.

Economic sector concentrations within customer accounts are as follows:

	2009		2008	
In millions of Russian Roubles	Amount	%	Amount	%
Individuals	81 347	35	50 395	33
State and public organisations	57 818	25	34 946	23
Financial services and pension security	22 673	10	19 430	12
Insurance	22 541	10	12 133	8
Agriculture	14 081	6	11 291	7
Manufacturing	9 096	4	3 965	3
Construction	8 559	4	12 583	8
Trading	8 124	3	5 625	4
Other	6 064	3	4 127	2
Total customer accounts	**230 303**	**100**	**154 495**	**100**

As at 31 December 2009, the Group had three customers with balances above RR 11 500 million (2008: two customer with balances above RR 6 800 million). The aggregate balance of these customers was RR 53 674 million, or 23% of total customer accounts (2008: RR 36 095 million, or 23% of total customer accounts).

Refer to Note 36 for the disclosure of the fair value of customer accounts. Geographical, interest rate and maturity analyses of customer accounts are disclosed in Note 32. The information on related party balances is disclosed in Note 38.

19 Promissory Notes Issued

In millions of Russian Roubles	2009	2008
Promissory notes issued	12 567	9 845
Total promissory notes issued	**12 567**	**9 845**

The Group issued promissory notes at a discount to nominal value and interest bearing promissory notes denominated in Russian Roubles and Euros with effective interest rate from 0% p.a. (for promissory notes on demand) up to 15% p.a. and maturity dates from January 2010 to August 2017 (2008: promissory notes denominated Russian roubles, and Euros with effective interest rate from 0% p.a. (for promissory notes on demand) up to 12% p.a. and maturity dates from January 2009 to November 2018).

As at 31 December 2009, promissory notes issued, which were initially purchased by one counterparty, amounted to RR 9 373 million or 75% of total promissory notes issued by the Group (2008: four counterparties amounted RR 9 318 million or 95% of total promissory notes issued by the Group).

Refer to Note 36 for the disclosure of the fair value of promissory notes issued. Geographical, maturity and interest rate analyses of promissory notes issued are disclosed in Note 32.

20 Other Borrowed Funds

In millions of Russian Roubles	2009	2008
Eurobonds issued	158 841	132 239
Bonds issued on domestic market	57 643	43 675
Total other borrowed funds	**216 484**	**175 914**

As at 31 December 2009, the Group's other borrowed funds included Eurobonds denominated in US dollars and Swiss francs that are issued by the Group through its special purpose entity, RSHB Capital S.A. as well as bonds denominated in Russian Roubles and issued on domestic market.

Currency of denomination	Nominal value, in million of currency	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment	Yield to maturity/ next repricing date
Eurobonds issues							
US Dollars	350	29 November 2005	29 November 2010	-	6.875%	6 months	2.31%
US Dollars	630	16 May 2006	16 May 2013	-	7.175%	6 months	5.34%
Swiss Francs	375	29 March 2007	29 March 2010	-	3.583%	1 year	4.05%
US Dollars	1 125	14 May 2007	15 May 2017	-	6.299%	6 months	6.24%
Swiss Francs	150	30 April 2008	30 April 2012	-	6.263%	1 year	5.86%
US Dollars							
- tranche A	702	29 May 2008	14 January 2014	-	7.125%	6 months	5.54%
- tranche B	891	29 May 2008	29 May 2018	-	7.750%	6 months	6.37%
US Dollars	1 000	11 June 2009	11 June 2014	-	9.000%	6 months	5.61%
Bonds issued in domestic market							
Russian Roubles	7 000	22 February 2006	16 February 2011	-	7.850%	3 months	8.88%
Russian Roubles	10 000	22 February 2007	9 February 2017	22 February 2010	7.340%	6 months	6.98%
Russian Roubles	10 000	10 October 2007	27September 2017	7 October 2011	11.50%	6 months	10.14%
Russian Roubles	5 000	22 February 2008	9 February 2018	24 August 2010	13.350%	6 months	8.70%
Russian Roubles	5 000	17 June 2008	5 June 2018	17 June 2010	13.950%	6 months	7.69%
Russian Roubles	10 000	9 December 2008	27 November 2018	8 December 2011	13.500%	6 months	13.94%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 November 2012	10.100%	6 months	9.92%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 November 2012	10.100%	6 months	9.67%

20 Other Borrowed Funds (Continued)

As at 31 December 2008 other borrowed funds comprise the following issues:

Currency of denomination	Nominal value, in million of currency	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment	Yield to maturity/ next repricing date
Eurobonds issued							
US Dollars	350	29 November 2005	29 November 2010	-	6.875%	6 months	13.69%
US Dollars	695	16 May 2006	16 May 2013	-	7.175%	6 months	16.83%
Swiss Francs	375	29 March 2007	29 March 2010	-	3.583%	1 year	23.33%
US Dollars	1 225	14 May 2007	15 May 2017	-	6.299%	6 months	15.25%
Swiss Francs	150	30 April 2008	30 April 2012	-	6.263%	1 year	19.76%
US Dollars							
- tranche A	747	29 May 2008	14 January 2014	-	7.125%	6 months	18.11%
- tranche B	933	29 May 2008	29 May 2018	-	7.750%	6 months	15.72%
Bonds issued on domestic markets							
Russian Roubles	7 000	22 February 2006	16 February 2011	-	7.850%	3 months	8.39%
Russian Roubles	10 000	22 February 2007	9 February 2017	22 February 2010	7.340%	6 months	14.70%
Russian Roubles	6 201	10 October 2007	27 September 2017	9 October 2009	9.750%	6 months	7.78%
Russian Roubles	5 000	22 February 2008	9 February 2018	24 February 2009	8.750%	6 months	9.92%
Russian Roubles	5 000	17 June 2008	5 June 2018	18 June 2009	8.300%	6 months	12.07%
Russian Roubles	10 000	9 December 2008	27 November 2018	8 December 2011	13.500%	6 months	13.94%

Refer to Note 36 for the disclosure of fair value for other borrowed funds. Geographical, maturity and interest rate analyses of other borrowed funds are disclosed in Note 32.

21 Syndicated Loans

As at 31 December 2009, syndicated loans attracted by the Group totalled RR 7 570 million (2008: RR 10 532 million).

In October 2006 the Group attracted a syndicated loan in Euro from ten OECD banks with the total amount of Euro 75 million with maturity in October 2009 and current effective interest rate 3MEURIBOR + 1.15% p.a. This syndicated loan was repaid by the Group at maturity in October 2009.

In April 2007 the Group attracted 2 tranches of syndicated loan in US Dollars with the total amount of USD 520 million, with maturities in October 2008 and April 2010, semi-annual coupon at the rate of LIBOR + 0.3% p.a. (for tranche A) and LIBOR + 0.4% p.a. (for tranche B). In October 2008 Group redeemed at a stated time the first tranche (tranche A) of syndicated loan in the total amount of USD 270 million.

Refer to Note 36 for the disclosure of fair value for syndicated loans. Geographical, maturity and interest rate analyses of syndicated loans are disclosed in Note 32.

22 Other Liabilities

In millions of Russian Roubles	Note	2009	2008
Non-financial liabilities			
Unregistered share capital increase		825	-
Accrued staff costs		784	572
Taxes payable other than on income		292	116
Provision for litigation	34	200	-
Other		255	197
Financial liabilities			
Trade payables		4 124	-
Settlements on conversion operations		624	-
Settlements on plastic card operations		548	2
Financial liabilities associated with issuance of guarantees by subsidiaries		190	-
Carrying value of sureties issued		-	219
Total other liabilities		**7 842**	**1 106**

Trade payables are related to the business activities of subsidiaries. Refer to Note 40.

In February 2010 the Central Bank of the Russian Federation approved the share capital increase in the amount of RR 825 million.

Refer to Note 36 for the disclosure of fair value of other financial liabilities. Geographical analysis of other liabilities is disclosed in Note 32.

23 Subordinated Debts

As at 31 December 2009, the Group's subordinated debts totalled RR 46 370 million (2008: RR 45 540 million).

In September 2006, the Group attracted a subordinated debt totalling USD 500 million in Eurobonds issued by the Group through its special purpose entity, RSHB Capital S.A. The Eurobonds mature in September 2016, have current interest rate of 6.97% p.a. (2008: 6.97% p.a.), and yield to the next repricing date, i.e. in September 2011 at 7.72% p.a. (2008: 33.64% p.a.). The Group has an option to terminate this subordinated debt in the last five years before its maturity date.

In June 2007, the Group attracted a subordinated debt totalling USD 200 million maturing in June 2017. The Group has an option to terminate this subordinated debt in the last five years before its maturity date.

In October 2008, the Group attracted from Vnesheconombank a subordinated debt totalling RR 25 000 million with maturity in December 2019 and interest rate of 8.0% p.a. This subordinated debt was attracted in accordance with the Federal Law №173-FZ "About supplementary measures to support financial system of the Russian Federation".

Refer to note 36 for the disclosure of fair value of subordinated debts. Geographical, maturity and interest rate analyses of subordinated debts are disclosed in Note 32. The information on related party balances is disclosed in Note 38.

24 Share Capital

The Group's share capital issued and fully paid comprises:

In millions of Russian Roubles (except for number of shares)	Number of outstanding shares	Nominal amount	Inflation adjusted amount
At 1 January 2008	**27 728**	**27 728**	**28 478**
New shares issued	33 495	33 495	33 495
At 31 December 2008	**61 223**	**61 223**	**61 973**
New shares issued	45 000	45 000	45 000
At 31 December 2009	**106 223**	**106 223**	**106 973**

The Group's issued and fully paid authorised share capital comprises 106 223 issued and registered ordinary shares. All ordinary shares have a nominal value of RR 1 million per share and rank equally. Each share carries one vote.

In 2009, the Bank increased its share capital by issuing 45 000 ordinary shares with the total nominal amount of RR 45 000 million. All shares were purchased by the Bank's only shareholder-the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

25 Interest Income and Expense

In millions of Russian Roubles	2009	2008
Interest income		
Loans and advances to customers	82 520	51 674
Due from other banks	4 863	1 314
Trading securities	2 850	909
Securities available for sale	955	357
Securities held to maturity	739	716
Other financial instruments at fair value through profit or loss	645	378
Cash equivalents	574	734
Total interest income	**93 146**	**56 082**
Interest expense		
Other borrowed funds	(15 430)	(9 320)
Term deposits of legal entities	(15 338)	(3 577)
Term deposits of other banks	(10 320)	(8 312)
Term deposits of the CBRF	(6 755)	(1 158)
Term deposits of individuals	(5 511)	(3 159)
Subordinated debts	(3 352)	(1 544)
Promissory notes issued	(648)	(1 738)
Current/settlement accounts	(391)	(46)
Syndicated loans	(324)	(666)
Total interest expense	**(58 069)**	**(29 520)**
Net interest income	**35 077**	**26 562**

Interest income on loans and advances to customers includes interest income on loans individually assessed for impairment in the total amount of RR 5 732 million (2008: RR 3 093 million).

