

ROSBANK Group

Consolidated Financial Statements
Year Ended 31 December 2009

ROSBANK GROUP

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ROSBANK GROUP

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

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

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern

Management is also responsible for:

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

The global economic downturn that started in the second half of 2008 confirmed in 2009 and deeply impacted Russia. Adverse economic background with tightening liquidity conditions and deteriorating quality of the loan portfolio put under extreme pressure the profitability of the banking business.

In this adverse economic situation and after several years of steady growth the Group decided to take defensive measures. The first decision was to streamline the retail network organization in order to improve the productivity. The second was to fully reflect the worsening situation of customers' financial position by applying a more conservative approach in its provisioning policy.

Such measures mainly aims at better preparing the 2010 year which will represent a new milestone in the history of the Group further to the decision taken by its shareholders to merge all Societe Generale Russian subsidiaries within the Group. The completion of this process will create one of the biggest financial institutions in Russia.

The consolidated financial statements for the year ended 31 December 2009 were authorized for issue on 18 May 2010 by the Board of Directors of "ROSBANK" (OJSC JSCB).

On behalf of the Board of Directors:



Chairman of the Management Board

18 May 2010
Moscow



Chief Financial Officer

18 May 2010
Moscow

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of "ROSBANK" (OJSC JSCB):

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 consolidated financial statements.

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

Opinion

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

Deloitte & Touche

18 May 2010
Moscow

ROSBANK GROUP

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

(in million of Russian Roubles, except for earnings per share which are in Roubles)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	5,34	55,883	49,983
Interest expense	5,34	(32,379)	(23,361)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS			
Provision for impairment losses on interest bearing assets	6,34	(26,866)	(8,290)
NET INTEREST (EXPENSE)/INCOME			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss			
	7,34	19	(70)
Net gain on foreign exchange operations	8,34	483	2,233
Net loss on precious metals operations	9,34	(420)	(1,105)
Net realized gain on sale of investments available-for-sale	34	1,227	103
Fee and commission income	10,34	5,891	6,447
Fee and commission expense	10,34	(1,407)	(1,446)
Impairment of investments available-for-sale		(74)	(2,498)
Other provisions	6	(37)	(1,365)
Dividend income		113	165
Other income	11,34	771	841
NET NON-INTEREST INCOME			
OPERATING INCOME			
OPERATING EXPENSES			
(LOSS)/PROFIT BEFORE INCOME TAX			
Income tax recovery/(expense)	13	2,137	(1,945)
(LOSS)/PROFIT FOR THE YEAR			
NET (LOSS)/PROFIT			
Attributable to:			
Owners of the parent		(14,511)	627
Minority interest		142	1
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic and diluted (in RUR)	14	(19.66)	0.87
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations			
		19	460
Investments available-for-sale:			
- Change in fair value of investments available-for-sale		351	(1,031)
- Reclassification adjustments for losses included in profit or loss from comprehensive income on disposal of investments available- for-sale		1,418	-
Revaluation of property, plant and equipment		(670)	2,766
Deferred income tax related to other comprehensive income:			
Investments available-for-sale, including the effect of changes in statutory tax rate		(353)	206
Property, plant and equipment, including the effect of changes in statutory tax rate		134	(320)
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX			
TOTAL COMPREHENSIVE (LOSS)/INCOME			
Attributable to:			
Owners of the parent		(13,612)	2,708
Minority interests		142	1
(13,470)			
2,709			

On behalf of the Board:

Chairman of the Management Board

18 May 2010
Moscow

Chief Financial Officer

18 May 2010
Moscow

The selected notes on pages 9-68 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2009 (in million of Russian Roubles)

	Notes	31 December 2009	31 December 2008
ASSETS:			
Cash and balances with the Central and National banks	15	100,826	95,672
Precious metals	17	674	1,491
Financial assets at fair value through profit or loss	16,34	1,726	6,154
Due from banks	18,34	69,441	44,735
Loans to customers	20,34	253,305	328,890
Investments available-for-sale	21,34	13,268	10,764
Property, plant and equipment	22	11,921	12,528
Property purchased for transfer into finance lease		17	38
Current income tax assets		802	650
Deferred income tax assets	13	3,189	916
Other assets	23,34	6,344	4,715
Total assets		461,513	506,553
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	27	37	4,722
Deposits of the Central Bank of the Russian Federation	24	16,242	76,026
Due to banks	25,34	36,708	36,184
Customer accounts	26,34	336,216	311,225
Debt securities issued	28	18,160	14,876
Other provisions	32,34	323	482
Current income tax liabilities		-	105
Deferred income tax liabilities	13	1,892	1,859
Subordinated debt	30,34	15,471	15,164
Other liabilities	29,34	3,094	2,393
Total liabilities		428,143	463,036
EQUITY:			
Equity attributable to owners of the parent:			
Share capital	31	9,538	9,271
Share premium	31	19,141	15,408
Treasury shares	31	(677)	-
Cumulative translation reserve		515	496
Property, plant and equipment revaluation reserve		6,294	6,879
Investments available-for-sale fair value reserve		596	(820)
Reorganization reserve		167	1,426
(Accumulated deficit)/retained earnings		(2,709)	10,494
Total equity attributable to equity holders of the parent		32,865	43,154
Minority interest		505	363
Total equity		33,370	43,517
TOTAL LIABILITIES AND EQUITY		461,513	506,553

On behalf of the Board:


Chairman of the Management Board

18 May 2010
Moscow


Chief Financial Officer

18 May 2010
Moscow

The selected notes on pages 9-68 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009 (in million of Russian Roubles)

	Share capital	Share premium	Treasury shares	Cumulative translation reserve	Property, plant and equipment revaluation reserve	Investments available-for-sale fair value reserve	Reorganization reserve	Retained earnings/ (accumulated deficit)	Total equity attributable to equity holders of the parent	Minority interest	Total equity
31 December 2007	9,271	15,408	-	36	4,544	5	1,782	9,756	40,802	91	40,893
Net profit for the year	-	-	-	-	-	-	-	627	627	1	628
Other comprehensive income for the year	-	-	-	460	2,446	(825)	-	-	2,081	-	2,081
Property disposal, net of deferred tax in the amount 35 mRUR	-	-	-	-	(111)	-	-	111	-	-	-
Total comprehensive income for the year	-	-	-	460	2,335	(825)	-	738	2,708	1	2,709
Group reorganisation	-	-	-	-	-	-	(356)	-	(356)	271	(85)
31 December 2008	9,271	15,408	-	496	6,879	(820)	1,426	10,494	43,154	363	43,517
Net loss for the year	-	-	-	-	-	-	-	(14,511)	(14,511)	142	(14,369)
Other comprehensive income for the year	-	-	-	19	(536)	1,416	-	-	899	-	899
Property disposal, net of deferred tax in the amount 12 mRUR	-	-	-	-	(49)	-	-	49	-	-	-
Total comprehensive income for the year	-	-	-	19	(585)	1,416	-	(14,462)	(13,612)	142	(13,470)
Issue of share capital	267	3,733	-	-	-	-	-	-	4,000	-	4,000
Redemption of shares due to reorganization of ROSBANK	-	-	(677)	-	-	-	-	-	(677)	-	(677)
Merger with Centralnoe OVK	-	-	-	-	-	-	(1,259)	1,259	-	-	-
31 December 2009	9,538	19,141	(677)	515	6,294	596	167	(2,709)	32,865	505	33,370

On behalf of the Board:

Chairman of the Management Board

18 May 2010
Moscow

Chief Financial Officer

18 May 2010
Moscow

The selected notes on pages 9-68 form an integral part of these consolidated financial statements.

ROSBANK GROUP

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

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit from continuing operations before income tax		(16,506)	2,573
Adjustments for:			
Provision for impairment losses on interest bearing assets		26,866	8,290
Other provisions		37	1,365
Loss from property, plant and equipment disposal		99	47
Impairment of property, plant and equipment		113	23
Net foreign currency revaluation loss/(gain)		467	(2,047)
Impairment of investments available-for-sale		74	2,498
Gain on repurchase of bonds issued by the Group		-	309
Depreciation charge on property, plant and equipment		679	580
Net change in interest and other accruals		(2,164)	1,770
Net change in value of derivatives and spot deals (gain)/loss		(521)	5,066
Net unrealized gain on financial assets at fair value through profit or loss		(398)	1,195
Cash flow from operating activities before changes in operating assets and liabilities		8,746	21,669
Changes in operating assets and liabilities			
Decrease in operating assets:			
Minimum reserve deposit with the Central and National Banks		(6,811)	6,078
Financial assets at fair value through profit or loss		2,802	3,859
Precious metals		1,351	242
Loans to customers		54,922	(79,358)
Due from banks		(13,948)	19,226
Disposal of property, plant and equipment for transfer into finance lease		22	478
Other assets		771	(3,038)
Increase in operating liabilities:			
Deposits from the Central Bank of the Russian Federation		(59,290)	75,250
Due to banks		(2,139)	4,530
Customer accounts		18,837	(2,820)
Promissory notes issued/(redeemed) in the normal course of business		3,214	(27,966)
Financial liabilities at fair value through profit or loss		(2,030)	(425)
Other liabilities		73	1,110
Cash inflow from operating activities before taxation		6,520	18,835
Income tax paid		(578)	(2,572)
Net cash inflow from operating activities		5,942	16,263
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1,209)	(1,624)
Proceeds on sale of property, plant and equipment		255	626
Reorganization of the Group		-	(40)
Purchase of subsidiaries, net of cash acquired		-	(85)
Proceeds from sale/redemption of investments available-for-sale		17,185	192
Purchase of investments available-for-sale		(18,673)	(7,996)
Net cash outflow from investing activities		(2,442)	(8,927)

ROSBANK GROUP

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

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share capital issue		267	-
Share premium received		3,733	-
Common shares repurchased		(677)	-
Redemption/repurchase of bonds issued by the Group		(10,090)	(1,451)
Issue of bonds		10,000	-
Proceeds from subordinated debt		-	6,614
Net cash inflow from financing activities		3,233	5,163
Effect of exchange rate changes on cash and cash equivalents		3,960	(7,988)
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,693	4,511
CASH AND CASH EQUIVALENTS, beginning of the period	15	129,028	124,517
CASH AND CASH EQUIVALENTS, end of the period	15	139,721	129,028

Interest paid and received by the Group during the year ended 31 December 2009 amounted to RUR 30,655 million and RUR 51,995 million, respectively.

Interest paid and received by the Group during the year ended 31 December 2008 amounted to RUR 19,045 million and RUR 47,438 million, respectively.

On behalf of the Board:


Chairman of the Management Board

18 May 2010
Moscow


Chief Financial Officer

18 May 2010
Moscow

The selected notes on pages 9-68 form an integral part of these consolidated financial statements.

ROSBANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. ORGANISATION

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 11, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 31 December 2009 ROSBANK had 46 branches in the Russian Federation.

ROSBANK is the parent company of the banking group (the “Group”) which consists of the following enterprises as of 31 December 2009 and 2008:

Name	Country of incorporation	31 December 2009 Group's ownership interest/voting rights, %	31 December 2008 Group's ownership interest/voting rights, %	Type of operations
Rosbank (Switzerland) SA	Switzerland	100/100	100/100	Banking
Rosbank International Finance BV	The Netherlands	100/100	100/100	Issue of Eurobonds
RosInvest SA	Luxembourg			Reorganization of UNEXIM Finance Company
Belrosbank	Belorussia	99.97/99.97	99.97/99.97	Banking
Russia International Card Finance S.A.	Luxembourg	99.99/99.99	99.99/99.99	Issue of Eurobonds
			0/100 (Contractual agreement)	
Rosbank Finance S.A	Luxembourg	Closed	100/100	Issue of Eurobonds
ROSBANK-VOLGA CJSC	Russia	Closed	100/100	Banking
Rosbank Debt Center CJSC (previous name -“RB Finance CJSC”)	Russia	100/100	100/100	Operations with securities
Processing Company NICKEL LLC	Russia	100/100	100/100	Processing of card operations
RB LEASING LLC	Russia	0/100	0/100	Leasing
INKAHRAN OJSC	Russia			Cash collection services
ORS OJSC	Russia	100/100	100/100	Processing
Bank Povolzhskoe OVK JSC	Russia	100/100	100/100	Banking
Bank Centralnoe OVK JSC	Russia	Merged	100/100	Banking
Bank Privolzhskoe OVK LLC	Russia	100/100	100/100	Banking
Kapital i zdanie OJSC	Russia	100/100	100/100	Real estate operations
Art Heiser LLC	Russia	100/100	100/100	Real estate operations
Petrovsky Dom-XXI vek LLC	Russia	100/100	100/100	Real estate operations
TOR-Service CJSC	Russia			Buildings administration
		100/100	100/100	

Name	Country of incorporation	31 December 2009 Group's ownership interest/voting rights, %	31 December 2008 Group's ownership interest/voting rights, %	Type of operations
PMD Service LLC	Russia	100/100	100/100	Lease services
TD Druzhba LLC	Russia	100/100	100/100	Other services
AVTO LLC	Russia	100/100	100/100	Transportation services
RB Securities LLC	Russia	100/100	100/100	Operations with securities
Inkahrn Service LLC	Russia	99.60/100	99.60/100	Transportation services
Real Profit LLC	Russia	100/100	100/100	Real estate operations
AVD LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Saratov LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Krasnoyarsk LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Krasnodar LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Vladivostok LLC	Russia	100/100	100/100	Recovery of bad debts
AVD Khabarovsk LLC	Russia	25/100	25/100	Recovery of bad debts
AVD Arkhangelsk LLC	Russia	25/100	25/100	Recovery of bad debts
AVD Blagoveshensk LLC	Russia	25/100	25/100	Recovery of bad debts
AVD Ekaterinburg LLC	Russia	25/100	25/100	Recovery of bad debts
AVD Yakutsk LLC	Russia	25/100	25/100	Recovery of bad debts

In 2003 JSC "Interros estate", the major shareholder of the Group during this period, purchased a controlling interest in OVK group. OVK group consisted of 6 commercial banks and other financial and service companies. The main activity of these banks is retail banking. The management of ROSBANK has commenced the process of integrating the operations of OVK with those of ROSBANK and, on 26 January 2004, the CBR approved ROSBANK's proposed plan of consolidation. The integration of banks as large as OVK group require extensive management, personnel and monetary resources. The integration was completed at the end of 2005, prior to which management was faced with modernisation of the OVK group network, integrating its operations and personnel with those of ROSBANK, merging its information technology systems with those of ROSBANK, and implementing group-wide financial and management information systems and controls. OVK group was acquired by ROSBANK and the Group reorganization was completed substantially by the end of 2005.