26 Fee and Commission Income and Expense

In millions of Russian Roubles	2009	2008
Fee and commission income		
Commission on cash transactions	2 159	1 724
Commission on guarantees issued	534	34
Commission on settlement transactions	330	278
Agency fees for debt collection and currency control	57	79
Other	164	118
Total fee and commission income	**3 244**	**2 233**
Fee and commission expense		
Commission on cash collection	(260)	(138)
Commission on guarantees received	(140)	(12)
Commission on settlement transactions	(28)	(36)
Other	(61)	(27)
Total fee and commission expense	**(489)**	**(213)**
Net fee and commission income	**2 755**	**2 020**

27 Losses net of Gains from Non-banking Activities

In millions of Russian Roubles	2009	2008
Sales of goods	2 772	-
Cost of goods sold	(2 605)	-
Other	(466)	-
Total gains less losses from non-banking activities	**(299)**	**-**

Sales of goods mainly represent sales of sugar, meat products and animal feedstuff.

Included in cost of goods sold is depreciation of non-banking premises and equipment in the total amount of RR 308 million (2008: nil).

28 Administrative and Other Operating Expenses

In millions of Russian Roubles	Note	2009	2008
Staff costs		12 122	10 382
Rental expenses		1 828	1 351
Other costs of premises and equipment		907	738
Depreciation of premises and equipment	15	901	594
Taxes other than on income		829	620
Security services		629	474
Impairment of goodwill	14	430	-
Communications		299	235
Supplies and other materials		278	275
Amortization of intangible assets	15	216	120
Loss on revaluation of fixed assets (premises)		195	458
Advertising and marketing services		169	223
Depreciation of repossessed collateral	16	45	-
Other		1 151	789
Total administrative and other operating expenses		**19 999**	**16 259**

Included in staff costs are statutory social security and contributions to a state and non-state pension funds of RR 1 952 million (2008: RR 1 668 million).

29 Income Taxes

Income tax expense comprises the following:

In millions of Russian Roubles	2009	2008
Current tax	1 666	995
Deferred tax	(1 077)	287
Income tax expense for the year	**589**	**1 282**

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

In millions of Russian Roubles	2009	2008
IFRS profit before tax	**840**	**3 335**
Theoretical tax charge at statutory rate (2009:20%; 2008: 24%)	168	800
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Impairment of goodwill	86	-
- Non deductible staff costs	48	115
- Unrecognised tax loss carry forward of subsidiaries	75	-
- Non deductible interest expenses	47	373
- Non deductible write-off of subsidiaries' assets	31	-
- Non deductible charity costs	28	5
- Other non deductible operating expenses	124	163
- Income on government securities taxed at different rates	(18)	(35)
Impact of change in tax rate to 20% effective from 1 January 2009	-	(139)
Income tax expense for the year	**589**	**1 282**

The Group has not recorded a deferred tax liability in respect of temporary differences of RR 18 million (2008: RR 5 million) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

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

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

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

29 Income Taxes (Continued)

In millions of Russian Roubles	31 December 2008	(Charged)/ credited to profit or loss	(Charged)/ credited directly to other comprehen-sive income	Business combina-tions	31 December 2009
Tax effect of deductible/(taxable) temporary differences					
Accruals on loans	522	820	-	113	1 455
Provision for loan impairment	509	(184)	-	93	418
Accrued staff costs	118	35	-	-	153
Fair valuation of derivative financial instruments	(1 444)	918	-	-	(526)
Premises and equipment	(415)	(19)	22	(1 882)	(2 294)
Accruals on other borrowed funds, syndicated loans and subordinated debts	(190)	(12)	-	-	(202)
Fair valuation of securities	264	(70)	(380)	-	(186)
Intangible assets	(41)	(8)	-	-	(49)
Accruals on due to other banks	(58)	32	-	-	(26)
Promissory notes issued	(2)	(1)	-	-	(3)
Carrying value of sureties issued	44	(44)	-	-	-
Other	138	(390)	-	97	(155)
Net deferred income tax liability	**(555)**	**1 077**	**(358)**	**(1 579)**	**(1 415)**
Recognized deferred income tax asset	14	379	(358)	365	400
Recognized deferred income tax liability	(569)	698	-	(1 944)	(1 815)
Net deferred income tax liability	**(555)**	**1 077**	**(358)**	**(1 579)**	**(1 415)**

In millions of Russian Roubles	31 December 2007	(Charged)/ credited to profit or loss	(Charged)/ credited directly to other comprehend-sive income	31 December 2008
Tax effect of deductible/(taxable) temporary differences				
Fair valuation of derivative financial instruments	(731)	(713)	-	(1 444)
Premises and equipment	(457)	(1)	43	(415)
Accruals on other borrowed funds, syndicated loans and subordinated debts	(165)	(25)	-	(190)
Accruals on due to other banks	(30)	(28)	-	(58)
Intangible assets	(34)	(7)	-	(41)
Promissory notes issued	(5)	3	-	(2)
Accruals on loans	168	354	-	522
Provision for loan impairment	347	162	-	509
Fair valuation of securities	88	(200)	376	264
Accrued staff costs	94	24	-	118
Carrying value of sureties issued	-	44	-	44
Other	38	100	-	138
Net deferred income tax liability	**(687)**	**(287)**	**419**	**(555)**
Recognized deferred income tax asset	6	8	-	14
Recognized deferred income tax liability	(693)	(295)	419	(569)
Net deferred income tax liability	**(687)**	**(287)**	**419**	**(555)**

30 Dividends

In millions of Russian Roubles	2009 Ordinary shares	2008 Ordinary shares
Dividends payable at 1 January	**-**	**-**
Dividends declared during the year	149	178
Dividends paid during the year	(149)	(178)
Dividends payable at 31 December	**-**	**-**
Dividends per share declared during the year	**0.0014**	**0.0060**

31 Segment Analysis

(a) Description of geographic areas from which each reportable segment derives its revenue and factors that management used to identify the reportable segments

Operational decision making is the responsibility of the Management Board of the Bank. The Management Board of the Bank reviews internal management reporting in order to assess efficiency and allocate resources.

The Management Board of the Bank performs geographic analysis of the Bank's operations and therefore the Bank's regional branches have been designated as operating segments.

Taking into account the administrative-territorial division of Russia, federal districts of the Russian Federation have been designated as reporting segments.

Based on IFRS 8 requirements Group also discloses those operational segment where revenue, profit or total assets are higher than 10% of related Group's indicators. Head office of the Group presented as separate reporting segment.

As at 31 December 2009 and 31 December 2008 Group defines the following operational segments:

- Head office,
- Central federal district,
- Far Eastern federal district,
- Volga federal district,
- North-west federal district,
- Siberian federal district,
- Ural federal district,
- Krasnodar branch,
- Southern federal district (without Krasnodar branch).

For analysis of revenue by products refer to Notes 25,26.

(b) Measurement of operating segment profit or loss and assets

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data and not adjusted for an intersegment income and expenses. Intersegment income and expenses are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and thus materially differs from policies described in the summary of significant accounting policies in these consolidated financial statements and in the last annual IFRS financial statements of the Group.

31 Segment Analysis (Continued)

(c) Information about reportable segment profit or loss and assets

Segment reporting of the Group's revenue and profit/(loss) for the reporting period ended 2009 and 2008 and segment reporting of the Group's assets at 31 December 2009 and 31 December 2008 is as follows:

In millions of Russian Roubles	Head office	Central federal district	Far Eastern federal district	Volga federal district	North-west federal district	Siberian federal district	Ural federal district	Krasnodar branch	Southern federal district (without Krasnodar branch)	Total
For the year ended 31 December 2009										
Revenue from external customers:	**17 996**	**21 382**	**2 820**	**17 482**	**5 642**	**9 315**	**2 066**	**10 843**	**8 620**	**96 166**
- Income from loans and advances to customers, due from other banks and other placed funds	17 613	20 149	2 609	16 521	5 284	8 812	1 949	10 161	8 193	91 291
- Fee and commission income from credit related operations	383	1 233	211	961	358	503	117	682	427	4 875
Gains less losses / (losses net of gains) arising from securities	2 202	(17)	(2)	(14)	3	10	(1)	1	(1)	2 181
Net interest and commissions from current/correspondent/settlement accounts	(49)	474	95	350	127	231	45	158	596	2 027
Expenses from due to other banks, term deposits and other borrowed funds	(55 754)	(2 502)	(410)	(1 396)	(758)	(752)	(155)	(500)	(685)	(62 912)
Provision charge for impairment	(176)	(3 543)	(787)	(6 065)	(655)	(2 000)	(594)	(1 628)	(2 322)	(17 770)
Administrative and Maintenance expense	(3 594)	(3 527)	(1 029)	(3 096)	(1 146)	(2 408)	(534)	(797)	(2 080)	(18 211)
Intersegment income and expense*	**45 829**	**(11 846)**	**(1 512)**	**(10 468)**	**(3 319)**	**(5 300)**	**(1 281)**	**(6 876)**	**(5 227)**	**-**
Profit/(loss) of reportable segments	**(40 233)**	**12 331**	**694**	**7 302**	**3 259**	**4 445**	**832**	**8 144**	**4 154**	**928**
For the year ended 31 December 2008										
Revenue from external customers:	**13 837**	**12 609**	**1 983**	**12 004**	**3 606**	**6 874**	**872**	**6 906**	**6 046**	**64 737**
- Income from loans and advances to customers, due from other banks and other placed funds	12 623	12 146	1 892	11 560	3 461	6 649	822	6 636	5 868	61 657
- Fee and commission income from credit related operations	1 214	463	91	444	145	225	50	270	178	3 080
Gains less losses / (losses net of gains) arising from securities	(1 452)	8	(1)	-	1	13	-	13	-	(1 418)
Net interest and commissions from current/correspondent/settlement accounts	95	327	69	238	91	174	15	111	604	1 724
Expenses from due to other banks, term deposits and other borrowed funds	(36 357)	(1 351)	(191)	(663)	(375)	(340)	(35)	(225)	(365)	(39 902)
Provision charge for impairment	22	(893)	(495)	(1 048)	(2 286)	(1 295)	(224)	(290)	(2 012)	(8 521)
Administrative and Maintenance expense	(2 869)	(2 759)	(793)	(2 425)	(838)	(2 017)	(243)	(626)	(1 820)	(14 390)
Intersegment income and expense*	**28 375**	**(6 561)**	**(1 073)**	**(6 837)**	**(2 019)**	**(3 933)**	**(516)**	**(4 166)**	**(3 270)**	**-**
Profit/(loss) of reportable segments	**(27 600)**	**8 016**	**568**	**8 065**	**229**	**3 405**	**381**	**5 878**	**2 482**	**1 424**
Total assets										
31 December 2009	1 054 144	232 220	34 169	184 657	81 029	98 221	20 402	108 797	103 486	1 917 125
31 December 2008	861 476	147 156	22 388	134 041	45 166	77 191	13 023	76 225	84 236	1 460 902

***** Intersegment income and expenses are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

31 Segment Analysis (Continued)

The amount of addition/(disposals) in premises and equipment for the reporting period ended 31 December 2009 and 31 December 2008 is as follows:

In millions of Russian Roubles	2009	2008
Additions/(disposals) in office premises and equipment for the reporting period*		
Head office	(24)	(111)
Central federal district	528	781
Far Eastern federal district	136	135
Volga federal district	343	757
North-west federal district	1 282	191
Siberian federal district	371	403
Ural federal district	165	30
Krasnodar branch	113	115
Southern federal district (without Krasnodar branch)	956	360
Total additions/(disposals) in office premises and equipment for the reporting period	**3 870**	**2 661**

* including revaluation

(d) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Reconciliation of profit for reporting segments to the Group's profit for the reporting period ended 31 December 2009 and 31 December 2008 is as follows:

In millions of Russian Roubles	2009	2008
Total profit of reportable segments (after tax)	**928**	**1 424**
Adjustments of provisions for impairment	3 369	(1 027)
Adjustments of deferred tax	1 190	(263)
Carrying value of guaranties issued	182	(182)
Staff cost, paid under RAR out of retained earnings unallocated to segments	-	(498)
Accounting for derivative financial instruments at fair value	(4 386)	3 951
Accounting for securities at fair value	771	(1 103)
Revaluation of premises	(39)	(329)
Accounting for financial assets and liabilities carried at amortised cost	(1 150)	17
Expenses from non-reportable segments*	(535)	62
Other	(79)	1
The Group's profit under IFRS (after tax)	**251**	**2 053**
Assets of reportable segments	**1 917 125**	**1 460 902**
Elimination of settlements between branches	(931 026)	(631 172)
Elimination of back-to-back deposits	(128 134)	(105 353)
Assets of non-reportable segments*	6 795	805
Other	(34 096)	(12 068)
The Group's assets under IFRS	**830 664**	**713 114**

31 Segment Analysis (Continued)

Reconciliation of material items of income or expenses for the years ended 31 December 2009 and 31 December 2008 is as follows:

In millions of Russian Roubles	2009	2008
Total revenue of reportable segments from external customers	**96 166**	**64 737**
Reclassification of income related to back-to-back deposits to income from derivative financial instruments	(7 766)	(10 775)
Reclassification of income non included in segment revenue	9 442	5 026
Interest income related to effective interest rate implication	(1 391)	(973)
Revenue of non-reportable segments*, including the effect of consolidation	(239)	276
Other	178	24
The Group's revenue under IFRS	**96 390**	**58 315**
Total expenses from due to other banks, term deposits and other borrowed funds of reportable segments	**(62 912)**	**(39 902)**
Reclassification of expense related to back-to-back deposits to expense from derivative financial instruments	10 859	15 635
Interest expense related to the securities issued by the Bank	(6 194)	(5 144)
Expense of non-reportable segments*, including the effect of consolidation	84	(44)
Other	94	(65)
The Group's interest expense under IFRS	**(58 069)**	**(29 520)**
Provision charge for impairment	**(17 770)**	**(8 521)**
Accounting for provision under IFRS	3 566	(1 014)
Accounting for provision for litigation	(200)	-
Elimination of provision related to consolidated companies	664	4
The Group's provision for impairment	**(13 740)**	**(9 531)**
Administrative and Maintenance expenses of reportable segments	**(18 211)**	**(14 390)**
Taxes other than income tax and charity expense	(1 012)	(960)
Accrued staff costs	(174)	(168)
Staff costs and charity expenses paid under RAR out of retained earnings unallocated to reportable segments	-	(519)
Expense of non-reportable segments*, including the effect of consolidation	(524)	(230)
Other	(78)	8
The Group's administrative and other operating expenses under IFRS	**(19 999)**	**(16 259)**

* Non-reportable segments are represented by subsidiaries of the Group consolidated.

The CODM reviews financial information prepared based on Russian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- Adjustments of provisions for impairment are related to the difference between the methodology applied to calculate provisions for loan impairment under the RAR used for preparation of management reporting and the methodology used for IFRS reporting. The provision under RAR is calculated based mainly on formal criteria depending on the financial position of the borrower, quality of debt service and collateral, whereas the provision under IFRS requirement is calculated based on incurred loss model.

31 Segment Analysis (Continued)

- Adjustments of derivative financial instruments to their fair value arise from the difference in the accounting treatment of currency swaps under RAR (which are the basis for management reporting) and IFRS reporting. Under RAR gross settled swap transactions are recognized as back-to-back deposits, whereas in IFRS financial statements such transactions are recognized at fair value. Refer to Note 35. Providing reconciliation, accounting for deals described above under RAS assumes also adjustments related to interest income/expense and total assets of reportable segments.
- Adjustments to fair value of securities resulted from application of different valuation techniques and input data.
- Adjustments to financial assets and liabilities carried at amortised cost resulted from accruals of interest income/expenses using effective interest rate method.
- There is no concept of deferred tax accounting in RAR for credit organizations.
- Reclassification of income non included in segment revenue mainly related to interest income from securities.
- Interest income and interest expense under IFRS are accounted using the effective interest rate method.
- Balances of intercompany settlements related to regional branches of the Bank are presented in assets and liabilities, while in IFRS such balances are shown on a net basis.

All other differences also resulted from the differences between RAR (used as the basis for management reporting) and IFRS.

(e) Major Customers

The Group does not have any customer, from which it earns revenue representing 10% of more of the total revenues.

32 Financial Risk Management

The purpose of the Group's risk management policy is to maintain acceptable levels of risks determined by the Group with consideration of its strategic goals. The Group's priority task is to ensure the maximum safety of assets and capital through minimising exposures that can lead to unforeseen losses.

The Bank's Supervisory Board approves the risk management policy and, consequently, is responsible for creating and monitoring the operation of the Bank's risk management system in general. Its competence also covers decisions relating to significant risks.

The Bank's Management Board monitors the functioning of the risk management system, approves documents and procedures for identification, evaluation, determination of acceptable risk level, selection of response actions (acceptance, limitation, reallocation, hedging, avoidance) and monitoring thereof.

Operational risk management is carried out by the Bank's Management Board, its Chairman, special working committees and groups, and also by separate structural divisions and executives on the basis of their competence.

The Department for Risks Evaluation and Monitoring (hereinafter, the DREM) is responsible for risk control and evaluation and performs its functions independently from business units. The DREM is responsible for implementing the principles and methods of identification, evaluation and monitoring of financial risks.

In the environment of the global economic downturn the Bank takes actions aimed at ensuring stable financial operations and meeting its objectives on provision of loans to agriculture producers and other enterprises and entities of the Agro-Industrial Sector.

The Bank's authorized bodies consider the Bank's performance, approve and adjust anti-crisis actions on a regular basis.

32 Financial Risk Management (Continued)

In 2009, the Anti-Crisis Committee continued its work, and the Action Plan for supporting OAO Rosselkhozbank operations was approved in April 2009 and updated in November 2009. Implemented actions, among other things, include: improving the quality and efficiency of use of assets; expanding operations in the stock market; managing financial result, providing resources necessary for the Bank's operations, organising work with non-performing loans, and improving the quality of the Bank's loan portfolio.

In order to ensure stable operation of the Bank in an environment of a developing recession in the finance market, the Bank took the following priority steps.

For its lending activities the Bank developed "Priority Areas of the Credit Policy of OAO Rosselkhozbank for 2009", "Priority Areas of the Credit Policy of OAO Rosselkhozbank for 2010" documents which are an addition to the existing Credit Policy of the Bank for 2008-2012. The Bank's lending regulations were amended in order to improve the credit portfolio quality and mitigate credit risks. These amendments provide, in particular, for inclusion of cooperation with a credit history bureau into the lending business process, also specific actions were taken to ensure appropriate quality of monitoring of loans issued. A vertically-arranged unit for risk assessment and control in the Bank's regional branches was established in order to carry out independent control of the level of risks taken by the branches and additional offices. The role of risk managers in taking lending decisions was enhanced.

The Bank took a set of measures aimed at intensification of actions with regard to non-performing loans. The Bank has an Assets Management Department, whose principal objective is to ensure existence of an efficient strategy of problem asset management and repayment of overdue loans. Certain steps were taken to establish an infrastructure providing for various actions resolving issues in the area of non-performing loans.

The Bank implemented a set of anti-crisis actions to ensure liquidity that included establishing a liquidity provision and maintaining it at a level sufficient not only for current liabilities to the customers and partner banks but also for potential liabilities that might arise in the financially unstable environment. The Head Office tightened its control over target use of the allocated resources in priority areas and over compliance with established limits. The Bank approved and applied additional control measures for liquidity control, which include estimated liquidity indicators. These indicators allowed to timely identify imbalances between the volume of claims and liabilities of the Bank in different time intervals and to promptly identife the necessity of management actions.

To exclude the possibility of losses from transactions in the interbank market the Bank ensured control over the credit risk level of counterparty banks and significantly optimised the limits for transactions with the counterparties. The requirements to the securities portfolio were tightened. In accordance with the resolution of the Anti-Crisis Committee the procedure of monthly stress-testing was established.

The Bank takes numerous actions aimed at increase and optimisation its resource base structure. In 2009 it was significantly diversified.

The actions enabled the Bank to ensure its financial stability in the financial crisis environment, to establish a strategic liquidity provision and to prevent termination of Government projects of Agro-Industrial Sector support.

The risks of ZAO Chelyabcomzembank, a subsidiary, are managed in a similar way.

Credit risk. The Group takes on exposure to credit risk, which is the risk that the Group incurs losses as a result of the default, overdue or partial default of the Group's borrowers.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets, sureties, guaranties issued, loan commitments and other credit related commitments.

32 Financial Risk Management (Continued)

The credit risk approval competencies in 2009 year are determined as follows:

- The Supervisory Board approves decisions on loans or determines credit limits per one borrower or a group of related borrowers with the aggregate credit risk limit in excess of RR 2 000 million till 10 August 2009, in excess of RR 4 000 million after 10 August 2009.
- The Bank's Management Board approves decisions on loans or determines credit limits per one borrower or a group of related borrowers with the aggregate credit risk limit per one borrower or a group of related borrowers totalling up to RR 2 000 million inclusive till 10 August 2009 and up to RR 4 000 million inclusive after 10 August 2009.
- The Credit Committee resolves on providing loans or establishing individual credit risk limits per one borrower or a group of related borrowers within the aggregate credit risk limit in the amount of RR 500 million inclusive.
- Credit committees of regional branches, Credit commissions of additional offices, certain executives of the Bank make credit decisions within the preset limits.
- The Resource Committee adopts decisions on limiting credit risks through setting structural and portfolio limits and also limits for counteragents and securities issuers. The Committee's competence also covers credit limits for the Bank's regional branches.

The Bank's authorised management bodies approve internal regulations that contain formalised descriptions of risk evaluation procedures and processes for provision and servicing of credit products.

The Bank selects credit projects with consideration of the purpose of lending, primary sources of repayment of the loan, borrower's financial position, credit history, state of the economic sector and region, all relationships between the Bank and related persons, availability of sufficient collateral, and loan pricing.

The Bank's authorised bodies set and promptly review credit limits for regional branches and additional offices that are monitored on an ongoing basis.