In December 2006 Bank Pervoe OVK JSC, Bank Sibirskoe OVK JSC, Bank Dalnevostochnoe OVK JSC and Bank Centralnoe OVK JSC were merged into Bank Centralnoe OVK JSC on one-for-one share basis, leaving the entire ownership and controlling interest of the Group in those banks unchanged.

As of 31 December 2009 and 2008 two members of the Group – Bank Povolzhskoe OVK JSC and Bank Privolzhskoe OVK LLC – were in the process of voluntary liquidation. The Group does not anticipate any substantial impact on its financial results nor its financial position as a result of the aforementioned liquidations.

On 24 June 2009 on special-purpose shareholder meeting the decision on reorganization of ROSBANK in the way of merge with its subsidiary Bank Centralnoe OVK was made. According to the law of the Russian Federation, Rosbank shareholders who voted against this decision or did not take part in the vote acquired a right to demand the repurchase of their shares. Consequently, 7,442,838 shares were repurchased by the Bank for the total amount of RUR 677 million (price per share equaled RUR 91 further to the appraisal of an independent appraiser). On 2 September 2009 Bank Centralnoe OVK JSC stopped its operations as a result of merger with ROSBANK.

In 2008 ROSBANK disposed of its ownership interest in RB LEASING LLC of 40% but retained its control over the entity.

Following the repayment of two series of Eurobonds in September 2009 the Management of the Group decided to close two of its SPVs – Rosbank Finance S.A. and Russia International Card Finance S.A.

Societe Generale became owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by realizing the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 roubles per share. Having performed the buy-out Societe Generale raised its share in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought out by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in

proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after purchase of this share from PHARANCO HOLDINGS CO. LIMITED. As a result of these transactions Societe Generale raised its share in Rosbank to 64.68%.

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

	31 December 2009	31 December 2008
	%	%
Shareholder		
Societe Generale S.A.	64.68	57.57
PHARANCO HOLDINGS CO. LIMITED (including share pledged under reverse repurchase agreement with VTB group amounting 19.28% and 19.99%, respectively)	30.38	37.31
Others	4.94	5.12
Total	100.00	100.00

As of 31 December 2009 and 2008, the ultimate shareholders of the Group are:

	31 December 2009	31 December 2008
	%	%
Shareholder		
Societe Generale S.A.	64.68	57.57
Mr. Potanin V. O. (including share pledged under reverse repurchase agreement with VTB group amounting 19.28% and 19.99%, respectively)	30.38	37.31
Others	4.94	5.12
Total	100.00	100.00

These consolidated financial statements were authorised for issue on 18 May 2010 by the Board of Directors of ROSBANK.

2. GOING CONCERN

These consolidated financial statements have been prepared on the going concern basis despite the net losses incurred by the Group for the year ended 31 December 2009. The Group has no intention or need to reduce substantially its business operations. The Group's net cash inflow from operating activities for the year ended 31 December 2009 amounted to RUR 5,942 million.

Management has set the tasks of improving loan portfolio quality, collateral quality and increasing the share of secured loans. The Group is also working on restructuring of loans for the purpose of optimization of financial burden and settlement schedules for its borrowers. Different collection approaches are implemented to reinforce the efficiency of recovery procedures of the loan portfolio. The Group has taken steps to decrease the amount of bad debts with modification of its strategy concerning corporate loan portfolio by focusing on less risky clients in less exposed sectors to crisis. Retail business is focusing on transformation of its model to improve productivity. Moreover centralized authorization has been put in place to avoid fraud and increase operational efficiency.

To maintain liquidity, the Group has put an accent on retail deposit products: package offers were implemented for individual clients, several deposit products were simplified, differentiation was made by client segments. To raise the effectiveness of customer relationship the Group has implemented client relationship management function.

Management is considering various opportunities to improve the financial position, both via attraction of additional customer base and via increase of income from operating activities.

When managing the liquidity risk the Group could use as a reserve the limit for unsecured lending opened for ROSBANK by the Central Bank of Russian Federation.

3. BASIS OF PRESENTATION

Accounting basis

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

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believe that the going concern assumption is appropriate for the Group due to it’s sufficient capital adequacy ratio which has been further strengthened with the subsequent issue of shares illustrating the commitment of shareholders to support the Group and based on historical experience that short-term obligations will be refinanced in the normal course of business.

These consolidated financial statements are presented in millions of Russian Roubles (“mRUR”), unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments and measurement of buildings at revalued amounts according to International Accounting Standard 16 “Property, plant and equipment” (“IAS 16”).

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Bank maintain their accounting records in accordance with the law of the countries, in which they operate. These consolidated financial statements have been prepared from the Russian statutory accounting records and have been adjusted to conform with IFRS. Entered adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the “functional currency”). The functional currency of the consolidated financial statements is the Russian roubles (RUR).

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- Equity items of the foreign entity are translated at exchange rates at the dates of transactions;

- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are recognized in the consolidated statement of comprehensive income.

Recognition and measurement of financial instruments

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent time deposit accounts with the Central Bank of the Russian Federation and National Bank of Belorussia and advances to banks in countries included in the Organization for Economic Cooperation and Development ("OECD") with original maturity within 90 days.

The minimum reserve deposits with the CBR are subject to restrictions to its availability and therefore are not included in cash and cash equivalents.

Precious metals

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

Due from banks

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

Financial assets and liabilities at fair value through profit or loss

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

A financial asset other than a financial asset held-for-trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

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

The Group enters into derivative financial instruments to manage currency and liquidity risks and for trading purposes. These instruments include forwards on foreign currency, precious metals and securities. Derivative financial instruments entered by the Group are not designated as hedges and do not qualify for hedge accounting.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including forwards, swaps and options. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in Net gain/loss from financial assets and liabilities at fair value through profit or loss in the consolidated statement of comprehensive income.

Securities Repurchase and reverse repurchase agreements and lending transactions

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

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within balances due to banks/customer accounts.

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

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

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Russian Federation (“RF”) and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

Loans to customers

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

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

Write off of loans and advances

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

Allowance for impairment losses

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

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

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

The change in the impairment is included into profits using the provision account (financial assets recorded at amortized value) or by a direct write-off (financial assets recorded at cost). The assets recorded in the statement of financial position are reduced by the amount of the impairment. The factors the Group evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

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

Derecognition of financial assets and liabilities

Financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

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

Finance leases

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

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

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

Before commencement date property, plant and equipment purchased for future transfer to finance lease is recognized in the consolidated financial statements as property and equipment purchased to transfer to finance lease at cost.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Investments available-for-sale are initially recorded at fair value and subsequently measured at fair value, with such re-measurement recognized directly in equity, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the consolidated statement of comprehensive income. When sold, the gain/loss previously recorded in equity is recycled through the consolidated statement of comprehensive income. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to

price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

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

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated statement of comprehensive income for the period. These financial assets are recognized net of reserve for impairment.

Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated statement of comprehensive income as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Property, plant and equipment

Property, plant and equipment, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Property, plant and equipment and intangible assets, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss, if any.

Depreciation is charged on the carrying value of property, plant and equipment and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2%
Equipment	20%
Others	Over useful life of 3-10 years

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

The carrying amounts of property, plant and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, an impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, plant and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property, plant and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease

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

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

Market value of property is assessed using three methods:

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

Taxation

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

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

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

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

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

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

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

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

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of comprehensive income.

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

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

Provisions

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

Financial guarantee contracts issued and letters of credit

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

Share capital, share premium and treasury shares

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

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Treasury shares are deducted directly from the Group's equity.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Reporting Period" ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Russian Federation and other countries, which require current contributions by the Group calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by state pension fund. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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

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

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated statement of comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated statement of comprehensive income when the syndication has been completed. All other commissions are recognized when services are provided.

Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates. In preparing the financial statements of the individual entities, monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the reporting date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RUR using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve. Such exchange differences are recognized in consolidated statement of comprehensive income in the period in which the foreign operation is disposed of.

Rates of exchange

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

	31 December 2009	31 December 2008
RUR/1 US Dollar	30.2442	29.3804
RUR/1 Euro	43.3883	41.4411
RUR/Gold (1 ounce)	33,389.60	25,414.05
RUR/Platinum (1 ounce)	44,338.00	26,412.98
RUR/Palladium (1 ounce)	12,158.17	5,391.30
RUR/Silver (1 ounce)	513.85	317.01

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the Group does not offset the transferred asset and the associated liability.

Accounting for the effects of hyperinflation

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

Fiduciary activities

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

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- Its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; or
- The absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- Its assets are 10 per cent or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75 per cent of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the Group's revenue is included in reportable segments.

Areas of significant management judgment and sources of estimation uncertainty

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

Allowance for impairment of loans

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

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults

on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

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

As at December 31, 2009 and 2008 the gross amount of loans to customers totalled RUR 297,685 million and RUR 351,736 million, respectively, and allowance for impairment losses amounted to RUR 44,380 million and RUR 22,846 million, respectively.

In the year 2009 the Bank introduced a new methodology to compute provisions for impairment of loans to customers. It aims at harmonizing the principles applied between Rosbank Group and Societe Generale Group and also to better reflect the deterioration of the customers' financial position due to the financial crises. The most significant changes introduced were an increased provisioning rate for sensitive loans granted to corporate customers, full impairment of loans granted to individuals overdue for more than one year.

The effect of the new methodology for computation of the allowances for impairment losses for loans to customers was represented by an increase of the allowances for impairment losses for loans to customers. The increase in allowance for impairment losses for loans to customers comprises the increase in allowance for impairment losses for loans to legal entities amounting RUR 420 million and increase in allowance for impairment losses for loans to individuals amounting RUR 3,724 million. The increase in allowance for impairment losses for loans to individuals by product:

	Increase in allowance for impairment losses mRUR, 2009
Car loans	1,641
Consumer loans	1,823
Mortgage loans	56
Express- loans	95
Overdraft	109
Total increase	<u><u>3,724</u></u>

Valuation of Financial Instruments

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

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

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

Property, plant and equipment

Certain buildings are measured at revalued amounts. The date of the latest appraisal was 31 December 2009. The next revaluation is preliminary scheduled as of 31 December 2010. The carrying value of revalued property amounted to RUR 9,598 million and RUR 10,412 million as at 31 December 2009 and 2008, respectively.

Deferred tax assets

The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to RUR 3,189 million and RUR 916 million as at 31 December 2009 and 2008, respectively.

Adoption of new standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on December 31, 2009. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Amendment to IAS 1 "Presentation of Financial Statements" ("IAS 1") – On 6 September, 2007, the IASB issued an amendment to IAS 1 which changes the way in which non-owner changes in equity are required to be presented. It also changes the titles of primary financial statements as they will be referred to in IFRS but does not require that these be renamed in an entity's financial statements. The amendment to IAS 1 is effective for periods beginning on or after 1 January, 2009.

IFRS 8 "Operating Segments" ("IFRS 8") – On 30 November, 2006, the IASB issued IFRS 8 that replaces IAS 14 "Segment Reporting" and which requires segmental analysis reported by an entity to be based on information used by management. IFRS 8 is effective for periods beginning on or after January 1, 2009.

Standards and interpretations issued and not yet adopted

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Group in advance of their effective dates, the following Standards and Interpretations were in issue but not yet effective.

IFRS 3 "Business Combinations" – The IASB published IFRS 3 and related revisions to IAS 27 "Consolidated and Separate Financial Statements" following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. They are effective for accounting periods beginning on or after 1 July 2009 but may be adopted together for accounting periods beginning on or after January 1, 2007.

IAS 27 – In 2008 the Standard was amended as part of the second phase of the business combinations project. That phase of the project was undertaken jointly with the US Financial Accounting Standards Board ("FASB"). The amendments related, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary. The boards concluded the second phase of the project by the IASB issuing the amended IAS 27 and the FASB issuing FASB Statement No. 160 Noncontrolling Interests in Consolidated Financial Statements, along with, respectively, a revised IFRS 3 Business Combinations and FASB Statement No. 141 (revised 2007) Business Combinations. The amended

Standard must be applied for annual periods beginning on or after 1 July, 2009. Earlier application is permitted. However, an entity must not apply the amendments for annual periods beginning before 1 July, 2009 unless it also applies IFRS 3 (as revised in 2008).

IFRIC 9 “Reassessment of Embedded Derivatives” which requires that there should be no reassessment of whether an embedded derivative should be separated from the host contract after initial recognition, unless there have been changes to the contract. The adoption of IFRIC 9 had no impact on the Group’s profit or loss or financial position.

IAS 17 “Lease” – Amendments to IAS 17 “Lease” were issued in 2009. The amendments delete specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. They are effective for accounting periods beginning on or after 1 January 2010.

The IASB issued IFRS 9 “Financial Instruments” in November 2009. The standard is effective for annual periods beginning on or after 1 January 2013; early application permitted.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value. Debt instruments are measured at amortized cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amortized cost criteria the Group may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Only financial assets that are classified as measured at amortized cost are tested for impairment. All derivatives, including embedded derivatives that are embedded in financial liabilities or host contracts outside the scope of IAS 39 that are separately accounted for, are FVTPL, except if designated in an effective cash flow hedge or hedge of a foreign operation hedge accounting relationship. In accordance with IFRS 9, embedded derivatives within the scope of that Standard are not separately accounted for financial assets. Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income recognized in accordance with IAS 18 Revenue, are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

Reclassification

Certain reclassifications have been made to the consolidated statement of comprehensive income for the year ended 31 December 2008 to conform the presentation for the year ended 31 December 2009 as current year presentation provides a better view of the results of operations of the Group.

Net gain on financial assets and liabilities at fair value through profit or loss in the amount of RUR 80 million and Net realized gain of investments available-for-sale in the amount of RUR 85 million were reclassified to Dividend income.