The Bank monitors portfolio concentration risk through setting credit limits by region, type of loan and certain borrowers. Currently, the maximum level of portfolio concentration in one of the Bank's regional branch is 15% of the Bank's aggregate loan portfolio.

When selecting lending and investment programmes, priority rests with the agricultural sector and related industries, which support and service agricultural producers. The loan portfolio industry concentration risk is mitigated by:

- lending to the entire cycle of agricultural product turnover (production, storage, processing and sales to ultimate consumers);
- lending to borrowers with different specialisation in different regions;
- a combination of several types of production in one entity typical for agricultural producers;
- diversification of investments in effective and reliable projects of other economic sectors;
- limiting one borrower's risk exposure.

The Bank uses different methods of securing execution by borrowers of their contractual obligations in the form of pledge of property or ownerhip rights (with approval of a list of pledged items subject to obligatory insurance by insurers accredited by the Bank), guarantees and warranties from third parties.

Credit risk is monitored at different levels on the basis of the Bank's regulatory documents: at the level of regional branch, additional office and the Head Office of the Bank.

32 Financial Risk Management (Continued)

Market risk. The Group takes on exposure to market risk arising from open positions in (a) currency, (b) interest and (c) equity products, all of which are exposed to general and specific market movements.

Market risks are managed by means of identifying, evaluating, forecasting market prices, currency rates and market interest rates, determining the acceptable level of risk on open positions, setting limits (creating a system of limits enabling to minimise losses in case of unfavourable market changes), developing risk insurance mechanisms.

The Bank's authorized bodies perform qualitative evaluation of market risk by means of expert analysis method.

The responsibility of managing the Bank's market risk rests with the Management Board and the Resource Committee within their competence.

The responsibility for operational managing of market risk, implementing market risk management policies and complying with set limits rests with the heads of structural units that carry out transactions exposed to market risk.

The Bank's exposure to market risks is analysed by the Treasury, the Capital Markets Department and the DREM within their competence.

The Bank has contingency plans in case of unfavourable market fluctuations in the value of trading financial instruments, derivative financial instruments, exchange rates and potential losses associated with changes in interest rates. These actions constitute an integral part of the Bank's risk management system and serve a preventive measure for ensuring the continuity of the Bank's operations and safety of the Bank's capital.

The responsibility for making decisions in case of dramatic market changes is laid on the Chairman of the Bank's Management Board or the Resource Committee depending on specific procedures established for particular types of limits.

Any additional expenses that need to be incurred for covering financial losses are approved by the Bank's Management Board.

The responsibility for reviewing and preparation of reports for the Bank's management, assigning credit ratings by international rating agencies and regulators rests with the Department for Evaluation and Monitoring of Liquidity and Market Risks (hereinafter, the DEMLMR). The DEMLMR is a divison of the DREM.

The DEMLMR's functional duties cover determining the acceptable market risk level, independent of the business unit evaluation, review and control of the actual level of the Bank's market risk exposure, agreeing and monitoring limits, monitoring transactions with financial instruments, evaluating the efficiency of these transactions and comparing with the market risk level.

The Bank's business units (the Capital Markets Department, the Treasury) and the Department of Accounting and Monitoring of Banking Operations are also in charge of current monitoring of positions exposed to market risks in the process of entering into, and accounting for transactions.

The DEMLMR, jointly with business units, creates the regulatory basis for risks evaluation and interaction of the Bank's units in the process of identification and management of market risks, and also summarizes and optimises the system of monitoring market risk.

Market risk is also mitigated by setting limits with consideration of the portfolio's (instrument's) risk and the Bank's business strategy. When setting limits, the Bank considers several factors, such as market environment, financial position, business trends and management experience.

32 Financial Risk Management (Continued)

Limits are regularly reviewed by the Bank's authorised bodies, and the DEMLMR monitors limits and reports information on compliance with the set limits to the Bank's management. The DEMLMR also considers and agrees all limits proposed by business units for carrying out new transactions.

The Bank has a hierarchy of limits: structural limits, positional limits, stop-loss limits, limits on transactions' parameters, etc. The DEMLMR is improving the system of limits on an ongoing basis.

The Bank sets limits on:

- the maximum volume of investments in certain types of assets or liabilities;
- the maximum level of losses and gains in case of changes in financial instruments' prices (stop-loss);
- personal limit (limitation of authorities) on the Bank's staff to adopt independent decisions concerning certain types of transactions;
- the maximum allowed relation between certain ratios on assets and liabilities, including off-balance sheet claims and liabilities (open position limit, limits on other comparative figures);
- various characteristics of financial instruments (discounts, etc.).

The Bank monitors currency position for each currency to comply with CBRF requirements.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease in the event if unexpected movements arise.

The sources of interest rate risk are:

- Mismatching of the level of interest rate changes for floating rate instruments with the same regularity of repricing (basis risk).
- Mismatching of the maturities of assets, liabilities and off-balance sheet claims and liabilities associated with fixed or floating rate instruments (repricing risk).
- Changes in the yield curve on long and short positions relating to financial instruments, which create the risk of loss as a result of excess of potential expenses over income at the close of these positions (risk of yield curve changes).

The main method of interest rate risk measurement is evaluating the gaps between the Group's assets and liabilities that are sensitive to changes in the interest rate level (GAP method).

The tables below are based on management reports on the Bank's interest rate risk at the stated dates, that were prepared in accordance with the Interest Rate Evaluation Methodology approved by the Bank. Interest rate reports are issued on a monthly basis using the information extracted from the accounting system, which is based on the Russian Accounting Rules ("RAR") with the assumption of stability of the structure of the Bank's assets and liabilities.

32 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risk at 31 December 2009 by showing the Group's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates:

In millions of Russian Roubles	**Demand and less than 30 days**	**Due between 31 and 90 days**	**Due between 91 and 180 days**	**Due between 181 days and 1 year**	**Due between 1 and 3 years**	**More than 3 years**	**Total**
Total interest bearing financial assets*	107 776	80 160	130 588	136 170	216 472	214 735	885 901
Total interest bearing financial liabilities*	125 590	160 428	94 717	89 655	105 491	207 247	783 128
Sensitivity gap	**(17 814)**	**(80 268)**	**35 871**	**46 515**	**110 981**	**7 488**	**102 773**
Cummulative sensitivity gap	**(17 814)**	**(98 082)**	**(62 211)**	**(15 696)**	**95 285**	**102 773**	**-**

* Total financial assets and total financial liabilities include positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

Securities included in the table above are presented by maturity (repricing) dates, except for the most highly liquid securities categorised as "Demand and less than 30 days".

As at 31 December 2009, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, net interest income for the year would have been RR 412 million higher/lower.

As at 31 December 2008, if interest rates at that date had been 300 basis points lower/higher with all other variables held constant, net interest income for the year would have been RR 15 million lower/higher.

32 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risk at 31 December 2008 by showing the Group's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates:

In millions of Russian Roubles	**Demand and less than 30 days**	**Due between 31 and 90 days**	**Due between 91 and 180 days**	**Due between 181 days and 1 year**	**Due Between 1 and 3 years**	**More than 3 years**	**Total**
Total interest bearing financial assets*	94 932	89 231	66 652	109 238	205 838	197 309	763 200
Total interest bearing financial liabilities*	17 582	143 343	109 939	98 774	140 555	181 944	692 137
Sensitivity gap	**77 350**	**(54 112)**	**(43 287)**	**10 464**	**65 283**	**15 365**	**71 063**
Cummulative sensitivity gap	**77 350**	**23 238**	**(20 049)**	**(9 585)**	**55 698**	**71 063**	**-**

* Total financial assets and total financial liabilities include positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel. The analysis has been prepared based on year-end interest rates.

	2009				**2008**			
In % p.a.	**RR**	**US Dollars**	**Euros**	**Other**	**RR**	**US Dollars**	**Euros**	**Other**
Assets								
Cash and cash equivalents								
- cash balances with the CBRF and settlement accounts with MICEX, RTS and NCC	0	0	-	-	0	0	-	-
- correspondent accounts and deposits with other banks with a maturity of less than one month	10	0	0	0	19	0	0	0
Mandatory cash balances with the CBRF	0	-	-	-	0	-	-	-
Trading securities	12	-	-	-	12	-	-	-
Other financial instruments at fair value through profit or loss	12	12	-	-	11	10	-	-
Due from other banks*	10	8	-	-	23	7	-	-

32 Financial Risk Management (Continued)

	2009				2008			
In % p.a.	**RR**	**US Dollars**	**Euros**	**Other**	**RR**	**US Dollars**	**Euros**	**Other**
Loans and advances to customers	16	11	10	7	15	10	10	8
Investment securities available for sale	16	8	-	-	12	8	-	-
Investment securities held to maturity	7	7	-	-	8	7	-	-
Liabilities								
Due to other banks	8	8	3	5	12	8	5	5
Customer accounts*	11	7	7	-	11	6	7	-
Promissory notes issued	11	-	5	-	10	-	5	-
Other borrowed funds	11	8	-	5	10	7	-	5
Syndicated loans	-	1	-	-	-	5	6	-
Subordinated debts	8	6	-	-	8	6	-	-

*-disclosed rates on term deposits

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

Currency and Equity Risk Management

Currency and equity risks are assessed on the basis of the VAR method (Value At Risk). This method represents a statistical evaluation of the ratio characterising the maximum amount of possible losses on a portfolio consisting of different financial instruments (or one instrument) with a specified probability and for a certain period of time. Reports on the level of market risk are issued on the basis of the approved Methodology for Currency and Equity Risk Evaluation and provided by the DEMLMR to the Bank's management and heads of interested units in compliance with the internal regulatory documents.

The Bank calculates VaR on the basis of a 95% confidence level and makes evaluations on the basis of retrospective information on closing prices (as the most dynamic and precise in terms of risk evaluation) for 250 days, evaluation period is one day. Therefore, VaR shows the maximum loss that can be received from the open position during one trading day with a 95% probability; however, in 5% of cases losses may exceed this level.

VaR calculation is based on the data extracted from RAR accounting system and is shown in management reports in two forms: relative (in percentage terms) and absolute (in Roubles). Relative VaR shows the maximum possible loss as per RR 1 of investments, and absolute VaR – losses on the current open position during the period of evaluation.

Together with VAR, the Bank calculates ES indicator (Expected Shortfall), which represents monetary value of expected losses in case of excess VAR.

VaR is calculated by two different parametric methods and one historical method and, subsequently, the most adequate evaluation is chosen on the basis of analysing the changes in a financial instrument (group of instruments).

The methods used by the Bank are back-tested on a monthly basis.

32 Financial Risk Management (Continued)

Although VaR is a valuable tool for measuring market risk exposures, it has a number of limitations, especially in less liquid markets:

- The use of historic data as a basis for determining future events may not encompass all possible scenarios, particularly those which are of an extreme nature;
- A one day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situation in which there is a severe market illiquidity for a prolonged period;
- The use of 95% confidence level does not take into account losses that may occur beyond this level. There is a 5% probability that the loss could exceed the VaR;
- VaR is calculated only on the end-of-day basis and does not necessarily reflect exposures that may arise on positions during the trading day.

Currency risk.

In September 2008 the Group approved the new currency risk assessment methodology that now includes volatility estimation by Generalized Autoregressive Conditional Heteroscedasticity (GARCH) method, which is more relevant to the periods of high financial market volatility and ES indicator (Expected Shortfall).

The below table shows possible changes in financial results and equity during one day as a result of possible fluctuations in exchange rates, evaluated on the basis of VaR and Expected ShortFall methods.

In millions of Russian Roubles		**2009**	**2008**
At period end	(Short)/long position	(1 249)	1 539
	VAR	16	12
	Expected ShortFall	26	17

Equity risk taken by the Group is assessed as insignificant due to limited volumes of transactions.

In September 2008 the Group approved the new equity risk assessment methodology that now includes volatility estimation by GARCH method, which is more relevant to the periods of high financial market volatility and ES indicator (Expected Shortfall).

The below table shows possible changes in financial results and equity during one day as a result of possible fluctuations in stock quotations, evaluated on the basis of VaR and Expected ShortFall methods.

The table below shows absolute risk value, whereby positions, balanced by cross obligations (no such obligations as at 31 December 2009), and also equity securities available for sale positions (as long-range investments) are not taken for the calculation of market risk.

In millions of Russian Roubles		**2009**	**2008**
At period end	Long position	-	5
	VAR	-	-
	Expected ShortFall	-	1

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32 Financial Risk Management (Continued)

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

In millions of Russian Roubles	Russia	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	47 422	47 534	2	94 958
Mandatory cash balances with the CBRF	2 974	-	-	2 974
Trading securities	18 022	-	-	18 022
Repurchase receivable	3 467	-	-	3 467
Other financial instruments at fair value through profit or loss	-	4 070	-	4 070
Derivative financial instruments	-	28 289	-	28 289
Due from other banks	6 069	24 380	7 343	37 792
Loans and advances to customers	584 407	-	-	584 407
Investment securities available for sale	7 800	-	-	7 800
Investment securities held to maturity	7 732	-	-	7 732
Deferred income tax asset	400	-	-	400
Goodwill	298	-	-	298
Intangible assets	1 023	-	-	1 023
Premises and equipment	27 446	-	-	27 446
Current income tax prepayment	229	-	-	229
Other assets	11 269	1	487	11 757
Total assets	**718 558**	**104 274**	**7 832**	**830 664**
Liabilities				
Derivative financial instruments	37	130	-	167
Due to other banks	104 371	87 320	319	192 010
Customer accounts	230 303	-	-	230 303
Promissory notes issued	12 567	-	-	12 567
Other borrowed funds	57 643	158 841	-	216 484
Syndicated loans	-	7 570	-	7 570
Deferred income tax liability	1 815	-	-	1 815
Other liabilities	7 841	1	-	7 842
Subordinated debts	25 000	21 370	-	46 370
Total liabilities	**439 577**	**275 232**	**319**	**715 128**
Net position in on-balance sheet positon	**278 981**	**(170 958)**	**7 513**	**115 536**
Credit related commitments	**36 927**	**-**	**-**	**36 927**

*OECD – Organisation for Economic Cooperation and Development.

Assets, liabilities and credit related commitments have been classified according to the country in which the counterparty is located.Cash on hand and premises and equipment have been classified according to the country in which they are physically held.

32 Financial Risk Management (Continued)

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

In millions of Russian Roubles	**Russia**	**OECD***	**Other countries**	**Total**
Assets				
Cash and cash equivalents	42 005	41 172	-	83 177
Mandatory cash balances with the CBRF	963	-	-	963
Trading securities	17 668	-	-	17 668
Other financial instruments at fair value through profit or loss	-	4 439	-	4 439
Derivative financial instruments	-	30 777	-	30 777
Due from other banks	32 503	61 317	3 060	96 880
Loans and advances to customers	452 301	-	-	452 301
Investment securities available for sale	4 793	-	-	4 793
Investment securities held to maturity	10 207	-	-	10 207
Deferred income tax asset	14	-	-	14
Intangible assets	741	-	-	741
Premises and equipment	8 932	-	-	8 932
Current income tax prepayment	177	-	-	177
Other assets	2 045	-	-	2 045
Total assets	**572 349**	**137 705**	**3 060**	**713 114**
Liabilities				
Derivative financial instruments	242	4 011	-	4 253
Due to other banks	132 204	110 557	341	243 102
Customer accounts	152 615	1 880	-	154 495
Promissory notes issued	9 845	-	-	9 845
Other borrowed funds	43 675	132 239	-	175 914
Syndicated loans	-	10 532	-	10 532
Deferred income tax liability	569	-	-	569
Other liabilities	1 105	1	-	1 106
Subordinated debts	25 000	20 540	-	45 540
Total liabilities	**365 255**	**279 760**	**341**	**645 356**
Net position in on-balance sheet positon	**207 094**	**(142 055)**	**2 719**	**67 758**
Credit related commitments	**27 224**	**-**	**-**	**27 224**

*OECD – Organisation for Economic Cooperation and Development.

***Liquidity risk*.** Liquidity risk is defined as the risk of the Group's inability to meet its obligations on a timely and full basis. The Group is exposed to daily calls on its available cash resources from customer accounts, demand deposits, maturing interbank loans (deposits), term deposits and issued securities, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Bank manages liquidity risk on the basis of the following principles:

- segregation of duties between the Bank's management bodies, its collegial working bodies, structural units and executives;
- setting limits ensuring an optimal liquidity level and corresponding to the Bank's financial position;
- priority of maintaining liquidity over profit maximisation;
- excluding conflicts of interest in organising the liquidity management system;
- optimal matching of the volumes and maturities of funding sources with the volumes and maturities of placed assets.

32 Financial Risk Management (Continued)

The responsibility for liquidity management rests with the Bank's Management Board, Resource Committee and the Treasury. The responsibility for maintaining an optimal level of current (short-term) liquidity rests with the Treasury of the Bank's Head Office within the set limits of attraction/placement of funds in the money market. In case of necessity to attract/place funds in the volumes exceeding the set limits, such decisions are made by the Bank's Management Board (Resource Committee). Medium-term and long-term liquidity management is carried out with consideration of information and proposals provided by the Risk Evaluation and Management Department at each end of reporting period.

The Bank manages liquidity risk using the following basic methods:

- evaluating the daily payment position on the basis of cash flow analysis;
- reviewing the actual values and changes in mandatory liquidity ratios;
- evaluating structure and quality of assets and liabilities;
- setting limits on asset-side transactions by types of investments;
- analysing maturity gaps of the Group on the basis of the most likely claim/repayment dates by main currencies;
- analysing the Group's exposure to liquidity risk with consideration of stress factors's impact on various scenarios covering standard and more unfavourable market conditions.

Information on financial assets and liabilities (their structure and gaps within certain time intervals) is used in management decisions on the Bank's liquidity maintenance at an adequate level. Treasury is responsible to maintain short-term assets portfolio of liquid trading securities, deposits with banks and other interbank instruments.

The Bank maintains a stable financing base consisting mainly of funds that were attracted through placing of bonds in roubles and currencies, increasing the volume of deposits (including interbank deposits), issuing promissory notes and also current resources of the Group as a result of an increase in customer current accounts.

The Bank develops and promptly reviews a contingency plan for maintaining the necessary liquidity level with consideration of any changes in the Bank's financial position and volume and nature of its transactions. In case of a liquidity crisis and additional expenses to be incurred in this respect, as well as for coverage of incurred or potential financial losses all decision-making responsibilities are transferred to the Management Board and Resource Committee.

Compliance with liquidity requirements set by the Bank of Russia is forecasted on a daily basis for the Bank in general with consideration of the branch network. The Bank sets and daily monitors individual liquidity sublimits for its regional branches.

For the purpose of additional management of the Bank's term liquidity in general, the Group uses estimated liquidity ratios, the level of which is supervised by the Risk Evaluation and Monitoring Department as part of ongoing monitoring.

The table below shows distribution of financial liabilities at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities and off-balance sheet credit related committments. Such undiscounted cash flows differ from the amount included in the statement of financial position, since the amount in statement of financial position is based on discounted cash flows. Net settled derivative financial instruments are included at the net amounts expected to be paid. In respect of gross settled derivative financial instruments, payments are presented for related cash inflows and outflows separately.

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

Overdue liabilities, including term deposits undrawn by the Bank's customers are categorised as demand and less than 30 days.

32 Financial Risk Management (Continued)

The maturity analysis of undiscounted financial liabilities at 31 December 2009 is as follows:

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 180 days	Due between 181 days and 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities						
Gross settled derivative financial instruments						
- inflow	(1 114)	(87 967)	(3 797)	(47 515)	(110 071)	(250 464)
- outflow	1 391	85 313	4 955	46 457	102 743	240 859
Net settled derivative financial instruments (liabilities)	37	-	-	-	-	37
Due to other banks	33 076	70 762	29 975	21 200	60 689	215 702
Customer accounts	94 714	80 392	49 260	13 339	614	238 319
Promissory notes issued	214	995	11 146	1 183	472	14 010
Other borrowed funds	756	34 221	23 257	66 366	161 007	285 607
Syndicated loans	-	7 597	-	-	-	7 597
Subordinated debts	-	1 090	2 104	26 437	38 956	68 587
Other financial liabilities	728	1 889	2 432	258	190	5 497
Off-balance sheet financial liabilities						
Sureties issued	35 059	-	-	-	-	35 059
Guarantees issued	68	133	-	21	25	247
Letters of credit	19	40	166	509	-	734
Other credit related commitments	23 313	-	-	-	-	23 313
Total potential future payments for financial obligations	**188 261**	**194 465**	**119 498**	**128 255**	**254 625**	**885 104**

The maturity analysis of undiscounted financial liabilities at 31 December 2008 is as follows:

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 180 days	Due between 181 days and 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities						
Gross settled derivative financial instruments						
- inflow	(4 193)	(14 543)	(5 896)	(122 293)	(113 551)	(260 476)
- outflow	3 468	14 784	6 173	135 592	140 873	300 890
Net settled derivative financial instruments (liabilities)	241	-	-	-	-	241
Due to other banks	3 823	147 218	16 041	22 456	86 629	276 167
Customer accounts	50 546	45 604	56 568	8 984	431	162 133
Promissory notes issued	3 200	1 451	5 489	14	58	10 212
Other borrowed funds	978	16 147	12 063	67 906	142 569	239 663
Syndicated loans	49	202	3 339	7 506	-	11 096
Subordinated debts	-	1 114	3 154	20 152	47 461	71 881
Other financial liabilities	2	-	-	-	-	2
Off-balance sheet financial liabilities						
Sureties issued	21 042	-	-	-	-	21 042
Guarantees issued	-	20	13	-	21	54
Letters of credit	43	1 423	651	8	2	2 127
Other credit related commitments	19 812	-	-	-	-	19 812
Total potential future payments for financial obligations	**99 011**	**213 420**	**97 595**	**140 325**	**304 493**	**854 844**

32 Financial Risk Management (Continued)

The future minimum lease payments under non-cancellable operating lease commitments where the Group is a lessee is disclosed in Note 34.

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

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities.