5. NET INTEREST INCOME

	Year ended 31 December 2009	Year ended 31 December 2008
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on individually impaired financial assets	6,447	3,695
- interest income on financial assets collectively assessed for impairment	38,890	34,545
- interest income on individually unimpaired financial assets	9,169	10,603
Interest income on financial assets held-for-trading	418	856
Interest income on investments available-for-sale	959	284
Total interest income	55,883	49,983
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to corporate customers	29,682	22,219
Interest on loans to individuals	24,371	24,691
Interest on due from banks	453	1,933
Total interest income on financial assets recorded at amortized cost	54,506	48,843
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost		
Total interest expense	32,379	23,361
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on corporate customer accounts	12,686	10,090
Interest on deposits from individuals	8,650	6,845
Interest on deposits of the Central Bank of the Russian Federation	5,344	187
Interest on deposits from banks	3,158	1,951
Interest on debt securities issued	1,339	3,428
Interest on subordinated debt	1,202	860
Total interest expense on financial liabilities recorded at amortized cost	32,379	23,361
Net interest income before provision for impairment losses on interest bearing assets	23,504	26,622

6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

	Due from banks mRUR	Loans to customers mRUR	Total mRUR
31 December 2007	-	14,737	14,737
Provision	-	8,290	8,290
Write-offs	-	(181)	(181)
31 December 2008	-	22,846	22,846
Provision	9	26,857	26,866
Write-offs	-	(5,323)	(5,323)
31 December 2009	9	44,380	44,389

The movements in other provisions were as follows:

	Other assets mRUR	Provisions for financial guarantees issued, claims and other commitments mRUR	Provisions for unused limits on credit cards mRUR	Total mRUR
31 December 2007	44	168	75	287
Provision/(recovery of provision)	1,126	300	(61)	1,365
Write-offs	(989)	-	-	(989)
Recovery of assets previously written off	17	-	-	17
31 December 2008	198	468	14	680
Provision/(recovery of provision)	196	(145)	(14)	37
Write-offs	(66)	-	-	(66)
31 December 2009	328	323	-	651

Allowance for impairment losses on assets are deducted from the respective assets. Allowance for impairment losses on guarantees and letters of credit is presented in other liabilities.

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

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

	Year ended 31 December 2009 mRUR	Year ended 31 December 2008 mRUR
Net gain on operations with financial assets and liabilities held-for-trading comprise:		
Realized (loss)/gain on trading operations	(166)	209
Unrealized income/(expense) on fair value adjustment	398	(398)
Net (loss)/gain on operations with derivative financial instruments	(213)	119
Total net gain on operations with financial assets and liabilities at fair value through profit or loss	19	(70)

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2009 mRUR	Year ended 31 December 2008 mRUR
Dealing, net	974	2,357
Translation differences, net	(491)	(124)
Total net gain on foreign exchange operations	483	2,233

9. NET LOSS ON PRECIOUS METALS OPERATIONS

	Year ended 31 December 2009 mRUR	Year ended 31 December 2008 mRUR
Dealing, net	(314)	(398)
Translation differences, net	(106)	(707)
	<u>(420)</u>	<u>(1,105)</u>

10. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2009 mRUR	Year ended 31 December 2008 mRUR
Fee and commission income:		
Cash operations	2,144	2,199
Settlements	1,107	1,084
Credit cards operations	1,006	1,062
Depository and securities operations	680	816
Documentary operations	507	489
Foreign exchange operations	336	471
Other operations	111	326
Total fee and commission income	<u>5,891</u>	<u>6,447</u>
Fee and commission expense:		
Settlements	529	650
Credit cards operations	403	403
Cash operations	152	159
Depository and securities operations	140	106
Foreign exchange operations	22	16
Other operations	161	112
Total fee and commission expense	<u>1,407</u>	<u>1,446</u>

Fee and commission income for the years ended 31 December 2009 and 2008 includes income on trust operations amounting to RUR 10 million and RUR 23 million, respectively.

11. OTHER INCOME

Other income for the years ended 31 December 2009 and 2008 includes rental income amounting to RUR 456 million and RUR 648 million, respectively from leasing out buildings and equipment. Property, plant and equipment disposal gain for the year ended 31 December 2009 amounted to RUR 51 million.

12. OPERATING EXPENSES

	Year ended 31 December 2009 mRUR	Year ended 31 December 2008 mRUR
Salary and bonuses	8,694	8,908
Operating lease expense	1,909	1,760
Unified social tax contribution	1,351	1,367
Repairs and maintenance expense	1,246	1,275
Taxes, other than income tax	1,132	763
Security	832	745
Depreciation charge on property, plant and equipment	679	580
Transportation expenses	582	416
Communications	507	404
Deposit insurance system payments	464	462
Administrative expenses	462	545
Charity expenses	243	276
Advertising and marketing expenses	228	510
Professional services	219	106
Expenses on stationery and other office expenses	172	298
Insurance	152	126
Property disposal expenses	150	47
Property impairment loss	113	23
Business trip expenses	110	126
Representation expenses	16	23
Customs duties	8	10
Other expenses	441	294
Total operating expenses	19,710	19,064

13. INCOME TAXES

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

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

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

The tax rate used for the 2009 and 2008 reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits under tax law in that jurisdiction.

In November 2008, an amendment to the Tax Code was enacted to reduce the corporate income tax rate from 24% to 20% effective from 1 January 2009. Starting from December 2008 deferred taxes are measured at 20%. Current year Russian income tax is measured at 20% in 2009.

Temporary differences as of 31 December 2009 and 2008 comprise:

	31 December 2009 mRUR	31 December 2008 mRUR
Deductible temporary differences:		
Investments available-for-sale	254	2,115
Other liabilities	1,506	1,497
Due from banks and loans to customers	13,813	1,333
Financial assets at fair value through profit or loss	-	1,230
Other assets	2,236	1,171
Other provisions	162	282
Precious metals	28	
Financial liabilities at fair value through profit or loss	-	65
Debt securities issued	41	-
	<u>18,040</u>	<u>7,693</u>
Total deductible temporary differences		
Taxable temporary differences:		
Property, plant and equipment	5,433	8,261
Due to banks and customer accounts	1,300	276
Financial assets at fair value through profit or loss	13	-
Debt securities issued	-	256
Precious metals	-	6
	<u>6,746</u>	<u>8,799</u>
Total taxable temporary differences		
Net deductible/(taxable) differences	11,294	(1,106)
Net deferred tax liabilities recognized in the consolidated statement of comprehensive income at the statutory tax rates	(170)	(140)
Net deferred tax liabilities recognized in equity at the statutory tax rates	(1,722)	(1,515)
Deferred tax assets related to operations recognised in the consolidated statement of comprehensive income at the statutory tax rates	4,101	1,434
Unrecognized deferred tax asset	(912)	(722)
	<u>1,297</u>	<u>(943)</u>
Net deferred tax asset/(liability)		

Relationships between tax expenses and accounting profit for the years ended 31 December 2009 and 2008 are explained as follows:

	Year ended 31 December 2009 mRUR	Year ended 31 December 2008 mRUR
(Loss)/profit before income tax	<u>(16,506)</u>	<u>2,573</u>
Tax at the statutory tax rate (20% in the year ended 31 December 2009, 24% in the year ended 31 December 2008)	(3,301)	617
Change in unrecognized deferred tax asset	190	382
Tax effect due to different tax rates	(74)	(43)
Tax effect due to change in statutory tax rate	-	259
Tax effect of permanent differences	1,048	730
	<u>(2,137)</u>	<u>1,945</u>
Income tax (recovery)/expense		
Current income tax expense	310	2,026
Deferred income tax credit	(2,447)	(81)
	<u>(2,137)</u>	<u>1,945</u>
Income tax (recovery)/expense		

Deferred income tax liability	Year ended 31 December 2009 mRUR	Year ended 31 December 2008 mRUR
Beginning of period	943	946
Decrease in income tax liability for the period charged to consolidated statement of comprehensive income	(2,447)	(81)
Change in deferred tax liability charged to equity	<u>207</u>	<u>78</u>
End of period	(1,297)	943
including:		
Deferred tax asset	3,189	916
Deferred tax liability	(1,892)	(1,859)

14. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Year ended 31 December 2009	Year ended 31 December 2008
Profit		
Net (loss)/profit attributable to equity holders of the parent for the period (mRUR)	<u>(14,511)</u>	<u>627</u>
Weighted average number of ordinary shares		
For basic and diluted earnings per share	<u>738,096,861</u>	<u>719,795,538</u>
Earnings per share – basic and diluted (RUR)	<u>(19.66)</u>	<u>0.87</u>

15. CASH AND BALANCES WITH THE CENTRAL AND NATIONAL BANKS

	31 December 2009 mRUR	31 December 2008 mRUR
Cash	15,021	12,486
Balances with the Central and National banks	<u>85,805</u>	<u>83,186</u>
Total cash and balances with the Central and National banks	<u>100,826</u>	<u>95,672</u>

The balances with the Central and National banks comprise balances with the Central Bank of the Russian Federation and National Bank of Belorussia as of 31 December 2009 and 2008 and include RUR 8,387 million and RUR 1,576 million, respectively, which represent the minimum reserve deposits calculated as a percentage of customers accounts balance required by the Central and National banks. The Group is required to maintain the reserve balances with Central and National banks at all times.

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

	31 December 2009 mRUR	31 December 2008 mRUR
Cash and balances with the Central and National banks	100,826	95,672
Due from banks in OECD countries	<u>47,282</u>	<u>34,932</u>
	148,108	130,604
Less minimum reserve deposits	<u>(8,387)</u>	<u>(1,576)</u>
Total cash and cash equivalents	<u>139,721</u>	<u>129,028</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2009 mRUR	31 December 2008 mRUR
Debt securities	1,697	3,996
Derivative financial instruments	29	2,158
Total financial assets at fair value through profit or loss	<u>1,726</u>	<u>6,154</u>

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	31 December 2009		31 December 2008	
	Nominal interest rate %	Amount (mRUR)	Nominal interest rate %	Amount (mRUR)
Debt securities:				
Debt securities of local authorities	6.7-16.0%	1,087	7.4%-12.6%	780
Debt securities of Russian companies	0.1-18.0%	304	7.4%-22.1%	1,442
Bonds of the MF of Belorussia	10.3%-11.3%	187	10.1%-10.7%	910
Promissory notes of Russian companies	16.0%	110	11.2%-14.5%	437
Debt securities of Russian Federation	7.5-8.3%	9	8.4%	8
US Treasury notes	-	-	-	270
Promissory notes of Russian banks	-	-	10.2%-11.2%	90
Debt securities of Russian banks	-	-	14.0%	59
		<u>1,697</u>		<u>3,996</u>

Derivative financial instruments are disclosed in Note 19.

As at 31 December 2009 and 2008 financial assets at fair value through profit or loss included Bonds of the MF of Belorussia pledged under repurchase agreements with other banks amounting to RUR 155 million and RUR 613 million, respectively.

17. PRECIOUS METALS

	31 December 2009 mRUR	31 December 2008 mRUR
Platinum	427	788
Gold	216	685
Palladium	25	18
Silver	6	-
Total precious metals	<u>674</u>	<u>1,491</u>

18. DUE FROM BANKS

	31 December 2009 mRUR	31 December 2008 mRUR
Term deposits in banks	51,725	24,887
Demand deposits in banks	13,924	17,317
Loans under reverse repurchase agreements	3,801	2,531
	<u>69,450</u>	<u>44,735</u>
Less allowance for impairment losses	(9)	-
Total due from banks	<u>69,441</u>	<u>44,735</u>

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

As of 31 December 2009 and 2008 the Group had loans and advances to eight and four banks totalling RUR 55,418 million and RUR 27,373 million, respectively, which individually exceeded 10% of the Group's equity.

As of 31 December 2009 and 2008 the maximum credit risk exposure of loans and advances to banks amounted to RUR 69,441 million and RUR 44,735 million, respectively.

As of 31 December 2008 included in due from banks is deposit margin placed by the Group at Moscow Interbank Currency Exchange for trading with derivatives. The required size of the deposit margin as of 31 December 2008 amounted to RUR 357 million, respectively.

As of 31 December 2009 and 2008 included in loans and advances to banks are loans under reverse repurchase agreements amounting to RUR 3,801 million and RUR 2,531 million, respectively, with maturity within 1 month. Such loans are collateralised by the following securities:

	31 December 2009 mRUR		31 December 2008 mRUR	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Government Eurobonds of the Russian Federation	3,683	3,313	287	265
Bonds of the MF of Belorussia	118	121	399	406
United States Treasury notes	-	-	1,845	1,765
	<u>3,801</u>	<u>3,434</u>	<u>2,531</u>	<u>2,436</u>
Total loans under reverse repurchase agreements	<u>3,801</u>	<u>3,434</u>	<u>2,531</u>	<u>2,436</u>

As at 31 December 2008 the Group sold the assets received under reverse repurchase agreements in the amount of RUR 2,132 million. The resulting liability for purchase of these assets at fair value in the amount of RUR 2,030 million was included in liabilities at fair value through profit or loss (Note 27).

19. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments comprise:

	Nominal value	31 December 2009 Net fair value mRUR		Nominal value	31 December 2008 Net fair value mRUR	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:						
Foreign exchange contracts						
Swaps	2,490	21	(33)	16,701	1,145	(161)
Forwards	-	-	-	16,499	1,006	(2,204)
Futures	-	-	-	1,540	-	-
Total foreign exchange contracts		21	(33)		2,151	(2,365)
Contracts on precious metals						
Forwards	442	4	-	211	2	(10)
Swaps	439	4	(4)	4,411	5	(317)
Total contracts on precious metals		8	(4)		7	(327)
Total		29	(37)		2,158	(2,692)

The changes in fair value of futures are calculated by the exchanges and settled to a favourable counterparty of the contract on a daily basis.