The tables presented below are based on the management reports on the Bank's liquidity risk at the stated dates that were issued in accordance with the Net liquidity Gap Methodology approved by the Bank. These reports are prepared using the information extracted from the accounting system, which is based on the Russian Accounting Rules (RAR).

The table below summarizes analysis of liquidity risk at 31 December 2009:

In millions of Russian Roubles	**Demand and less than 30 days**	**Due between 31 and 90 days**	**Due between 91 and 180 days**	**Due between 181 and 1 year**	**From 1 to 3 years**	**More than 3 years**	**Overdue**	**Total**
Total financial assets*	142 639	72 699	136 582	136 989	226 337	222 204	20 882	958 332
Total financial liabilities*	132 041	143 681	90 059	95 385	114 886	260 471	-	836 523
Net liquidity gap	**10 598**	**(70 982)**	**46 523**	**41 604**	**111 451**	**(38 267)**	**20 882**	**121 809**
Cumulative liquidity gap	**10 598**	**(60 384)**	**(13 861)**	**27 743**	**139 194**	**100 927**	**121 809**	**-**

* Total financial assets and total financial liabilities include gross positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

The table below summarize analysis of liquidity risk at 31 December 2008:

In millions of Russian Roubles	**Demand and less than 30 days**	**Due between 31 and 90 days**	**Due between 91 and 180 days**	**Due between 181 and 1 year**	**From 1 to 3 years**	**More than 3 years**	**Overdue**	**Total**
Total financial assets*	132 474	81 144	67 310	109 719	205 843	207 995	8 626	813 111
Total financial liabilities*	59 988	107 652	100 920	88 203	154 598	233 138	-	744 499
Net liquidity gap	**72 486**	**(26 508)**	**(33 610)**	**21 516**	**51 245**	**(25 143)**	**8 626**	**68 612**
Cumulative liquidity gap	**72 486**	**45 978**	**12 368**	**33 884**	**85 129**	**59 986**	**68 612**	**-**

* Total financial assets and total financial liabilities include gross positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

32 Financial Risk Management (Continued)

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

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

33 Management of Capital

The Group's objectives when managing capital are

i. to comply with the capital requirements set by the Central Bank of the Russian Federation,

ii. to ensure the Group's ability to continue as a going concern and

iii. to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 8% in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I.

Compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is monitored by the Group's management on a monthly basis.

Under the current capital requirements set by the Central Bank of the Russian Federation banks have to maintain a ratio of capital and assets weighted to risk ("statutory capital ratio") above a prescribed minimum level. Regulatory capital is based on the Group's report prepared under Russian accounting standards and comprises:

In millions of Russian Roubles	**2009**	**2008**
Net assets under Russian legislation	111 126	63 928
Revaluation reserve	1 543	1 841
Subordinated debts	46 171	45 566
Other	(2 018)	(223)
Total regulatory capital	**156 822**	**111 112**

The Group is also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with Basel I.

The composition of the Group's capital calculated in accordance with Basel Accord is as follows:

In millions of Russian Roubles	**2009**	**2008**
Share capital	106 973	61 973
Retained earnings	6 572	6 337
Goodwill	(298)	-
Total tier 1 capital	113 247	68 310
Revaluation reserves	848	(552)
Subordinated debts	46 370	34 155
Total tier 2 capital	47 218	33 603
Total capital	**160 465**	**101 913**

Management of the Group is of the opinion that the Group complied with all the external capital adequacy requirements imposed by the Bank of Russia and loan covenants.

34 Contingencies and Commitments

Legal proceedings. From time to time in the normal course of business, claims against the Group are received by court in justice. At 31 December the Group was engaged in the litigation in relation to restitution of an assignment agreement with a borrower. A provision of RR 200 million (2008: nil) was created by the management for this litigation. The management expects that this provision will be used by the end of 2010 after finalisation of all required legal procedures.

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

The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This includes them following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, 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 authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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

Controllable transactions include transactions with related parties (according to the definition given in the Russian Tax Code), all international transactions (irrespective whether performed between related or unrelated parties), transactions where the price per taxpayer differs by more than 20% from the similar transaction's price of the same taxpayer within a short period of time, and barter transactions. There is no formal guidance how to apply these rules in practice. The past years' arbitration court practice with this respect has been contradictory.

The Management of the Group believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Therefore, as at 31 December 2009 the Management has not created any provision for potential tax liabilities (2008: nil).

Capital expenditure commitments. At 31 December 2009, the Group had contractual capital expenditure commitments of RR 175 million (2008: RR 445 million).

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

In millions of Russian Roubles	**2009**	**2008**
Not later than 1 year	1 531	1 220
Later than 1 year and not later than 5 years	3 591	2 963
Later than 5 years	2 713	2 420
Total operating lease commitments	**7 835**	**6 603**

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including an increase of the borrowing costs and announcement of the default. The Group's Management believes that the Group is in compliance with the covenants.

34 Contingencies and Commitments (Continued)

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, sureties and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

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

Outstanding credit related commitments are as follows:

In millions of Russian Roubles	**2009**	**2008**
Sureties issued	35 059	21 042
Undrawn credit lines	887	4 001
Letters of credit	734	2 127
Guarantees issued	247	54
Total credit related commitments	**36 927**	**27 224**

Sureties issued represent financial guaranties for loans from the Central Bank of the Russian Federation, received by two large Russian banks. The fair value of sureties issued was negligible at 31 December 2009 (2008: RR 220 million).

The total outstanding contractual amount of sureties issued, undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

As at 31 December 2009 undrawn credit lines shown in the table above do not include cancellable commitments of RR 22 426 million (2008: RR 15 812 million), which are dependent on borrowers' compliance with certain creditworthiness criteria.

In 2009 no provision for losses on credit related commitments was created (2008: nil).

Credit related commitments are denominated in currencies as follows:

In millions of Russian Roubles	**2009**	**2008**
Russian Roubles	36 189	25 081
Euros	605	1 650
US Dollars	60	463
Other currencies	73	30
Total	**36 927**	**27 224**

Fiduciary assets. These assets are not included in the consolidated statement of financial position as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities.

34 Contingencies and Commitments (Continued)

The fiduciary assets fall into the following categories:

In millions of Russian Roubles	2009	2008
Corporate bonds held with the National Depository Centre	2 677	-
Promissory notes issued by the Bank	599	531
Promissory notes and securities of Russian companies held with the Bank	220	145
Municipal bonds held with the National Depository Centre	132	62
Shares and bonds of companies held with other depositories	41	-
Corporate shares held with the National Depository Centre	1	1

Assets pledged and restricted. The Group had assets pledged as follows:

In millions of Russian Roubles	Note	2009	2008
Under secured loans from the CBRF			
- loans to customers		48 125	-
- trading securities		5 760	-
- securities available for sale		1 628	-
- securities held to maturity		5 016	-
Under repo agreements			
- corporate securities	8	3 410	-
- municipal bonds	8	57	-

As at 31 December 2009 mandatory cash balances with the CBRF of RR 2 974 million (2008: RR 963 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 31 December 2009 the Bank's subsidiaries had pledged under the loan agreements with other banks production premises and equipment for the total amount of RR 428 million (2008: nil).

35 Derivative Financial Instruments

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

The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. Liquidity risk on derivative financial instruments is managed by the Group's Treasury and the Capital Markets Department within powers of departments. Management of derivative financial instrument portfolio risks is carried out by authorized Group's bodies through establishing limits.

Foreign exchange swaps with settlement dates of more than 30 days are structured as loans issued in US Dollars, Euros, Swiss Francs and Japanese yen to four OECD banks with maturities from March 2010 to May 2023 and deposits in Russian Roubles received from the same four banks with the same maturities ("back to back loans"). These transactions were aimed at economically hedging the currency exposure of the Group.

International credit rankings of these banks were not less than BB- as at 31 December 2009 (2008: not less than BB-).

Most of these agreements contain special procedures for counterparties upon the occurrence of a credit event or an event of default (including bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring of any Bank's obligation on its debts, falling of ratings, providing incorrect or misleading representation). The subjects of such events are the Group, in some instances, the counterparty of the agreement, and/or the Russian Federation. No further mutual payment obligation between the parties is due, if a credit event or default event happens and the Group receives a formal Event Notice from its counterparty. Other of these swap agreements, in the case of a default event, will be terminated with a mark-to-market payment.

35 Derivative Financial Instruments (Continued)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions at 31 December 2009 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	Contracts with positive fair value	Contracts with negative fair value	Total
Foreign exchange swaps with settlement dates of more than 30 days: fair values at the end of the reporting period, of			
USD receivable on settlement (+)	163 198	-	163 198
USD payable on settlement (-)	(30 011)	-	(30 011)
RR receivable on settlement (+)	25 130	-	25 130
RR payable on settlement (-)	(133 987)	-	(133 987)
Euros receivable on settlement (+)	-	3 317	3 317
RR payable on settlement (-)	-	(3 429)	(3 429)
CHF receivable on settlement (+)	16 098	-	16 098
RR payable on settlement (-)	(12 209)	-	(12 209)
JPY receivable on settlement (+)	1 761	1 806	3 567
RR payable on settlement (-)	(1 694)	(1 824)	(3 518)
Foreign exchange forwards with settlement dates from 2 to 30 days: fair values at the end of the reporting period, of			
RR receivable on settlement (+)	2 780	3 586	6 366
USD payable on settlement (-)	(2 777)	(3 622)	(6 399)
USD receivable on settlement (+)	-	272	272
RR payable on settlement (-)	-	(273)	(273)
Term contracts on sale of securities: fair value at the end of the reporting period			
RR receivable on settlement (+)	-	187	187
Short position (-)	-	(187)	(187)
Total net fair value	**28 289**	**(167)**	**28 122**

35 Derivative Financial Instruments (Continued)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions at 31 December 2008 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	Contracts with positive fair value	Contracts with negative fair value	Total
Foreign exchange swaps with settlement dates of more than 30 days: fair values at the end of the reporting period, of			
USD receivable on settlement (+)	88 069	32 160	120 229
USD payable on settlement (-)	-	(43 696)	(43 696)
RR receivable on settlement (+)	-	30 406	30 406
RR payable on settlement (-)	(62 730)	(22 268)	(84 998)
Euros receivable on settlement (+)	3 194	-	3 194
RR payable on settlement (-)	(2 277)	-	(2 277)
CHF receivable on settlement (+)	12 689	-	12 689
RR payable on settlement (-)	(8 168)	-	(8 168)
JPY receivable on settlement (+)	-	1 201	1 201
RR payable on settlement (-)	-	(1 815)	(1 815)
Foreign exchange forwards with settlement dates from 2 to 30 days: fair values at the end of the reporting period, of			
RR receivable on settlement (+)	-	19 317	19 317
USD payable on settlement (-)	-	(19 558)	(19 558)
Total net fair value	**30 777**	**(4 253)**	**26 524**

As at 31 December 2009 receivables and payables on settlement of foreign exchange swaps included the balances with one foreign bank in the amount of RR 84 345 million and RR 68 156 million, respectively, or 40% of total receivables or 37% of total payables on settlement of foreign exchange swaps (2008: RR 87 644 million and RR 73 945 million, respectively, or 52% of total receivables or payables on settlement on foreign exchange swaps).