20. LOANS TO CUSTOMERS

	31 December 2009 mRUR	31 December 2008 mRUR
Loans to legal entities	162,491	195,485
Loans to individuals	129,822	150,001
Net investments in finance lease	5,246	6,250
Loans under reverse repurchase agreements	126	-
	<u>297,685</u>	<u>351,736</u>
Less allowance for impairment losses	(44,380)	(22,846)
Total loans to customers	<u>253,305</u>	<u>328,890</u>

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

	31 December 2009 RUR	31 December 2008 RUR
Loans collateralized by pledge of real estate	88,364	74,083
Loans collateralized by pledge of vehicles	54,207	63,672
Loans collateralized by rights of demand	12,403	3,034
Loans collateralized by pledge of equipment	10,368	10,498
Loans collateralized by pledge of corporate guarantees	4,661	21,694
Loans collateralized by pledge of goods in turnover	2,965	7,977
Loans collateralized by pledge of securities	1,659	2,421
Loans collateralized by pledge of cash and Group's debt securities	778	217
Loans collateralized by others	1,240	508
Unsecured loans	<u>121,040</u>	<u>167,632</u>
	<u>297,685</u>	<u>351,736</u>
Less allowance for impairment losses	(44,380)	(22,846)
Total loans to customers	<u>253,305</u>	<u>328,890</u>

	31 December 2009 mRUR	31 December 2008 mRUR
Analysis by sector:		
Individuals	129,822	150,001
Real estate	44,927	49,673
Trade	26,977	36,988
Construction	17,781	24,123
Energy industry	17,116	25,070
Defence industry	13,138	16,180
Oil and gas	11,367	5,815
Finance	8,131	3,276
Government	6,514	9,791
Transport	5,705	3,233
Ferrous metals manufacturing	4,511	6,290
Food industry	3,978	3,692
Manufacturing	2,444	5,662
Heavy engineering	975	5,343
Precious metals and diamond extraction and manufacturing	555	223
Chemical	463	1,202
Media	427	705
Engineering	193	151
Agriculture	118	242
Public health and tourism	110	72
Hotel business and services	-	228
Other	2,433	3,776
	<u>297,685</u>	<u>351,736</u>
Less allowance for impairment losses	<u>(44,380)</u>	<u>(22,846)</u>
Total loans to customers	<u>253,305</u>	<u>328,890</u>

As of 31 December 2009 loans collateralized by pledge of securities purchased under agreement to resell included in loans to customers amounted to RUR 126 million:

	31 December 2009 mRUR	
	Carrying value of loan	Fair value of collateral
Shares of Russian telecommunication companies	<u>126</u>	<u>158</u>
	<u>126</u>	<u>158</u>

As of 31 December 2009 and 2008 mortgage loans in the amount of RUR 857 million and RUR 1,031 million, respectively, were pledged as a collateral for loan received by the Group from the European Bank for Reconstruction and Development (EBRD).

As of 31 December 2009 and 2008 a substantial amount of loans is granted to companies operating in the Russian Federation, which represents a significant geographical concentration in one region.

As of 31 December 2009 and 2008 the maximum credit risk exposure of loans to customers amounted to RUR 253,305 million and RUR 328,890 million, respectively.

As at 31 December 2009 and 2008 there were loans granted to eight and two borrowers, which individually exceeded 10% of the Group's equity.

As at 31 December 2009 and 2008 included in loans to customers were loans in the amount of RUR 20,550 million and 7,828 million, the terms of which have been renegotiated. Otherwise these loans would be past due or impaired.

As at 31 December 2009 included in loans to customers were loans to legal entities in the amount of RUR 2,614 million that were pledged as security for deposits of the Central Bank of the Russian Federation (Note 24).

During the years ended 31 December 2009 and 2008 the Group received non-financial assets as a repayment on loans. As at 31 December 2009 and 2008 such assets in the amount of RUR 3,180 million and RUR 847 million, respectively are included in other assets (Note 24).

Loans to individuals comprise the following products:

	Gross amount mRUR	31 December 2009 Less allowance for impairment losses mRUR	Net amount mRUR
Car loans	50,439	(10,531)	39,907
Consumer loans	45,050	(9,027)	36,023
Mortgage loans	20,246	(311)	19,935
Express-loans	9,425	(4,816)	4,609
Overdraft	4,662	(1,007)	3,656
	<u>129,822</u>	<u>(25,692)</u>	<u>104,130</u>

	Gross amount mRUR	31 December 2008 Less allowance for impairment losses mRUR	Net amount mRUR
Car loans	59,331	(6,760)	52,571
Consumer loans	54,439	(5,100)	49,339
Mortgage loans	22,462	(94)	22,368
Express-loans	9,202	(3,798)	5,404
Overdraft	4,567	(641)	3,926
	<u>150,001</u>	<u>(16,393)</u>	<u>133,608</u>

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

	31 December 2009 mRUR			31 December 2008 mRUR		
	Original carrying amount	Impairment allowance	Revised carrying amount	Original carrying amount	Impairment allowance	Revised carrying amount
Loans to customers individually determined to be impaired	58,297	(17,373)	40,924	76,000	(5,694)	70,306
Loans to customers individually determined to be unimpaired	82,383	-	82,383	110,076	-	110,076
Loans to customers collectively assessed for impairment, including:						
-loans assessed to be impaired	45,096	(27,007)	18,089	29,414	(17,152)	12,262
-loans assessed to be unimpaired	111,909	-	111,909	136,246	-	136,246
Total impairment allowance	<u>297,685</u>	<u>(44,380)</u>	<u>253,305</u>	<u>351,736</u>	<u>(22,846)</u>	<u>328,890</u>

As at 31 December 2009 and 2008 loans that were individually determined to be impaired were collateralized by pledge of real estate, equipment, inventories, promissory notes and secured by guarantees for the total amount of RUR 34,351 million and RUR 40,072 million, respectively.

As of 31 December 2009 and 2008 years the Group as a lessor had finance lease agreements for equipment and vehicles at 24.3% and 18.8% annual effective interest rates.

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

	31 December 2009	31 December 2008
Not later than one year	2,244	2,767
Over one year	4,997	5,688
	<hr/>	<hr/>
Minimum lease payments	7,241	8,455
Less: unearned finance income	(1,995)	(2,205)
	<hr/>	<hr/>
Net investment in finance lease	5,246	6,250
	<hr/>	<hr/>
Current portion	2,084	2,584
Long-term portion	3,162	3,666
	<hr/>	<hr/>
Net investment in finance lease	5,246	6,250
	<hr/>	<hr/>

21. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2009 mRUR	31 December 2008 mRUR
Debt securities	12,571	7,719
Equity investments	697	3,045
	<hr/>	<hr/>
Total investments available-for-sale	13,268	10,764
	<hr/>	<hr/>

	31 December 2009		31 December 2008	
	Nominal interest rate %	Amount (mRUR)	Nominal interest rate %	Amount (mRUR)
Debt securities:				
Bonds of Vnesheconombank	1.6%	9,085	-	-
Eurobonds of central government the Russian Federation	7.5%	3,029	-	-
Eurobonds of Russian companies	12-13.7%	332	6.5%-14.2%	3,243
Bonds of Russian companies	9.2-18.0%	125	9.4%-14.8%	1,996
Promissory notes of Russian insurance companies	-	-	11.5%	2,008
Promissory notes of Russian companies	-	-	13.2%	201
Eurobonds of Russian banks	-	-	8.1%	120
Medium-term debt securities of Minfin of Russian Federation	-	-	10.5%	106
Promissory notes of Russian banks	-	-	11.2%	45
		<hr/>		<hr/>
		12,571		7,719
		<hr/>		<hr/>

	31 December 2009 Amount (mRUR)	31 December 2008 Amount (RUR'000)
Equity investments:		
Shares of international clearing companies	526	437
Shares and ADRs of Russian companies	126	1,055
Shares of professional participants of stock exchange	40	40
Shares and GDRs of Russian banks	5	412
Investments in units of investment funds	-	1,101
	<hr/>	<hr/>
	697	3,045
	<hr/>	<hr/>

As at 31 December 2009 and 2008 included in equity investments is equity interest in VISA Inc amounting RUR 524 million and RUR 436 million, respectively. There is a restriction on transferring these shares until 25 March 2011 with the exception of optional or mandatory buy-outs announced occasionally by Visa Inc.

As at 31 December 2009 included in investments available for sale were Bonds of Vnesheconombank in the amount of RUR 8,985 million that were pledged as security for deposits of the Central Bank of Russian Federation (Note 24).

As at 31 December 2009 and 2008 included in the Investments available for sale are non-quoted equity instruments with total value of RUR 172 million and RUR 218 million, respectively, stated at amortized cost less impairment loss of RUR 2 million and RUR 14 million, respectively.

22. PROPERTY, PLANT AND EQUIPMENT

	Buildings mRUR	Equipment and other mRUR	Total mRUR
At cost/restated cost/revalued amount			
31 December 2007	7,883	2,885	10,768
Additions	376	1,248	1,624
Disposals	(302)	(495)	(797)
Effect of translation of foreign operations	-	28	28
Revaluation	2,478	-	2,478
Impairment	(23)	-	(23)
31 December 2008	10,412	3,666	14,078
Additions	225	984	1,209
Disposals	(97)	(393)	(490)
Revaluation	(845)	-	(845)
Impairment	(113)	-	(113)
31 December 2009	<u>9,582</u>	<u>4,257</u>	<u>13,839</u>
Accumulated depreciation			
31 December 2007	148	1,214	1,362
Charge for the period	153	427	580
Disposals	(12)	(112)	(124)
Effect of translation of foreign operations	-	21	21
Elimination on revaluation	(289)	-	(289)
31 December 2008	-	1,550	1,550
Charge for the period	186	493	679
Disposals	(11)	(125)	(136)
Elimination on revaluation	(175)	-	(175)
31 December 2009	<u>-</u>	<u>1,918</u>	<u>1,918</u>
Net book value			
31 December 2009	<u>9,582</u>	<u>2,339</u>	<u>11,921</u>
31 December 2008	<u>10,412</u>	<u>2,116</u>	<u>12,528</u>

As at 31 December 2009 and 2008 property, plant and equipment included fully amortized equipment amounting to RUR 816 million and RUR 842 million, respectively.

If buildings were stated at the historical cost restated according to IAS 29, the amounts would be as follows:

	31 December 2009 mRUR	31 December 2008 mRUR
Cost	2,354	2,149
Accumulated depreciation	<u>(296)</u>	<u>(249)</u>
Net book value	<u>2,058</u>	<u>1,900</u>

23. OTHER ASSETS

	31 December 2009 mRUR	31 December 2008 mRUR
Other financial assets:		
Miscellaneous receivables	424	931
Deposited funds for cheque settlement	150	150
Assets on spot deals	<u>-</u>	<u>5</u>
	574	1,086
Less allowance for impairment losses	<u>(13)</u>	<u>(8)</u>
	561	1,078
Other non-financial assets:		
Non-current assets held for resale	3,180	847
Due from suppliers and other contractors	1,587	1,297
Taxes, other than income tax, recoverable	641	1,001
Advances to employees	12	6
Other	<u>678</u>	<u>676</u>
	6,098	3,827
Less allowance for impairment losses	<u>(315)</u>	<u>(190)</u>
Total other assets	<u>6,344</u>	<u>4,715</u>

As at 31 December 2009 and 2008 miscellaneous receivables mainly consist of due from clients for banking services.

Movement of allowance for impairment losses on other assets for the years ended 31 December 2009 and 2008 is disclosed in Note 6.

Taxes recoverable are mainly represented by valued added taxes on leasing transactions.

The non-current assets held-for-sale include assets obtained during the current and prior periods as a repayment on loans issued by the Group. As at 31 December 2009 the assets include land with total value of RUR 1,701 million, buildings with total value of RUR 1,283 million and other non-current assets with total value of RUR 196 million. As at 31 December 2008 the assets include buildings with total value of RUR 802 million and vehicles with total value of RUR 45 million. The assets are accounted for cost equal to carrying amounts of original loans. The management of the Group believe that the carrying amount of non-current assets held for sale is less than their fair value.

24. DEPOSITS OF THE CENTRAL BANK OF THE RUSSIAN FEDERATION

As of 31 December 2009 and 2008 deposits of the Central Bank of Russian Federation ("CBR") amounted to RUR 16,242 million with maturity from February to November 2010 bearing annual interest rate 9-11% and RUR 76,026 million, respectively with maturity from February to June 2009 bearing annual interest rate 8.5-13.3%.

As of 31 December 2008 all the deposits of CBR were unsecured.

As of 31 December 2009 the Group provided different types of security for the deposits of CBR:

	31 December 2009 mRUR	
	Carrying value of loan	Fair value of collateral
Bonds of Vnesheconombank	8,162	8,985
Guarantee of Russian bank	7,017	7,000
Claims for loans issued	1,063	2,614
Total deposits of CBR/collateral	16,242	18,599

25. DUE TO BANKS

	31 December 2009 mRUR	31 December 2008 mRUR
Time deposits	31,391	29,407
Demand accounts	5,162	6,173
Loans under repurchase agreements	155	604
Total due to banks	36,708	36,184

As at 31 December 2009 and 2008 included in due to banks are loans under repurchase agreements of RUR 155 million and RUR 604 million with maturity from January to April 2010 and from January to April 2009, respectively.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2009 and 2008 are presented as follows:

	31 December 2009		31 December 2008	
	Fair value of collateral mRUR	Carrying value of loans mRUR	Fair value of collateral mRUR	Carrying value of loans mRUR
Bonds of the MF of Belorussia	155	155	613	604
Total	155	155	613	604

26. CUSTOMER ACCOUNTS

	31 December 2009 mRUR	31 December 2008 mRUR
Time deposits	249,210	223,469
Repayable on demand	87,006	87,756
Total customer accounts	336,216	311,225

As of 31 December 2009 and 2008 customer accounts amounted to RUR 845 million and RUR 710 million, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As of 31 December 2009 and 2008 customer accounts amounted to RUR 232 million and RUR 916 million, respectively, were held as security against guarantees issued (Note 32).

	31 December 2009 mRUR	31 December 2008 mRUR
Individuals	119,588	113,149
Finance	72,302	33,800
Oil and gas	49,942	62,658
Non-ferrous metallurgy	29,275	24,185
Building construction	19,117	3,052
Trading	12,742	12,091
Insurance	7,023	7,056
Ferrous metallurgy	4,688	93
Food industry	2,668	524
Precious metals and diamond extraction and manufacturing	1,793	5,061
Social organizations	1,765	1,642
Manufacturing	1,411	1,906
Defence industry	1,348	978
Energy	1,313	19,485
Professional services	1,245	1,890
Agriculture	1,155	1,158
Real estate dealership	993	1,519
Services	942	636
Transportation	907	1,341
Communications	847	311
Mass-Media	587	1,148
Regional government	576	915
Information technology	532	601
Mechanical engineering	493	450
Public health and tourism	237	189
Mining	209	1,079
Housing	209	11,721
Forest	175	118
Hotel business	108	63
Chemical	42	13
Other	1,984	2,393
	<hr/>	<hr/>
Total customer accounts	336,216	311,225
	<hr/> <hr/>	<hr/> <hr/>

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2009 mRUR	31 December 2008 mRUR
Derivative financial instruments	37	2,692
Short position on securities purchased	-	2,030
	<hr/>	<hr/>
Total financial liabilities at fair value through profit or loss	37	4,722
	<hr/> <hr/>	<hr/> <hr/>

As of 31 December 2008 the following assets, acquired under reverse repurchase agreements and subsequently sold (short position), are represented at fair value as follows:

	31 December 2008 mRUR
T-Bonds of US Department of Treasury	1,765
Eurobonds of the Russian Federation	265
	<hr/>
Total liabilities acquired under reverse repurchase agreements and subsequently sold (short position)	2,030
	<hr/> <hr/>

Derivative financial instruments are disclosed in Note 19.