36 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The best evidence of the fair value is the quotation of the financial instrument in an active market.

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

Financial instruments carried at fair value. Trading securities, securities available for sale, securities categorised as “repurchase receivable” are carried on the consolidated statement of financial position at their fair value based on quoted market prices.

Other financial instruments at fair value through profit or loss and derivative financial instruments including embedded derivatives are carried on the consolidated statement of financial position at their fair value based on valuation technique with inputs observable in markets.

C*ash and cash equivalents* are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate bearing placements is based on discounted cash flows using current market interest rates for instruments with similar credit risk and similar maturity.

Held to maturity securities carried at amortised cost. The fair value for held to maturity securities is based on market prices/dealer price quotations. Where this information is not available, fair value is based on valuation technique with inputs observable in markets.

Liabilities carried at amortised cost. The fair value of other borrowed funds is based on market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and similar remaining maturity.

36 Fair Value of Financial Instruments (Continued)

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty. The analysis of these rates (in % p.a.) is as follows:

	2009	**2008**
Due from other banks		
Short-term placements with other banks with original maturity more than one month	7%-15%	7%-42%
Loans and advances to customers		
Corporate loans	9%-21%	9%-20%
Loans to individuals	8%-25%	10%-24%
Securities held to maturity	3%-13%	6%-25%
Due to other banks	1%-11%	2%-24%
Customer accounts		
- Term deposits of legal entities	2%-15%	2%-13%
- Term deposits of individuals	2%-13%	3%-13%
Promissory notes issued	2%-15%	5%-12%
Syndicated loans	1%	5%-6%
Subordinated debts	2-8%	4%-8%

36 Fair Value of Financial Instruments (Continued)

(a) Fair value of financial instruments not measured at fair value and

(b) Financial instruments measured at fair value

In millions of Russian Roubles	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value
FINANCIAL ASSETS CARRIED AT AMORTISED COST				
Cash and cash equivalents				
- cash on hand	12 373	12 373	5 504	5 504
- cash balances with the CBRF (other than mandatory reserve deposits)	17 691	17 691	27 841	27 841
- correspondent accounts and placements with other banks with original maturities of less than one month	64 894	64 894	49 832	49 832
Mandatory cash balances with the CBRF	2 974	2 974	963	963
Due from other banks	37 792	37 792	96 880	96 880
Loans and advances to customers				
- Loans to corporates	475 129	466 428	383 298	375 944
- Lending for food interventions	42 666	42 666	10 442	10 442
- Reverse repo agreements	894	894	622	622
- Investments in agricultural cooperatives	694	694	682	682
- Loans to individuals	65 024	64 271	57 257	56 041
Investment securities held to maturity	7 732	7 283	10 207	8 644
Other financial assets	4 168	4 168	145	145
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**732 031**	**722 128**	**643 673**	**633 540**
FINANCIAL ASSETS CARRIED AT FAIR VALUE	**61 648**	**61 648**	**57 677**	**57 677**
TOTAL FINANCIAL ASSETS	**793 679**	**783 776**	**701 350**	**691 217**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST				
Due to other banks				
- Term borrowings from other banks	121 800	121 800	137 256	137 256
- Term borrowings from the CBRF	70 126	70 126	105 827	105 827
- Correspondent accounts and overnight placements of other banks	84	84	19	19
Customer accounts				
- State and public organisations	57 818	57 818	34 946	34 946
- Other legal entities	91 138	91 138	69 153	69 153
- Individuals	81 347	81 676	50 396	50 396
Promissory notes issued	12 567	12 567	9 845	9 845
Other borrowed funds				
- Eurobonds issued	158 841	169 636	132 239	92 281
- Bonds issued on domestic market	57 643	58 769	43 675	43 141
Syndicated loans	7 570	7 570	10 532	10 532
Other financial liabilities	5 486	5 486	221	221
Subordinated debts	46 370	46 310	45 540	39 456
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**710 790**	**722 980**	**639 649**	**593 073**
FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	**167**	**167**	**4 253**	**4 253**
TOTAL FINANCIAL LIABILITIES	**710 957**	**723 147**	**643 902**	**597 326**

36 Fair Value of Financial Instruments (Continued)

(c) Analysis by fair value hierarchy of financial instruments carried at fair value

Analysis of financial instruments at fair value at 31 December 2009 is as follows:

In million of Russian Roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Total**
Financial assets			
Trading securities	18 022	-	18 022
Repurchase receivable	3 467	-	3 467
Other financial instruments at fair value through profit or loss	-	4 070	4 070
Investment securities available for sale	7 800	-	7 800
Derivative financial instruments assets	-	28 289	28 289
Financial liabilities			
Derivative financial instruments liabilities	-	(167)	(167)

Analysis of financial instruments at fair value at 31 December 2008 is as follows:

In million of Russian Roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Total**
Financial assets			
Trading securities	17 668	-	17 668
Other financial instruments at fair value through profit or loss	-	4 439	4 439
Investment securities available for sale	4 793	-	4 793
Derivative financial instruments assets	-	30 777	30 777
Financial liabilities			
Derivative financial instruments liabilities	-	(4 253)	(4 253)

There were no financial instruments carried at fair value based on a valuation technique with non-observable inputs (Level 3) at 31 December 2009 (2008: nil).

37 Presentation of Financial Instruments by Measurement Category

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

In millions of Russian Roubles	Loans and receivables	Available for sale assets	Trading assets	Financial assets designated at fair value through profit or loss	Held-to-maturity assets	Total
FINANCIAL ASSETS						
Cash and cash equivalents						
- cash on hand	12 373	-	-	-	-	12 373
- cash balances with the CBRF (other than mandatory reserve deposits)	17 691	-	-	-	-	17 691
- correspondent accounts and placements with other banks with original maturities of less than one month	64 894	-	-	-	-	64 894
Mandatory cash balances with the CBRF	2 974	-	-	-	-	2 974
Trading securities						
- Debt securities	-	-	18 022	-	-	18 022
Repurchase receivable	-	-	3 467	-	-	3 467
Other financial instruments at fair value through profit or loss	-	-	-	4 070	-	4 070
Derivative financial instruments	-	-	28 289	-	-	28 289
Due from other banks	37 792	-	-	-	-	37 792
Loans and advances to customers						
- Loans to corporates	475 129	-	-	-	-	475 129
- Lending for food interventions	42 666	-	-	-	-	42 666
- Reverse repo agreements	894	-	-	-		894
- Investments in agricultural cooperatives	694	-	-	-	-	694
- Loans to individuals	65 024	-	-	-	-	65 024
Investment securities available for sale	-	7 800	-	-	-	7 800
Investment securities held to maturity	-	-	-	-	7 732	7 732
Other financial assets	4 168	-	-	-	-	4 168
TOTAL FINANCIAL ASSETS	**724 299**	**7 800**	**49 778**	**4 070**	**7 732**	**793 679**
Non-financial assets						**36 985**
TOTAL ASSETS	**724 299**	**7 800**	**49 778**	**4 070**	**7 732**	**830 664**

37 Presentation of Financial Instruments by Measurement Category (Continued)

The table below provides a reconciliation of classes of financial assets with measurement categories mentioned above as at 31 December 2008.

In millions of Russian Roubles	Loans and receivables	Available for sale assets	Trading assets	Financial assets designated at fair value through profit or loss	Held-to-maturity assets	Total
FINANCIAL ASSETS						
Cash and cash equivalents						
- cash on hand	5 504	-	-	-	-	5 504
- cash balances with the CBRF (other than mandatory reserve deposits)	27 841	-	-	-	-	27 841
- correspondent accounts and placements with other banks with original maturities of less than one month	49 832	-	-	-	-	49 832
Mandatory cash balances with the CBRF	963	-	-	-	-	963
Trading securities						
- Debt securities	-	-	17 668	-	-	17 668
Other financial instruments at fair value through profit or loss	-	-	-	4 439	-	4 439
Derivative financial instruments	-	-	30 777	-	-	30 777
Due from other banks	96 880	-	-	-	-	96 880
Loans and advances to customers						
- Loans to corporates	383 298	-	-	-	-	383 298
- Lending for food interventions	10 442	-	-	-	-	10 442
- Reverse repo agreements	622	-	-	-	-	622
- Investments in agricultural cooperatives	682	-	-	-	-	682
- Loans to individuals	57 257	-	-	-	-	57 257
Investment securities available for sale	-	4 793	-	-	-	4 793
Investment securities held to maturity	-	-	-	-	10 207	10 207
Other financial assets	145	-	-	-	-	145
TOTAL FINANCIAL ASSETS	**633 466**	**4 793**	**48 445**	**4 439**	**10 207**	**701 350**
Non-financial assets						**11 764**
TOTAL ASSETS	**633 466**	**4 793**	**48 445**	**4 439**	**10 207**	**713 114**

All of the Group's financial liabilities except for derivative financial instruments are carried at amortised cost. Derivative financial instruments are classified as held for trading.

38 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property (Refer to Note1).

38 Related Party Transactions (Continued)

The Group has used the exemption allowed by IAS 24 (Revised) from the disclosures required in relation to related parties transactions and outstanding balance with government controlled entities.

In these consolidated financial statements the most significant transactions with related parties controlled by the Russian state are disclosed.

The Group has the following collectively insignificant transactions with related parties:

- interest income on cash equivalents, trading securities, investment securities available for sale, investment securities held to maturity, due from other banks;
- interest expense on due to other banks;
- results from operation with trading securities and available for sale;
- other.

As the result of application of IAS 24, the Group has disclosed as comparatives only individually significant transactions and balances, including commitments.

In millions of Russian Roubles	**2009**	**2008 Restated**	**2008 as originally presented**
Loans and advances to customers			
State-controlled companies (contractual interest rate: 7%-12% p.a. (2008: 7%-9% p.a.))	44 794	22 184	30 146
Key management and their family members (contractual interest rate: 5%-22% p.a. (2008: 5%-8% p.a.))	32	34	34
Provision for loan impairment at the year end			
State-controlled companies	(9)	(27)	(266)
Term deposits and current/settlement accounts			
State-controlled companies (contractual interest rate for term deposits 7%-16% p.a. (2008: 11%-13% p.a.)	64 438	44 302	51 123
Key management and their family members (contractual interest rate for term deposits: 2%-13% p.a. (2008: 4%-13% p.a.)	532	312	312
Subordinated debts (contractual interest rate 8% p.a.)	25 000	25 000	25 000
Off-balance sheet			
Sureties with state-controlled banks	35 059	-	-

38 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

In millions of Russian Roubles	2009	2008 Restated	2008 as originally presented
Interest income on loans and advances to customers			
State-controlled companies	3 907	133	1 136
Key management and their family members	2	1	1
Interest expense on customer accounts			
State-controlled companies	(11 814)	(1 674)	(1 725)
Key management and their family members	(47)	(27)	(27)
Interest expense on subordinated debts			
State-controlled companies	(2 000)	(377)	(377)

In 2009, the total remuneration of the members of the Management Board was RR 155 million (2008: RR 196 million).