28. DEBT SECURITIES ISSUED

	Annual coupon rates %	31 December 2009 mRUR	Annual coupon rates %	31 December 2008 mRUR
Discount bearing promissory notes	3.3%-15.0%	6,694	5.4%-15.3%	2,949
Bonds due in 2014	12.0%	5,064	-	-
Bonds due in 2013	12.0%	4,969	-	-
Adjustable Rate Guaranteed Bonds due in 2012	9.0%	875	9.0%	850
Interest bearing promissory notes	4.5%-13.5%	521	5.9%-10.0%	882
Bonds of Belrosbank	15.5%	29	14.0%	148
Certificates of deposit	17.0-21.0%	7	13.0%-14.0%	72
Discount/interest free promissory notes	-	1	-	1
Bonds due in 2009	-	-	7.7%	2,977
Eurobonds due in 2009	-	-	8.0%-9.8%	6,997
Total debt securities issued		18,160		14,876

The Group issued Eurobonds due in 2009 collateralized by future receivables on credit card settlements.

Discount/interest free promissory notes are issued for settlement purposes, on demand, at nominal value.

29. OTHER LIABILITIES

	31 December 2009 mRUR	31 December 2008 mRUR
Other financial liabilities:		
Accrued bonuses and salary	625	750
Unused vacations provision	644	608
Payables to Societe Generale	260	-
Payables for property in leasing	207	-
Suspense amounts	136	46
Dividends payable	-	8
Liability on spot deals	-	2
	<u>1,872</u>	<u>1,414</u>
Other non-financial liabilities:		
Deposit insurance charge liability	105	95
Payable to suppliers, contractors and purchasers	386	431
Taxes, other than income tax, payable	237	237
Creditors on other operations	67	90
Other	427	126
	<u>1,222</u>	<u>979</u>
Total other liabilities	3,094	2,393

30. SUBORDINATED DEBT

	Currency	Maturity year	Interest Rate %	31 December 2009 mRUR	31 December 2008 mRUR
Societe Generale S.A.	USD	2015	8	4,546	4,416
Societe Generale S.A.	RUR	2014	8	3,914	3,916
Societe Generale S.A.		2023 (initial maturity)	6.5 (initial interest rate)		
	USD	2015)	6.7)	3,787	3,679
GENEBANQUE S.A.		2022 (initial maturity)	6.6 (initial interest rate)		
	USD	2014)	7.1)	2,472	2,402
Societe Generale S.A.	RUR	2017	8	752	751
Total subordinated debt				15,471	15,164

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

31. SHARE CAPITAL

As of 31 December 2009 and 2008 nominal share capital issued and fully paid comprised of 739,018,628 and 719,795,538 ordinary shares, respectively, with par value of RUR 10 each. All shares are ranked equally and carry one vote.

As of 31 December 2009 and 2008 share premium totalling RUR 19,141 million of RUR 15,408 million, respectively, represents an excess of contributions received in share capital over the nominal value of shares issued.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. As of 31 December 2009 and 2008 non-distributable reserves are represented by a general reserve fund, which is created as required by statutory regulations in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with statutory regulations of individual entities that provide for the creation of a reserve for these purposes.

As at 31 December 2009 the Bank's share capital comprised of the following number of shares of RUR 10 each:

	Share capital authorized Share	Share capital authorized but not issued Share	Share capital repurchased Share	Share capital issued and paid in Share
Ordinary shares	1,040,528,420	294,066,954	7,442,838	739,018,628

32. COMMITMENTS AND CONTINGENCIES

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

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

The Group's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

	31 December 2009 mRUR	31 December 2008 mRUR
Provision for losses on letters of credit and guarantees	323	468
Provision for unused limits on credit cards	-	14
Total other provisions	323	482

As of 31 December 2009 and 2008, letters of credit and other transactions related to contingent obligations covered by cash amounted to RUR 845 million and RUR 710 million, respectively and guarantees issued covered by cash amounted to RUR 232 million and RUR 916 million, respectively.

The risk-weighted amount is obtained by applying a credit conversion factor and counterparty risk weightings according to principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2009 and 2008, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2009		31 December 2008	
	Nominal Amount mRUR	Risk weighted amount mRUR	Nominal Amount mRUR	Risk weighted amount mRUR
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	8,828	4,387	20,386	9,716
Letters of credit and other transaction related contingent obligations	5,053	1,229	7,524	1,864
Commitments on loans and unused credit lines	85,231	36,217	116,142	29,587
Total contingent liabilities and credit commitments	99,112	41,833	144,052	41,167

The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

Commitments on lease activities – As of 31 December 2009 and 2008 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUR 6 million and RUR 128 million, respectively.

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancellable operating leases of buildings and equipment are as follows:

	31 December 2009 mRUR	31 December 2008 mRUR
Not later than 1 year	1,704	1,392
Later than 1 year and not later than 5 years	1,018	2,287
Later than 5 years	194	294
Total operating lease commitments	2,916	3,973

Fiduciary activities – In the normal course of its business, the Group enters into agreements with limited rights on decision making with clients for asset management in accordance with specific criteria established by clients. The Group may be liable for losses due to its gross negligence or wilful misconduct until such funds or securities are returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized gain/loss on the client's position. In the judgment of management, as of 31 December 2009 and 2008 the maximum potential financial risk on securities accepted by the Group on behalf of its clients does not exceed RUR 842 million and RUR 23,379 million, respectively.

The Group also provides depository services to its customers. As of 31 December 2009 and 2008, the Group had customer securities totalling 1,672,796,448,760 items and 1,620,927,595,975 items, respectively, in its nominal holder accounts.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

The Group is receiving claims from individual customers with respect to certain commissions withheld by the Group for loan agreements service. The CBR issued an instruction requiring banks to disclose effective interest rates on loans granted to individuals. Management is of the opinion that such claims would not have adverse consequences for the Group, and has established procedures on disclosing additional information in loan agreements in compliance with the CBR instruction.

Taxation – Commercial legislation of the RF and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

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

Operating environment – The Group's principal business activities are within the Russian Federation. Laws and regulations affecting the business environment in the Russian Federation are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Although in recent years there has been a general improvement in economic conditions in the Russian Federation, the Russian Federation continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

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

Ongoing Global Liquidity Crisis – The financial markets, both globally and in the Russian Federation, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets generally and the strength of counterparties, and many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

It has resulted in a decrease of GDP in Russian Federation, significant declines in debt and equity prices and a substantial outflow of capital. The government of Russian Federation initiated the adoption of a package of federal laws and regulations to restore investor confidence, provide liquidity and support medium-term growth of Russian economy.

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

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

Factors including increased unemployment in Russian Federation, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Group's borrowers' ability to repay the amounts due to the Group. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

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

Recoverability of financial assets – As a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing as at reporting date, there exists the potential that assets may not be recovered at their carrying amount in the regular course of business.

As at 31 December 2009, the Group has financial assets amounting to RUR 439,127 million (as at 31 December 2008: RUR 487,293 million). The recoverability of these financial assets depends on a large extent on the efficacy of the fiscal measures and other measures and other actions, beyond the Group's control, undertaken within various countries to achieve economic stability and recovery. The recoverability of the Group's financial assets is determined based on conditions prevailing and information available as at reporting date. It is the management's opinion that no additional provision on financial assets is needed at present, based on prevailing conditions and available information.

33. SUBSEQUENT EVENTS

Better balanced liquidity positions between Russian ruble and foreign currencies allowed the Group to fully repay commitments towards the Central Bank of the Russian Federation in February 2010.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries. It plans to build a new financial Group by merging ROSBANK and BSGV, while other entities of the Group in Russia (Rusfinance, Delta Credit) will become subsidiaries of the merged bank.

34. TRANSACTIONS WITH RELATED PARTIES

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

- (a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives them significant influence over the Group; and that have joint control over the Group;
- (b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Joint ventures in which the Group is a venturer;
- (d) Members of key management personnel of the Group or its parent;
- (e) Close members of the family of any individuals referred to in (a) or (d);
- (f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

	31 December 2009		31 December 2008	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Financial assets at fair value through profit or loss	-	1,726	8	6,154
- related parties under common control with the Group	-		8	
Due from banks	9,931	69,441	304	44,735
- shareholders	7,661		252	
- related parties controlled by, or under common control with the Group	2,270		52	
Loans to customers, gross	9,837	297,685	8,475	351,736
- key management personnel of the Group	76		70	
- related parties controlled by, or under common control with the Group	9,761		8,405	
Allowance for impairment losses on loans to customers	3,279	44,380	132	22,846
- related parties controlled by, or under common control with the Group	3,279		132	
Investments available-for-sale	61	13,268	671	10,764
- related parties controlled by, or under common control with the Group	61		671	
Other assets	32	6,344	19	4,715
- related parties controlled by, or under common control with the Group	32		19	
Due to banks	16,523	36,708	906	36,184
- shareholders	16,512		895	
- related parties controlled by, or under common control with the Group	11		11	

	31 December 2009		31 December 2008	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Customer accounts	56,420	336,216	37,194	311,225
- shareholders	2		2	
- key management personnel of the Group	5,015		5,414	
- related parties controlled by, or under common control with the Group	51,403		31,778	
Other provisions	9	323	33	482
- shareholders	-		3	
- related parties controlled by, or under common control with the Group	9		30	
Financial liabilities at fair value through profit or loss	-	37	84	4,722
- shareholders	-		-	
- related parties controlled by, or under common control with the Group	-		84	
Subordinated debt	15,471	15,471	15,164	15,164
- shareholders	12,999		12,762	
- related parties controlled by, or under common control with the Group	2,472		2,402	
Other liabilities	301	3,094	14	2,393
- shareholders	260		-	
- related parties controlled by, or under common control with the Group	41		14	
Guarantees issued and similar commitments	838	8,828	3,034	20,386
- shareholders	-		240	
- key management personnel of the Group	12		11	
- related parties under common control with the Group	826		2,783	
Letters of credit and other transaction related contingent obligations	1,428	5,053	1,025	7,524
- related parties under common control with the Group	1,428		1,025	
Commitments on loans and unused credit lines	2,925	85,231	2,912	116,142
- key management personnel of the Group	83		178	
- related parties under common control with the Group	2,842		2,734	
Guarantees received	2,359	694,102	3,680	733,316
- related parties under common control with the Group	2,359		3,680	

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

	Year ended 31 December 2009 mRUR		Year ended 31 December 2008 mRUR	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	914	55,883	995	49,983
- shareholders	-		1	
- key management personnel of the Group	11		14	
- related parties controlled by, or under common control with the Group	903		980	
Interest expense	4,126	32,379	4,905	23,361
- shareholders	2,191		1,032	
- key management personnel of the Group	492		341	
- related parties controlled by, or under common control with the Group	1,443		3,532	
Provision for impairment losses	1,590	26,866	97	8,290
- key management personnel of the Group	-		1	
- related parties controlled by, or under common control with the Group	1,590		96	
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	127	19	(79)	(70)
- shareholders	-		8	
- related parties under common control with the Group	127		(87)	
Net realized gain on sale of investments available-for-sale	40	1,227	170	103
- related parties under common control with the Group	40		170	
Net (loss)/gain on foreign exchange operations	(656)	483	582	2,233
- shareholders	(860)		(141)	
- related parties controlled by, or under common control with the Group	204		723	
Net loss on precious metals operations	-	(420)	(399)	(1,105)
- shareholders	-		(437)	
- related parties under common control with the Group	-		38	
Fee and commission income	100	5,891	238	6,447
- shareholders	1		9	
- key management personnel of the Group	1		3	
- related parties controlled by, or under common control with the Group	98		226	

	Year ended 31 December 2009 mRUR		Year ended 31 December 2008 mRUR	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Fee and commission expense	5	1,407	94	1,446
- shareholders	-		7	
- related parties controlled by, or under common control with the Group	5		87	
Operating expense (other than compensation)	608	9,665	450	8,789
- shareholders	260			
- related parties controlled by, or under common control with the Group	348		450	
Other income	499	771	480	841
- shareholders	359		-	
- related parties controlled by, or under common control with the Group	140		480	
Key management personnel compensation	490	10,045	542	10,275
- short-term employee benefits	490		542	

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	31 December 2009		31 December 2008	
	Carrying value, mRUR	Fair value, mRUR	Carrying value, mRUR	Fair value, mRUR
Cash and balances with the Central and National banks	100,826	100,826	95,672	95,672
Financial assets at fair value through profit or loss	1,726	1,726	6,154	6,154
Due from banks	69,441	69,441	44,735	44,735
Loans to customers	253,305	253,305	328,890	328,890
Investments available-for-sale	13,268	13,096	10,764	10,546
Other financial assets	561	561	1,078	1,078
Deposits of the Central Bank of the Russian Federation	16,242	16,242	76,026	76,026
Due to banks	36,708	36,708	36,184	36,184
Customer accounts	336,216	336,216	311,225	311,225
Financial liabilities at fair value through profit or loss	37	37	4,722	4,722
Debt securities issued	18,160	18,205	14,876	13,657
Subordinated debt	15,471	15,471	15,164	15,164
Other financial liabilities	1,872	1,872	1,414	1,414

It is not practicable to obtain market information or apply any other valuation techniques on loans to customers and customer accounts.

The fair value of non-quoted equity instruments included in investments available-for-sale of RUR 172 million and RUR 218 million as of 31 December 2009 and 2008, respectively, can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

Financial instruments recognised at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

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

The Group's valuation approach and fair value hierarchy categorisation for certain significant classes of financial instruments recognised at fair value is as follows:

	Quoted prices in active market (Level 1)	December 31, 2009 Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)
Financial assets at fair value through profit or loss	1,616	110	-
Investments available-for-sale	13,096	-	-
Financial liabilities at fair value through profit or loss	37	-	-

	Quoted prices in active market (Level 1)	December 31, 2008 Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)
Financial assets at fair value through profit or loss	5,627	527	-
Investments available-for-sale	8,292	2,254	-
Financial liabilities at fair value through profit or loss	4,722	-	-

36. REGULATORY MATTERS

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

The ratio was calculated according to the principles employed by the Basle Committee.

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

As at 31 December 2009 the Group's total capital amount for Capital Adequacy purposes was RUR 46,029 million and Tier 1 capital amount was RUR 26,480 million with ratios of 13.7% and 7.9%, respectively.

As at 31 December 2008 the Group's total capital amount for Capital Adequacy purposes was RUR 57,792 million and Tier 1 capital amount was RUR 37,457 million with ratios of 14.2% and 9.2%, respectively.

37. CAPITAL RISK MANAGEMENT

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

The Group is obliged to comply with CBR capital adequacy requirements.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 30, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

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

38. SEGMENT REPORTING

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 "Operating segments" and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Before 1 January 2009 the Group's primary format for reporting segment information was business segments in accordance with IAS 14 "Segment reporting". Starting 1 January 2009 the Group disclosed segment reporting in accordance with IFRS 8. The information below is in accordance with IFRS 8 both for the year ended 31 December 2009 and 2008.

In accordance with IFRS 8 the Group defined its business activities as operating segments which are reported in these consolidated financial statements. The business activities are managed separately as each business requires different technology and market strategies. On this basis, the Group aggregated these operating segments in accordance with IFRS 8 into the following reportable segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Treasury and Financial institutions – representing all trading financial instruments recognized and measured at fair value through profit and loss as well as loans and borrowings initiated through interbank transactions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between the operating segments consist only of reallocating of funds. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's marginal funding price. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but excluding items such as taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

Segment information about these businesses is presented below.

	Retail Banking	Corporate banking	Treasury and Financial institutions	Unallocated and other segments	Year ended 31 December 2009 Consolidated amount mRUR
Interest income	24,371	29,683	1,510	319	55,883
Interest expense	(8,650)	(12,684)	(9,843)	(1,202)	(32,379)
Provisions for impairment losses on interest bearing assets	(10,094)	(16,772)	-	-	(26,866)
Net gain on financial assets at fair value through profit or loss	-	-	948	(929)	19
Net gain on investments available- for-sale	-	-	315	912	1,227
Net gain on foreign exchange operations	291	139	544	(491)	483
Net loss on precious metals operations	-	-	(420)	-	(420)
Fee and commission income	3,832	1,949	110	-	5,891
Fee and commission expense	(403)	(773)	(70)	(161)	(1,407)
Impairment of investments available-for-sale	-	-	-	(74)	(74)
Other provisions	14	145	-	(196)	(37)
Dividend income	-	-	-	113	113
Other income	442	-	-	329	771
External operating revenue/(expense)	9,803	1,687	(6,906)	(1,380)	3,204
(Expense)/income from other segments	(1,114)	3,586	(2,278)	(194)	-
Total operating income/(expense)	8,689	5,273	(9,184)	(1,574)	3,204
Operating expenses	(14,459)	(4,719)	(224)	(308)	(19,710)
(Loss)/profit before income tax	(5,770)	554	(9,408)	(1,882)	(16,506)
Income tax expense	-	-	-	2,137	2,137
Net (loss)/profit	(5,770)	554	(9,408)	255	(14,369)
Segment assets	112,875	152,029	172,803	19,815	457,522
Segment liabilities	119,588	216,628	71,147	18,888	426,251
Other segment items					
Depreciation charge on property, plant and equipment	(498)	(163)	(8)	(10)	(679)
Cash and balances with the Central and National banks	-	-	100,826	-	100,826
Financial assets at fair value through profit or loss	-	-	1,726	-	1,726
Precious metals	-	-	674	-	674
Loans and advances to banks	-	-	69,441	-	69,441
Investments available-for-sale	-	-	-	13,268	13,268
Loans to customers	104,130	149,175	-	-	253,305
Property, plant and equipment	8,745	2,854	136	186	11,921
Deposits of the Central Bank of the Russian Federation	-	-	16,242	-	16,242
Deposits from banks	-	-	36,708	-	36,708
Customer accounts	119,588	216,628	-	-	336,216
Financial liabilities at fair value through profit or loss	-	-	37	-	37
Debt securities issued	-	-	18,160	-	18,160
Subordinated debt	-	-	-	15,471	15,471
Capital expenditure	887	289	14	19	1,209

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	Year ended 31 Dec 2008 Consolidated amount mRUR
Interest income	24,691	22,219	3,073	-	49,983
Interest expense	(6,845)	(10,090)	(5,566)	(860)	(23,361)
Provisions for impairment losses on interest bearing assets	(4,299)	(3,991)	-	-	(8,290)
Fee and commission income	4,250	2,197	-	-	6,447
Fee and commission expense	(562)	(772)	(64)	(48)	(1,446)
Net loss on financial assets at fair value through profit or loss	-	-	(70)	-	(70)
Net gain on sale of investments available-for-sale	-	-	-	103	103
Net gain on foreign exchange operations	580	1,027	750	(124)	2,233
Net gain on precious metals operations	(1)	(434)	(670)	-	(1,105)
Other provisions	(928)	(300)	-	(137)	(1,365)
Impairment of investments available-for-sale	-	-	-	(2,498)	(2,498)
Dividend income	-	-	-	165	165
Other income	658	-	-	183	841
External operating income	17,544	9,856	(2,547)	(3,216)	21,637
Income/(expense) from other segments	(3,088)	4,048	(1,123)	163	-
Total operating income	14,456	13,904	(3,670)	(3,053)	21,637
Operating expenses	(9,685)	(4,004)	(217)	(5,158)	(19,064)
Profit before income tax	4,771	9,900	(3,887)	(8,211)	2,573
Income tax expense	-	-	-	(1,945)	(1,945)
Net profit	4,771	9,900	(3,887)	(10,156)	628
Segment assets	139,973	197,912	148,195	18,907	504,987
Segment liabilities	113,149	198,076	131,808	18,039	461,072
Other segment items					
Depreciation charge on property, plant and equipment	(295)	(122)	(7)	(156)	(580)
Cash and balances with the Central and National banks	-	-	95,672	-	95,672
Financial assets at fair value through profit or loss	-	-	6,154	-	6,154
Precious metals	-	-	1,491	-	1,491
Loans and advances to banks	-	-	44,735	-	44,735
Investments available-for-sale	-	-	-	10,764	10,764
Loans to customers	133,608	195,282	-	-	328,890
Property, plant and equipment	6,364	2,631	143	3,390	12,528
Deposits of the Central Bank of the Russian Federation	-	-	76,026	-	76,026
Deposits from banks	-	-	36,184	-	36,184
Customer accounts	113,149	198,076	-	-	311,225
Financial liabilities at fair value through profit or loss	-	-	4,722	-	4,722
Debt securities issued	-	-	14,876	-	14,876
Subordinated debt	-	-	-	15,164	15,164
Capital expenditure	825	341	18	440	1,624

39. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Liquidity risk

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

Current liquidity and cash flow risks are managed by the Treasury department. Strategic decisions and overall risk monitoring is provided by the Management Board and Assets and Liabilities Committee (ALCO).

The Treasury Department makes daily forecasts on the Group's liquidity position. The Treasury Department manages assets/liabilities' structure (maturities up to 30 days). Thus, Treasury Department manages and controls the current liquidity position of the Group. The Asset and Liability Management Department of Finance Directorate (ALM) assesses excess/lack of liquidity. ALM makes analytic reports about assets/liabilities' maturity structure every week which is issued weekly and monthly as a basic tool for liquidity risk analysis. The method used for assessment of the maturity structure is GAP analysis. It includes the analysis of absolute characteristics of the individual and cumulative gaps of the periodic structure of assets/liabilities based on basic maturity periods. Maturity is presented according to contractual terms and modelled terms for non-maturity items, client behaviour regarding contractual options is to be incorporated in the gaps structure as well. As a part of budgeting process ALM is also to analyze and forecast liquidity conditions (maturities more than 30 days) under normal conditions and in case of negative economic conditions, creditors' and debtors' delinquencies. ALM calculates liquidity position against internal liquidity limits (approved by ALCO) taking into account lines of funding granted from Societe Generale and Central Bank of Russia. The Central Bank of the Russian Federation's obligatory ratios are calculated and forecasted in terms of compliance by Finance Directorate.

The table below presents the cash flow payable by the Group under financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), whereas the Group manages the inherent liquidity risk based on discounted expected cash inflows.

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2009 Total
LIABILITIES						
Deposits of the Central Bank of the Russian Federation and due to banks	-	8,985	7,986	-	-	16,971
Due to banks	13,128	592	25,538	3,109	-	40,367
Financial liabilities at fair value through profit or loss	37	-	-	-	-	37
Customer accounts	125,109	42,972	110,599	79,257	34	357,971
Debt securities issued	135	2,493	4,574	16,580	484	24,266
Subordinated debt	-	-	-	5,380	19,295	24,675
Other financial liabilities	1,550	285	1,257	156	-	3,248
Contingent liabilities and credit commitments	103,283	-	-	-	-	103,283
Total financial liabilities	243,242	55,327	147,954	104,482	19,813	570,815

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2008 Total
LIABILITIES						
Deposits of the Central Bank of the Russian Federation and due to banks	17,133	29,554	65,253	2,494	1,050	115,484
Financial liabilities at fair value through profit or loss	3,368	-	1,317	-	-	4,685
Customer accounts	114,020	17,841	104,738	92,589	41	329,229
Debt securities issued	1,023	5,499	9,553	1,634	550	18,259
Subordinated debt	94	188	860	3,424	18,447	23,013
Other financial liabilities	2,046	1,340	456	-	-	3,842
Contingent liabilities and credit commitments	144,052	-	-	-	-	144,052
Total financial liabilities	281,736	54,422	182,177	100,141	20,088	638,563

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed within the limit framework as established in accordance with the standards set by the Group. Interest rate risks are controlled via regular interest rate gap reporting. The Group does not perform hedging activities, thus no risk management policy for hedging transactions has been developed.

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective average interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	RUR	31 December 2009			RUR	31 December 2008		
		USD	EUR	Precious metals		USD	EUR	Precious metals
ASSETS								
Financial assets at fair value through profit or loss	11.6%	12.2%	-	-	10.6%	10.7%	-	-
Due from banks	4.1%	1.3%	0.1%	-	-	4.2%	2.0%	-
Loans to customers	15.7%	13.5%	10.3%	-	16.8%	15.1%	14.1%	-
Investments available-for-sale	-	3.5%	-	-	11.0%	9.0%	-	-
LIABILITIES								
Deposits of the Central Bank of the Russian Federation	9.6%	-	-	-	12.1%	-	-	-
Due to banks	12.2%	7.6%	-	-	12.3%	4.7%	6.2%	2.1%
Customer accounts	9.4%	5.8%	7.5%	4.2%	9.6%	7.1%	8.1%	-
Debt securities issued	11.8%	7.8%	-	-	8.2%	6.4%	7.0%	-
Subordinated debt	8.0%	7.1%	-	-	6.5%	6.1%	-	-

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

Impact on net profit and equity:

	31 December 2009				31 December 2008			
	RUR		Other currencies		RUR		Other currencies	
	1%	-1%	1%	-1%	1%	-1%	1%	-1%
Financial assets at fair value through profit or loss and Investments available-for-sale	12	(12)	2	(2)	13	(13)	6	(6)
Due from banks	124	(124)	11	(11)	-	-	123	(123)
Loans to customers	325	(325)	7	(7)	448	(448)	207	(207)
Due to banks	(102)	102	(2)	2	(469)	469	(44)	44
Debt securities issued	(27)	27	-	-	(35)	35	(15)	15
Customer accounts	(541)	541	(23)	23	(226)	226	(313)	313
Impact on net profit and equity	(298)	298	(5)	5	(269)	269	(36)	36

The analysis of interest rate and liquidity risk is presented in the following table:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 mRUR Total
ASSETS							
Interest bearing assets							
Financial assets at fair value through profit or loss	1,697	-	-	-	-	-	1,697
Due from banks	44,233	9,020	2,271	2	-	-	55,526
Loans to customers	25,903	27,155	70,039	106,487	23,721	-	253,305
Investments available-for-sale	76	3	9,463	-	3,029	-	12,571
Total interest bearing assets	71,909	36,178	81,773	106,489	26,750	-	323,099
Cash and balances with the Central and National banks	92,439	-	-	-	-	8,387	100,826
Financial assets at fair value through profit or loss	29	-	-	-	-	-	29
Due from banks	13,915	-	-	-	-	-	13,915
Investments available-for-sale	-	-	-	697	-	-	697
Other financial assets	561	-	-	-	-	-	561
Total non-interest bearing assets	106,944	-	-	697	-	8,387	116,028
TOTAL FINANCIAL ASSETS	178,853	36,178	81,773	107,186	26,750	8,387	439,127
Precious metals	674	-	-	-	-	-	674
Property, plant and equipment	-	-	-	-	-	11,921	11,921
Property purchased for transfer into finance lease	-	-	17	-	-	-	17
Current income tax asset	-	-	802	-	-	-	802
Deferred income tax asset	-	-	-	3,189	-	-	3,189
Other non-financial assets	375	2,229	3,179	-	-	-	5,783
TOTAL NON-FINANCIAL ASSETS	1,049	2,229	3,998	3,189	-	11,921	22,386
TOTAL ASSETS	179,902	38,407	85,771	110,375	26,750	20,308	461,513
LIABILITIES							
Interest bearing liabilities							
Deposits of the Central Bank of the Russian Federation	-	8,844	7,398	-	-	-	16,242
Due to banks	6,863	293	22,561	1,827	2	-	31,546
Subordinated debt	32	7	-	3,900	11,532	-	15,471
Customer accounts	37,099	39,292	99,153	73,652	14	-	249,210
Debt securities issued	430	2,621	4,289	10,548	272	-	18,160
Total interest bearing liabilities	44,424	51,057	133,401	89,927	11,820	-	330,629
Due to banks	5,162	-	-	-	-	-	5,162
Customer accounts	87,006	-	-	-	-	-	87,006
Other financial liabilities	784	269	663	156	-	-	1,872
Financial liabilities at fair value through profit or loss	37	-	-	-	-	-	37
Total non-interest bearing liabilities	92,989	269	663	156	-	-	94,077
TOTAL FINANCIAL LIABILITIES	137,413	51,326	134,064	90,083	11,820	-	424,706
Other provisions	323	-	-	-	-	-	323
Deferred income tax liabilities	-	-	1,892	-	-	-	1,892
Other non-financial liabilities	470	752	-	-	-	-	1,222
TOTAL NON-FINANCIAL LIABILITIES	793	752	1,892	-	-	-	3,437
TOTAL LIABILITIES	138,206	52,078	135,956	90,083	11,820	-	428,143
Liquidity gap on financial assets and liabilities	41,440	(15,148)	(52,291)	17,103	14,930	-	-
Interest sensitivity gap	27,485	(14,879)	(51,628)	16,562	14,930	-	-
Cumulative interest sensitivity gap	27,485	12,606	(39,022)	(22,460)	(7,530)	-	-
Cumulative interest sensitivity gap as a percentage of total financial assets	6.3%	2.9%	(8.9%)	(5.1%)	(1.7%)	-	-
	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 mRUR Total
ASSETS							
Interest bearing assets							
Financial assets at fair value through profit or loss	3,996	-	-	-	-	-	3,996
Due from banks	27,402	1	15	-	-	-	27,418
Loans to customers	21,783	35,723	97,973	166,010	7,401	-	328,890
Investments available-for-sale	-	991	2,840	2,658	1,230	-	7,719
Total interest bearing assets	53,181	36,715	100,828	168,668	8,631	-	368,023
Cash and balances with the Central and National banks	94,096	-	-	-	-	1,576	95,672
Financial assets at fair value through profit or loss	2,158	-	-	-	-	-	2,158
Due from banks	17,317	-	-	-	-	-	17,317
Investments available-for-sale	-	-	-	3,045	-	-	3,045