	2009		2008	
In millions of Russian Roubles	Remuneration paid	Accrued liability	Remuneration paid	Accrued liability
Short-term benefits:				
Salary, social security costs and short-term bonuses included in salary	132	13	174	14
Post-employment benefits:				
- Defined contribution retirement scheme	9	-	7	-
- State pension and social costs	1	-	1	-
Total	**142**	**13**	**182**	**14**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

39 Principal Consolidated Subsidiaries and a Special Purpose Entity

As at 31 December 2009, the Bank's principal consolidated subsidiaries were as follows:

Name	Nature of business	Effective percentage of ownership	Country of registration
Subsidiaries			
Closed Joint-Stock Company Chelyabinsky Commercial Land Bank	Bank	99.47%	Russia
Limited Liability Company TD Agrotorg	Trading	99.00%	Russia
Limited Liability Company TD Agrotorg Tulsky	Trading	99.00%	Russia
Open Joint-Stock Company Rassvet	Animal agriculture	99.03%	Russia
Open Joint-Stock Company Luzhskiy kombikormoviy zavod	Compound animal feedstuff	87.53%	Russia
Open Joint-Stock Company Luzhskiy myasokombinat	Meet processing	98.43%	Russia
Open Joint-Stock Company Albashskiy elevator	Grain storage	75.00%	Russia
Open Joint-Stock Company Beloglinskiy elevator	Grain storage	80.41%	Russia
Open Joint-Stock Company Velichkovskiy elevator	Grain storage	80.03%	Russia
Open Joint-Stock Company Eyanskiy elevator	Grain storage	76.68%	Russia
Open Joint-Stock Company Krilovskiy elevator	Grain storage	75.64%	Russia
Open Joint-Stock Company Ladoshskiy elevator	Grain storage	80.34%	Russia
Open Joint-Stock Company Malorossiyskiy elevator	Grain storage	75.75%	Russia
Open Joint-Stock Company Rovnenskiy elevator	Grain storage	75.13%	Russia
Open Joint-Stock Company Stepnyanskiy elevator	Grain storage	75.01%	Russia
Open Joint-Stock Company Umanskiy elevator	Grain storage	97.88%	Russia
Limited Liability Company Bashkirskaya saharnaya kompaniya	Trading	98.01%	Russia
Limited Liability Company Karlamansky sakhar	Food processing	98.01%	Russia
Limited Liability Company Raevsakhar	Food processing	98.01%	Russia
Limited Liability Company Dominant	Agriculture	74.25%	Russia
Limited Liability Company Agroinvest	Agriculture	74.25%	Russia
Closed Joint-Stock Company Agroproekt	Financial services	74.25%	Russia
Limited Liability Company Agrolyuks	Compound animal feedstuff and other productions	57.31%	Russia
Closed Joint-Stock Company Khomyakovsky khladokombinat	Food processing	76.15%	Russia
Limited Liability Company Optovye tekhnologii	Food processing	76.15%	Russia
Closed Joint-Stock Company Agroholding SP-Kholod	Food processing	76.15%	Russia
Limited Liability Company Brigantina	Food processing	76.15%	Russia
Special purpose entity			
RSHB Capital S.A.	Eurobond issue	-	Luxemburg

Percentage of voting rights for all principal consolidated subsidiaries are the same as effective percentage of ownership, except for Open Joint-Stock Company Luzhskiy kombikormoviy zavod, for which percentage of voting rights is equal to 75.60%.

39 Principal Consolidated Subsidiaries and a Special Purpose Entity (Continued)

As at 31 December 2008, the Bank's principal consolidated subsidiaries were as follows:

Name	Nature of business	Effective percentage of ownership	Country of registration
Subsidiaries			
Closed Joint-Stock Company Chelyabinsky Commercial Land Bank	Bank	99.47%	Russia
Limited Liability Company TD Agrotorg	Trading entity	99.00%	Russia
Special purpose entity			
RSHB Capital S.A.	Eurobond issue	-	Luxemburg

RSHB Capital S.A. was registered in Luxembourg in 2005. The Company is owned by the foundations established under the laws of the Netherlands and has been established as a special purpose vehicle for the sole purpose of issuing Eurobonds and lending the issue proceeds to the Bank (refer to the Notes 20, 23).

40 Business Combinations

During the year ended 31 December 2009 the Group acquired from its borrowers as part of the loan restructuring the following entities:

Name	Nature of business	Effective percentage of ownership	Acquisition date
Business combinations (the Krasnodar Region):			
Open Joint-Stock Company Albashskiy elevator	Grain storage	75.00%	25 June 2009
Open Joint-Stock Company Beloglinskiy elevator	Grain storage	80.41%	25 June 2009
Open Joint-Stock Company Velichkovskiy elevator	Grain storage	80.03%	25 June 2009
Open Joint-Stock Company Eyanskiy elevator	Grain storage	76.68%	25 June 2009
Open Joint-Stock Company Krilovskiy elevator	Grain storage	75.64%	25 June 2009
Open Joint-Stock Company Ladoshskiy elevator	Grain storage	80.34%	25 June 2009
Open Joint-Stock Company Malorossiyskiy elevator	Grain storage	75.75%	25 June 2009
Open Joint-Stock Company Rovnenskiy elevator	Grain storage	75.13%	25 June 2009
Open Joint-Stock Company Stepnyanskiy elevator	Grain storage	75.01%	25 June 2009
Open Joint-Stock Company Umanskiy elevator	Grain storage	97.88%	25 June 2009
Business combinations (The Leningrad Region):			
Open Joint-Stock Company Rassvet	Cattle farming	99.03%	31 March 2009
Open Joint-Stock Company Luzhskiy kombikormoviy zavod	Compound animal feedstuff	87.53%	27 April 2009
Open Joint-Stock Company Luzhskiy Myasokombinat	Meet processing	98.43%	27 April 2009
Business combinations (The Samara Region):			
Limited Liability Company Dominant	Agriculture	74.25%	17 September 2009
Limited Liability Company Agroinvest	Agriculture	74.25%	17 September 2009
Closed Joint-Stock Company Agroproekt	Financial services	74.25%	13 October 2009
Limited Liability Company Agrolyuks	Compound animal feedstuff and other productions	57.31%	2 November 2009
Business combinations (The Tula Region):			
Closed Joint-Stock Company Khomyakovsky Khladokombinat	Food processing	76.15%	12 October 2009
Limited Liability Company Optovye tekhnologii	Food processing	76.15%	12 October 2009
Closed Joint-Stock Company Agroholding SP-Kholod	Food processing	76.15%	12 October 2009
Limited Liability Company Brigantina	Food processing	76.15%	12 October 2009

40 Business Combinations (Continued)

The acquired subsidiaries contributed the following revenue and profit/(loss) to the Group for the period from the date of acquisition to 31 December 2009:

In millions of Russian Roubles	Revenue	Losses before tax
Business combinations (The Krasnodar Region)	123	(184)
Business combinations (The Leningrad Region)	839	(10)
Business combinations (The Samara Region)	70	(207)
Business combinations (The Tula Region)	65	(88)

The consideration paid by the Group for the above acquisitions was based on the results of an external independent appraisal of the acquiree's business taken as a whole. However, in accordance with IFRS 3 "Business Combinations", the Group must account for acquisitions based on fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed. These two different approaches can lead to differences and as set out in the table below, may result in recognition of goodwill.

Details of the assets and liabilities acquired from business combination in the Krasnodar Region are as follows:

In millions of Russian Roubles	IFRS carrying amount immediately before business combination	Attributed fair value
Cash and cash equivalents	2	2
Premises and equipment	218	8 007
Trade receivables	1 845	1 845
Other assets	84	84
Net deferred tax assets/(liabilities)	209	(1 349)
Trade payables	(2 976)	(2 976)
Fair value of net assets of subsidiaries	**(618)**	**5 613**
Less: non-controlling interests		(1 161)
Fair value of acquired interest in net assets of subsidiaries		**4 452**

Details of the assets and liabilities acquired from business combination in the Leningrad Region are as follows:

In millions of Russian Roubles	IFRS carrying amount immediately before business combination	Attributed fair value
Cash and cash equivalents	42	42
Loans and advances to customers	76	76
Premises and equipment	608	2 051
Trade receivables	480	480
Other assets	284	284
Due to other banks and legal entities	(953)	(953)
Net deferred tax assets/(liabilities)	(11)	(299)
Trade payables	(332)	(332)
Other liabilities	(2)	(2)
Fair value of net assets of subsidiaries	**192**	**1 347**
Less: non-controlling interests		(100)
Fair value of acquired interest in net assets of subsidiaries		**1 247**

40 Business Combinations (Continued)

Details of the assets and liabilities acquired from business combination in the Samara Region are as follows:

In millions of Russian Roubles	**IFRS carrying amount immediately before business combination**	**Attributed fair value**
Cash and cash equivalents	13	13
Loans and advances to customers	2 496	2 496
Premises and equipment	5 371	5 371
Trade receivables	55	55
Other assets	242	242
Due to other banks and legal entities	(6 043)	(6 043)
Net deferred tax assets/(liabilities)	23	23
Trade payables	(391)	(391)
Other liabilities	(298)	(298)
Fair value of net assets of subsidiaries	**1 468**	**1 468**
Less: non-controlling interests		(378)
Fair value of acquired interest in net assets of subsidiaries		**1 090**

Details of the assets and liabilities acquired from business combination in the Tula Region are as follows:

In millions of Russian Roubles	**IFRS carrying amount immediately before business combination**	**Attributed fair value**
Cash and cash equivalents	10	10
Loans and advances to customers	215	215
Premises and equipment	796	969
Trade receivables	671	671
Other assets	97	97
Due to other banks and legal entities	(732)	(732)
Net deferred tax assets/(liabilities)	81	46
Trade payables	(136)	(136)
Other liabilities	(853)	(853)
Fair value of net assets of subsidiaries	**149**	**287**
Less: non-controlling interests		(73)
Fair value of acquired interest in net assets of subsidiaries		**214**

The purchase consideration comprises of the following:

In millions of Russian Roubles	**Business combination (the Krasnodar Region)**	**Business combination (The Leningrad Region)**	**Business combination (The Samara Region)**	**Business combination (The Tula Region)**
Purchase consideration				
Loans and advances to customers repayment	3 152	1 247	1 343	391
Cash paid	1 598	-	-	-
Total purchase consideration	**4 750**	**1 247**	**1 343**	**391**
Fair value of acquired interest in net assets of subsidiary	4 452	1 247	1 090	214
Goodwill	**298**	**-**	**253**	**177**

40 Business Combinations (Continued)

In millions of Russian Roubles	**Business combination**
Outflow of cash and cash equivalents on acquisition	
Cash paid	1 598
Cash and cash equivalents of subsidiaries acquired	(67)
Outflow of cash and cash equivalents on acquisition	**1 531**

41 Events after the End of the Reporting Period

In February 2010 the Central Bank of the Russian Federation approved the share capital increase in the amount of RR 825 million.

In March 2010 the Group issued Eurobonds denominated in Russian Roubles in the amount of RR 30 000 million with maturity in March 2013 with semi-annual payment of coupon income at 7.5% p.a.