Other financial assets	1,078	-	-	-	-	-	1,078
Total non-interest bearing assets	114,649	-	-	3,045	-	1,576	119,270
TOTAL FINANCIAL ASSETS	167,830	36,715	100,828	171,713	8,631	1,576	487,293
Property purchased for transfer into finance lease	-	-	38	-	-	-	38
Property, plant and equipment	-	-	-	-	-	12,528	12,528
Current income tax assets	-	-	650	-	-	-	650
Deferred income tax asset	-	-	916	-	-	-	916
Precious metals	1,491	-	-	-	-	-	1,491
Other non-financial assets	690	2,100	847	-	-	-	3,637
TOTAL NON-FINANCIAL ASSETS	2,181	2,100	2,451	-	-	12,528	19,260
TOTAL ASSETS	170,011	38,815	103,279	171,713	8,631	14,104	506,553
LIABILITIES							
Interest bearing liabilities							
Deposits of the Central Bank of the Russian Federation	776	27,750	47,500	-	-	-	76,026
Due to banks	6,628	111	20,023	3,044	204	-	30,010
Subordinated debt	40	-	-	-	15,124	-	15,164
Customer accounts	24,081	15,014	97,332	86,780	262	-	223,469
Debt securities issued	804	3,098	7,654	3,008	311	-	14,875
Total interest bearing liabilities	32,329	45,973	172,509	92,832	15,901	-	359,544
Due to banks	6,174	-	-	-	-	-	6,174
Customer accounts	87,756	-	-	-	-	-	87,756
Debt securities issued	1	-	-	-	-	-	1
Other financial liabilities	1,406	-	8	-	-	-	1,414
Financial liabilities at fair value through profit or loss	2,228	11	2,483	-	-	-	4,722
Total non-interest bearing liabilities	97,565	11	2,491	-	-	-	100,067
TOTAL FINANCIAL LIABILITIES	129,894	45,984	175,000	92,832	15,901	-	459,611
Other provisions	29	114	193	137	6	3	482
Current income tax liabilities	-	-	105	-	-	-	105
Deferred income tax liabilities	-	-	1,859	-	-	-	1,859
Other non-financial liabilities	262	717	-	-	-	-	979
TOTAL NON-FINANCIAL LIABILITIES	291	831	2,157	137	6	3	3,425
TOTAL LIABILITIES	130,185	46,815	177,157	92,969	15,907	3	463,036
Liquidity gap on financial assets and liabilities	37,936	(9,269)	(74,172)	78,881	(7,270)	-	-
Interest sensitivity gap	20,852	(9,258)	(71,681)	75,836	(7,270)	-	-
Cumulative interest sensitivity gap	20,852	11,594	(60,087)	15,749	8,479	-	-
Cumulative interest sensitivity gap as a percentage of total financial assets	4.3%	2.4%	(12.3%)	3.2%	1.7%	-	-

Substantially all of the Group's interest earning assets and interest bearing liabilities are at fixed rates of assets.

Asset and liability maturity periods and the ability to replace interest bearing liabilities at an acceptance cost when they mature are crucial in determining the Group's liquidity and its fluctuation of interest and exchange rates.

The maturity of time deposits of individuals is based on contractual terms. However, time deposits can be withdrawn by individuals on demand.

The equity investments available-for-sale and the equity investments at fair value through profit or loss have no contractual maturity and are classified based on management's intentions.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that deposits are a stable and long-term source of financing for the Group.

Market risk

Market risk is assessed by Market Risk Department (MRD) using a value at risk (VAR) methodology and Stress test calculation. VAR is calculated by parametric method. Stress test is calculated by hypothetical scenario with shocks approved by SG RISK, SG division supervising Rosbank market risk management. MRD provides daily market risk evaluation and prepares a report for the Board of Directors once a month. The Group performs back testing of the adequacy of the methodology at least quarterly with reference to current market terms to ensure that deviations for all statistics parameters included in the calculation are within expected values. Based on statistics for the preceding nine months and maturities of debt securities, the Group produces a model securities portfolio, calculates a proportion of different types of securities in the portfolio and the overall risk of the portfolio which is viewed as a standard portfolio proportion in current terms. In order to decrease risks, the Group sets

the following limits: open position limit, stress test limit, stop-loss limit and structure limits. MRD daily assesses current risks of the Group and proposes limits for the Liquidity, Risks and Pricing Committee. Open position limit and stress-test limit are approved by SG RISK. Operations Registration Department calculates bank's FX open position daily according to CBR requirements. A stop-loss limit is used to prevent unexpected significant losses resulting from fluctuations in the securities portfolio and FX trading positions. The stop-loss limits are set for accumulated losses per day and per month in USD. No operations are allowed after the loss reaches the stop-loss limit during corresponding period (day or month). Daily limit utilization is determined from realized and unrealized mark-to-market adjustment. Market prices used are determined by "Market instruments revaluation methodology", approved by RB Liquidity, Risks and Pricing committee. REUTERS and BLOOMBERG are used as market data providers.

The Group's exposure to market risk for financial assets at fair value through profit or loss and investments available-for-sale by using a value at risk (VAR) methodology is presented in the table below:

	31 December 2009 mRUR	95% 1day VaR mRUR	95% 10 days VaR mRUR	Risk 1 day	Risk 10 days
Debt securities of Russian companies	304	3	7	0.97%	2.39%
Bonds of the MF of Belorussia	187	3	9	1.51%	4.77%
Debt securities of local authorities	1,087	10	21	0.94%	1.95%
Promissory notes of Russian companies	110	-	1	0.40%	1.28%
Debt securities of Russian Federation	9	-	-	5.78%	5.36%
Total financial assets at fair value through profit or loss	1,697	16	38	0.94%	2.27%

	31 December 2008 mRUR	95% 1day VaR mRUR	95% 10 days VaR mRUR	Risk 1 day	Risk 10 days
Debt securities of Russian companies	1,442	55	86	3.85%	5.95%
Bonds of the MF of Belorussia	910	49	155	5.38%	17.00%
Debt securities of local authorities	780	31	78	3.93%	10.00%
Promissory notes of Russian companies	437	1	3	0.25%	0.79%
US Treasury notes	270	1	2	0.44%	0.92%
Promissory notes of Russian banks	90	1	4	1.36%	4.30%
Debt securities of Russian banks	59	3	8	4.26%	14.21%
Debt securities of Russian Federation	8	-	1	2.13%	9.36%
Total financial assets at fair value through profit or loss	3,996	133	324	3.33%	8.11%

	31 December 2009 mRUR	95% 1day VaR mRUR	95% 10 days VaR mRUR	Risk 1 day	Risk 10 days
Bonds of Russian companies	126	4	6	3.11%	5.00%
Bonds of Vnesheconombank	9,085	23	31	0.25%	0.34%
Eurobonds of central government RF	3,029	183	169	6.03%	5.58%
Eurobonds of Russian companies	332	5	10	1.46%	2.90%
Shares and ADRs of russian companies	126	3	8	2.59%	6.22%
Shares and GDRs of russian banks	5	-	-	2.14%	6.80%
Shares of international clearing companies	526	12	30	2.24%	5.65%
Total investments available-for-sale	13,268	223	245	1.68%	1.85%

	31 December 2008 mRUR	95% 1day VaR mRUR	95% 10 days VaR mRUR	Risk 1 day	Risk 10 days
Eurobonds of Russian companies	3,243	63	259	1.95%	7.99%
Promissory notes of Russian insurance companies	2,008	39	123	1.94%	6.12%
Debt securities of Russian companies	1,996	135	190	6.75%	9.52%
Investments in units of investment funds	1,101	53	168	4.83%	15.25%
Shares and ADRs of Russian companies	1,055	74	216	7.00%	20.51%
Shares of international clearing companies	437	29	58	6.51%	13.26%
Shares and GDRs of Russian banks	412	27	79	6.58%	19.12%
Promissory notes of Russian companies	201	1	2	0.33%	1.03%
Eurobonds of Russian banks	120	6	15	4.91%	12.40%
Medium-term debt securities of Minfin RF	106	2	5	1.88%	4.57%
Promissory notes of Russian banks	45	1	12	1.35%	4.26%
Shares of professional participants of stock exchange	40	3	8	7.09%	20.44%
Total investments available-for-sale	10,764	365	992	3.39%	9.22%

VAR is technique which uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will with a given degree of certainty exceed a certain amount.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuation in prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currencies (primarily US Dollar), by branches and in total. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation.

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

	RUR	USD 1 USD = 30.2442 RUR	EUR 1 EUR = 43.3883 RUR	Precious metals	Other currency	31 December 2009 mRUR Total
ASSETS						
Cash and balances with the Central and National banks	34,483	38,594	27,024	-	725	100,826
Financial assets at fair value through profit or loss	1,501	21	-	3	201	1,726
Due from banks	18,419	44,736	5,461	-	825	69,441
Loans to customers	154,528	86,580	11,055	-	1,142	253,305
Investments available-for-sale	297	12,969	2	-	-	13,268
Other financial assets	346	121	20	-	74	561
TOTAL FINANCIAL ASSETS	209,574	183,021	43,562	3	2,967	439,127
Property purchased for transfer into finance lease	17	-	-	-	-	17
Property, plant and equipment	11,518	-	-	-	403	11,921
Current income tax assets	802	-	-	-	-	802
Deferred income tax asset	3,189	-	-	-	-	3,189
Precious metals	-	-	-	674	-	674
Other non-financial assets	5,646	132	2	-	3	5,783
TOTAL NON-FINANCIAL ASSETS	21,172	132	2	674	406	22,386
TOTAL ASSETS	230,746	183,153	43,564	677	3,373	461,513
LIABILITIES						
Due to CBR	16,242	-	-	-	-	16,242
Due to banks	23,782	11,600	1,082	84	160	36,708
Customer accounts	126,195	164,432	43,831	517	1,241	336,216
Financial liabilities at fair value through profit or loss	-	37	-	-	-	37
Debt securities issued	16,605	1,458	61	-	36	18,160
Subordinated debt	4,666	10,805	-	-	-	15,471
Other financial liabilities	1,333	-	260	-	279	1,872
TOTAL FINANCIAL LIABILITIES	188,823	188,332	45,234	601	1,716	424,706
Customer accounts						
Other provisions	164	21	29	-	109	323
Deferred income tax liabilities	1,892	-	-	-	-	1,892
Other non-financial liabilities	776	6	-	-	440	1,222
TOTAL NON-FINANCIAL LIABILITIES	2,832	27	29	-	549	3,437
TOTAL LIABILITIES	191,655	188,359	45,263	601	2,265	428,143
OPEN BALANCE SHEET POSITION	39,091	(5,206)	(1,699)	76	1,108	

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2009:

	RUR	USD 1 USD = 30.2442 RUR	EUR 1 EUR = 43.3883 RUR	Precious metals	Other currency	31 December 2009 mRUR Total
Receivables on spot and derivative contracts	39	1,027	260	415	2,029	3,770
Payables on spot and derivative contracts	(85)	(2,087)	(1,078)	(502)	(18)	(3,770)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	(46)	(1,060)	(818)	(87)	2,011	
TOTAL OPEN POSITION	39,045	(6,266)	(2,517)	(11)	3,119	

	RUR	USD 1 USD = 29.3804 RUR	EUR 1 EUR = 41.4411 RUR	Precious metals	Other currency	31 December 2008 mRUR Total
ASSETS						
Cash and balances with the Central and National banks	21,330	59,854	13,351	-	1,137	95,672
Financial assets at fair value through profit or loss	2,564	2,354	-	6	1,230	6,154
Due from banks	3,547	16,316	23,601	-	1,271	44,735
Loans to customers	204,334	114,252	9,572	-	732	328,890
Investments available-for-sale, less allowance for impairment loss	5,919	4,844	1	-	-	10,764
Other financial assets	902	-	-	-	176	1,078
TOTAL FINANCIAL ASSETS	238,596	197,620	46,525	6	4,546	487,293
Property purchased for transfer into finance lease	38	-	-	-	-	38
Property, plant and equipment	12,428	-	-	-	100	12,528
Current income tax assets	650	-	-	-	-	650
Deferred income tax asset	916	-	-	-	-	916
Precious metals	-	-	-	1,491	-	1,491
Other non-financial assets	3,637	-	-	-	-	3,637
TOTAL NON-FINANCIAL ASSETS	17,669	-	-	1,491	100	19,260
TOTAL ASSETS	256,265	197,620	46,525	1,497	4,646	506,553
LIABILITIES						
Due to CBR	76,026	-	-	-	-	76,026
Due to banks	13,011	18,915	565	2,488	1,205	36,184
Customer accounts	102,055	162,082	44,313	374	2,401	311,225
Financial liabilities at fair value through profit or loss	9	4,620	-	56	37	4,722
Debt securities issued	10,227	3,942	636	-	71	14,876
Subordinated debt	4,668	10,496	-	-	-	15,164
Other financial liabilities	1,414	-	-	-	-	1,414
TOTAL FINANCIAL LIABILITIES	207,410	200,055	45,514	2,918	3,714	459,611
Other provisions	482	-	-	-	-	482
Current income tax liabilities	105	-	-	-	-	105
Deferred income tax liabilities	1,859	-	-	-	-	1,859
Other non-financial liabilities	979	-	-	-	-	979
TOTAL NON-FINANCIAL LIABILITIES	3,425	-	-	-	-	3,425
TOTAL LIABILITIES	210,835	200,055	45,514	2,918	3,714	463,036
OPEN BALANCE SHEET POSITION	45,430	(2,435)	1,011	(1,421)	932	

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2008:

	RUR	USD 1 USD = 29.3804 RUR	EUR 1 EUR = 41.4411 RUR	Precious metals	Other currency	31 December 2008 mRUR Total
Receivables on spot and derivative contracts	12,160	17,047	3,380	3,040	2,541	38,168
Payables on spot and derivative contracts	(14,199)	(19,835)	(2,341)	(1,290)	(503)	(38,168)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	(2,039)	(2,788)	1,039	1,750	2,038	
TOTAL OPEN POSITION	43,391	(5,223)	2,050	329	2,970	

Currency risk sensitivity

The Group's exposure to foreign currency exchange rate risk by using a value at risk (VaR) methodology is presented in the table below. These calculations are also provided to key management personnel within the regular risk reports.

Position	31 December 2009			31 December 2008		
	Position in base currency mRUR	95% 1 day VaR	Risk 1 day	Position in base currency, mRUR	95% 1 day VaR	Risk 1 day
USD/RUB	-	1.47%	-	588	2.31%	14
EUR/USD	-	0.78%	-	312	2.40%	7
Strategic basket	-	-	-	900	1.03%	9
USD/RUB	(361)	1.47%	5	445	2.31%	10
EUR/USD	(159)	0.78%	1	85	2.40%	2
GBP/USD	(3)	1.00%	-	(19)	2.52%	-
EUR/GBP	2	0.85%	-	-	2.13%	-
USD/JPY	(2)	1.02%	-	(7)	1.93%	-
USD/CHF	(10)	0.83%	-	6	2.34%	-
EUR/CHF	4	0.23%	-	1	1.52%	-
USD/KZT	(2)	0.14%	-	(1)	0.16%	-
USD/NOK	1	1.26%	-	1	3.53%	-
USD/SEK	(1)	1.20%	-	(2)	3.16%	-
USD/BYR	(0.39)	0.56%	-	(2)	0.33%	-
USD/UAH	(1)	0.39%	-	(1)	8.84%	-
USD/DKK	(1)	0.79%	-	(1)	2.35%	-
EUR/RUB	5	1.15%	-	5	1.85%	-
EUR/JPY	(115)	1.03%	1	2	3.02%	-
Trading position	667	0.66%	4	577	1.57%	9
XAU/USD	-	2.21%	-	-	3.387%	-
XPD/USD	-	3.94%	-	-	6.20%	-
XPT/USD	-	2.34%	-	-	4.36%	-
XAG/USD	(1)	2.82%	-	1	6.09%	-
Precious metals	1	2.82%	-	1	5.890%	-
Total position	668	0.66%	4	1,480	1.20576%	18

Limitations of VaR analysis

VaR analysis is based on a model and a certain number of assumptions and approximations. Its limitations are as follows:

- The use of “1-day” and “10-days” holding periods assumes that all positions can be unwound and managed within one or ten days which may not be the case for some products and in/or some crisis situations;
- The use of 95% confidence interval does not take into account any losses arising beyond this interval; VaR is therefore an indicator of losses under normal market conditions and does not take into account exceptionally large fluctuations; there is a one per cent probability that the losses incurred could exceed the VaR
- VaR is calculated using closing prices, so intra-day fluctuations are not taken into account.

Credit risk

Credit activities are conducted in accordance with the regulatory framework set by the Central Bank of the Russian Federation as well as internationally accepted criteria. Credit Policy is defined by the Group's Management Board and the Credit Committee. Credit Risk is taken based on the principles of risk adequacy, adequacy of profitability and strategic rationale. Credit operations conducted by the Group include term loans, credit lines, overdraft facilities, syndications, documentary operations and other operations involving credit risk. The credit procedure is structured in line with a strict segregation of duties, based on the approved Credit Manual of the Group.

The Credit Committee is a standing body of the Group, authorized to make decisions on all issues relating to the credit operations of the Group. Its task is to ensure design and implementation of a single credit policy of the Group and its branches. The Credit Committee consider issues regarding the assumption of credit risks for transactions within relevant limits (there are separate limits for corporate clients, financial institutions and individuals) established and revised on an annual basis by the Management Board and/or for which the period does not exceed 12 months.

The assumption of credit risks for transactions exceeding relevant limits established by the Board and/or for which the period exceeds 12 months is considered by the Management Board.

Credit risk management and control are conducted using differentiated multilevel complex approach to evaluation of credit applications. Credit control is carried out at all stages of credit work and credit portfolio structuring. Credit risk policy is conducted in accordance with the following internal documents:

- Banking credit policy;
- Direction for credit operations.

The following methods of credit risk management are used:

- Complex credit risk analysis;
- Approval of credit risk limits for individuals and groups of clients;
- Control over maturity structure of assets;
- Limit and decision-making control;
- Planning spread between cash inflow and outflow, plan vs. actual analysis;
- Analysis of borrower's financial position, monitoring of financial position of guarantors;
- Current banking assets monitoring for management decisions-making.

Credit risk is evaluated by the following bodies:

- Credit operations Department – complex analysis of the risk level;
- Credit Committee – credit limit determination;
- Project financing and control Department – independent risk level evaluation of specific deals;
- Combined Economic Department – standards and essential adequacy of allowance for impairment.

The procedure for credit risk assumption comprises:

- Gathering of essential documents;
- Assessment of reliability and completeness of documents;
- Complex analysis of all risks which may occur;
- Making decisions about credit risk assumption;
- Legal capacity control of clients and their representatives.

Maximum Exposure of credit risk

The Groups maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

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

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	31 December 2009 Net exposure after offset and collateral
Balance with the Central and National banks	85,805	-	85,805	-	85,805
Financial assets at fair value through profit or loss	1,726	-	1,726	-	1,726
Due from banks	69,441	-	69,441	3,434	65,975
Loans to customers	253,305	778	252,527	165,025	87,502
Investments available-for-sale	12,571	-	12,571	-	12,571
Other financial assets	561	-	561	-	561
Commitments on loans and unused credit lines	85,231	-	85,231	17,550	67,681
	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2008 Net exposure after offset and collateral
Balance with the Central and National banks	83,186	-	83,186	-	83,186
Financial assets at fair value through profit or loss	6,154	-	6,154	-	6,154
Due from banks	44,735	-	44,735	2,436	42,305
Loans to customers	328,890	217	328,673	183,887	144,786
Investments available-for-sale	7,719	-	7,719	-	7,719
Other financial assets	1,078	-	1,078	-	1,078
Commitments on loans and unused credit lines	116,142	-	116,142	37,208	78,933

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets and loan commitments that are neither past due nor impaired held by the Group:

	AAA	AA	A	BBB	>BBB	Not rated	31 December 2009 Total
Balances with the Central and National banks	-	-	-	-	-	85,805	85,805
Financial assets at fair value through profit or loss	-	-	-	68	1,249	409	1,726
Due from banks	-	29,318	26,110	7,139	3,585	3,289	69,441
Investments available-for-sale	-	-	-	12,113	256	202	12,571

	AAA	AA	A	BBB	>BBB	Not rated	31 December 2008 Total
Balances with the Central and National banks	-	-	-	-	-	83,186	83,186
Financial assets at fair value through profit or loss	270	106	220	1,257	1,518	2,782	6,154
Due from banks	14,449	19,912	2,252	787	1,059	6,275	44,735
Investments available-for-sale	-	-	-	1,240	1,828	4,651	7,719

As of 31 December 2009 and 2008 the Balances with Central and National banks amounted to RUR 85,805 million and RUR 83,186 million, respectively. As of 31 December 2009 and 2008 the credit rating of the Russian Federation according to the international rating agencies corresponded to investment level BBB. As of 31 December 2009 and 2008 the credit rating of Belorussia corresponded to B+ level.

Included in loans to customers as at 31 December 2009 are loans to legal entities and loans to individuals in the total amount of RUR 107,401 million and RUR 83,513 million, respectively which were determined to be neither past due nor impaired.

Included in loans to customers as at 31 December 2008 are loans to legal entities and loans to individuals in the total amount of RUR 122,721 million and RUR 113,137 million, respectively which were determined to be neither past due nor impaired.

Included in loans to customers as at 31 December 2009 are loans to legal entities that are past due but not impaired in the total amount of RUR 3,378 million. This amount includes loans to individuals in the amount of RUR 3,340 million that are past due for less than 30 days and loans to legal entities in the amount of RUR 37 million that are past due for over three months.

Included in loans to customers as at 31 December 2008 are loans to legal entities that are past due but not impaired in the total amount of RUR 10,464 million. All these loans to customers are past due not more than three months.

The statutory loan rating methodology issued by the Central Bank of the Russian Federation determines five groups of risk for loan portfolio with credit quality decreasing from 1st to 5th. For all loans included in 4th and 5th groups of risk as at 31 December 2009 certain allowances were created. The following table details the credit ratings of loans to legal entities determined as neither past due nor impaired in accordance with loan provisioning methodology applied by the Group as at 31 December 2009 and 2008, respectively.

Group of risk	31 December 2009 RUR'000	31 December 2008 RUR'000
1	54,272	82,691
2	41,748	25,852
3	11,382	14,178
Total	107,401	122,721

In respect to loans to individuals, the management of the Group bases its judgement for decision-making purposes on information on overdue periods for those loans. All loans to individuals with overdue periods over 30 days are provided while loans with overdue periods below 30 days amount to RUR 3,340 million as at 31 December 2009.

The banking industry is generally exposed to credit risk through its financial assets. Credit risk exposure of the Group is concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Geographical concentration

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

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2009 mRUR Total
ASSETS					
Cash and balances with the Central and National banks	99,209	1,221	396	-	100,826
Financial assets at fair value through profit or loss	1,510	187	29	-	1,726
Due from banks	20,755	654	47,282	750	69,441
Loans to customers	229,396	19,633	1,826	2,450	253,305
Investments available-for-sale	12,410	-	858	-	13,268
Other financial assets	353	124	84	-	561
TOTAL FINANCIAL ASSETS	363,633	21,819	50,475	3,200	439,127
Property purchased for transfer into finance lease	17	-	-	-	17
Property, plant and equipment	11,518	397	6	-	11,921
Current income tax assets	802	-	-	-	802
Deferred income tax asset	3,189	-	-	-	3,189
Precious metals	674	-	-	-	674
Other non-financial assets	5,657	126	-	-	5,783
TOTAL NON-FINANCIAL ASSETS	21,857	523	6	-	22,386
TOTAL ASSETS	385,490	22,342	50,481	3,200	461,513
LIABILITIES					
Deposits of the Central Bank of the Russian Federation	16,242	-	-	-	16,242
Due to banks	9,445	157	26,356	750	36,708
Customer accounts	269,606	6,131	4,192	56,287	336,216
Financial liabilities at fair value through profit or loss	-	-	37	-	37
Debt securities issued	17,249	36	875	-	18,160
Subordinated debt	-	-	15,471	-	15,471
Other financial liabilities	1,593	279	-	-	1,872
TOTAL FINANCIAL LIABILITIES	314,135	6,603	46,931	57,037	424,706
Other provisions	162	60	101	-	323
Deferred income tax liabilities	1,892	-	-	-	1,892
Other non-financial liabilities	848	177	197	-	1,222
TOTAL NON-FINANCIAL LIABILITIES	2,902	237	298	-	3,437
TOTAL LIABILITIES	317,037	6,840	47,229	57,037	428,143
NET POSITION	68,453	15,502	3,252	(53,837)	

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2008 mRUR Total
ASSETS					
Cash and balances with the Central and National banks	94,273	1,112	287	-	95,672
Financial assets at fair value through profit or loss	4,078	910	737	429	6,154
Due from banks	6,645	493	37,003	594	44,735
Loans to customers	305,949	17,567	1,981	3,393	328,890
Investments available-for-sale	10,327	-	437	-	10,764
Other financial assets	864	140	74	-	1,078
TOTAL FINANCIAL ASSETS	422,136	20,222	40,519	4,416	487,293
Property purchased for transfer into finance lease	38	-	-	-	38
Property, plant and equipment	12,428	90	10	-	12,528
Current income tax assets	650	-	-	-	650
Deferred income tax asset	916	-	-	-	916
Precious metals	1,491	-	-	-	1,491
Other non-financial assets	3,558	10	41	28	3,637
TOTAL NON-FINANCIAL ASSETS	19,081	100	51	28	19,260
TOTAL ASSETS	441,217	20,322	40,570	4,444	506,553
LIABILITIES					
Deposits of the Central Bank of the Russian Federation	76,026	-	-	-	76,026
Due to banks	15,733	698	18,805	948	36,184
Customer accounts	280,846	4,871	8,237	17,271	311,225
Financial liabilities at fair value through profit or loss	1,415	-	2,819	488	4,722
Debt securities issued	5,451	219	7,175	2,031	14,876
Subordinated debt	-	-	15,164	-	15,164
Other financial liabilities	1,414	-	-	-	1,414
TOTAL FINANCIAL LIABILITIES	380,885	5,788	52,200	20,738	459,611
Other provisions	482	-	-	-	482
Current income tax liabilities	105	-	-	-	105
Deferred income tax liabilities	1,859	-	-	-	1,859
Other non-financial liabilities	669	65	242	3	979
TOTAL NON-FINANCIAL LIABILITIES	3,115	65	242	3	3,425
TOTAL LIABILITIES	384,000	5,853	52,442	20,741	463,036
NET POSITION	57,217	14,469	(11,872)	(16,297)	