Egidaco Investments PLC Group

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

31 December 2009

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Board of Directors and other officers

Board of Directors

Constantinos Economides (appointed 21 November 2008)
Maria Demetriou (appointed 21 November 2008)
Alexis Ioannides (appointed 21 November 2008)
Julian Charles Salisbury (appointed 9 February 2009)
Per Brilioth (appointed 20 January 2010)

Company Secretary

Altruco Secretarial Limited

G. Pavlides Court, 5th Floor
2, Arch. Kyprianou & Ayiou Andreou Street.
3036 Limassol, Cyprus
Mail: P.O.Box 50734,
3609, Limassol, Cyprus

Registered office

G. Pavlides Court, 5th Floor
2, Arch. Kyprianou & Ayiou Andreou Street.
3036 Limassol, Cyprus
Mail: P.O.Box 50734,
3609, Limassol, Cyprus

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited consolidated financial statements of Egidaco Investments PLC (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2009.

Principal activities

2 The Group's principal activity is retail banking operations within the Russian Federation through the subsidiary CJSC "Tinkoff. Credit Systems" Bank (the "Bank").

3 The Bank is a retail bank that specialises in credit cards. The Bank is fully licensed by the Central Bank of Russia and is a member of the Deposit Insurance System, and launched its operations in the summer of 2007. The founder and controlling shareholder of the Bank is Oleg Tinkov. In late 2007 Goldman Sachs became a minority shareholder in the Company (100% owner of the Bank) and in mid-2008 the Swedish Investment Fund, Vostok Nafta, also acquired a minority stake in the Company.

4 The Bank operates a flexible business model. Its virtual network enables it to speed business up or slow acquisition down depending on the availability of funding and seasonality. The Bank' primary customer acquisition channel is direct mail (DM), but it also uses Direct Sales Agents (DSA), partnerships (cobrands), and the Internet to acquire new customers. The Bank employs a "By invitation only" origination model, which combined with the Bank's virtual network, affords it a geographic reach across all of Russia's regions resulting in a highly diversified portfolio. While credit cards are the mainstay of the Bank business, a retail deposit pilot was conducted successfully in 2009 in order to diversify the Bank's funding base, and this programme is now being rolled out across Russia.

5 The profit of the Group for the year ended 31 December 2009 was USD 18,222 thousand (2008: loss of USD 44,747 thousand). On 31 December 2009 the total assets of the Group were USD 211,614 thousand (2008: USD 193,942 thousand) and the net assets were USD 35,040 thousand (2008: USD 16,468 thousand). Management considers that the financial position, development and performance of the Group as presented in these consolidated financial statements are satisfactory given the start up nature of the business in 2007-2008 and the impact of global financial crisis.

Principal risks and uncertainties

6 The Group conducts its activities in Russia through its subsidiaries; it has been affected by the uncertainties of the Russian economic environment, and global credit crunch that have had an impact on the Group's business and financial position.

7 Other risks and uncertainties, which affect the Group, are presented in Notes 2, 25 and 27 of the consolidated financial statements.

Future developments

8 The Board of Directors does not expect any significant changes or developments in the operations, financial position, and performance of the Group in the near future.

Report of the Board of Directors (Continued)

Results

9 The Group's results for the year are set out on page 7 of the consolidated financial statements.

Share capital

10 There were no changes to the share capital of the Group in 2009.

Board of Directors

11 The members of the Board of Directors as of 31 December 2009 and at the date of this report are shown on page 1. Mr Ion Dimitris Dagtoglou de Carteret resigned as Goldman Sachs' Director on 9 February 2009 but was reappointed on 16 September 2009 as Vostok Nafta Director, and resigned on 20 January 2010. Mr Constantinos Economides, Maria Demetriou, Alexis Ioannides, were appointed as Directors on 21 November 2008. Mr Julian Charles Salisbury was appointed as Director on 9 February 2009, Mr Per Brilioth was appointed as Director on 20 January 2010.

12 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Auditors

13 The Independent Auditors, PricewaterhouseCoopers Limited, has expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Constantinos Economides
Director
Limassol
7 April 2010

PRICEWATERHOUSECOOPERS

INVESTORS IN PEOPLE

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Independent Auditors' Report
To the Members of Egidaco Investments PLC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Egidaco Investments PLC (the "Company") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2009, and 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.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. 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 financial statements are free from material misstatement.

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

Board Members: Phidias K Pilides (CEO), Dinos N Papadopoulos (Deputy CEO), Panikos N Tsiailis, Christakis Santis, Stephos D Stephanides, Costas L Hadjiconstantinou, George Foradaris, Costas M Nicolaides, Angelos M Loizou, Vasilis Hadjivassiliou, Androulla S Pittas, Savvas C Michail, Costas L Mavrocordatos, Christos M Themistocleous, Panicos Kaouris, Nicos A Neophytou, George M Loizou, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Tassos Procopiou, Andreas T Constantinides, Theo Parperis, Constantinos Constantinou, Petros C Petrakis, Philippos C Soseilos, Evgenios C Evgeniou, Christos Tsolakis, Nicos A Theodoulou, Nikos T Nikolaides, Cleo A Papadopoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavitian, Constantinos Taliotis, Stavros A Kattamis, Yiangos A Kaponides, Tasos N Nolas, Chrysilios K Pelekanos, Eftychios Eftychiou, George C Lambrou, Chris Odysseos, Constantinos L Kapsalis, Stelios A Violaris, Antonis Hadjiloucas, Petros N Maroudias
Directors of Operations: Androulla Aristidou, Achilleas Chrysanthou, George Skapoullaros, Demetris V Psaltis, George A Ioannou, George C Kazamias, Michael Kliriotis, Marios G Melanides, Sophie A Solomonidou, Yiannis Televantides, Antonis C Christodoulides, Anna G Loizou

Offices: Nicosia, Limassol, Larnaca, Paphos

PricewaterhouseCoopers Ltd is a private company, Registered in Cyprus (Reg No 143594)

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Egidaco Investments PLC and its subsidiaries as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited
Chartered Accountants

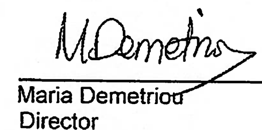
Nicosia, 7 April 2010

Egidaco Investments PLC Group
Consolidated Statement of Financial Position

In thousands of USD	Note	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	7	18,946	30,907
Mandatory cash balances with the CBRF		1,182	276
Loans and advances to customers	8	173,735	140,112
Derivatives	28	2,361	-
Deferred income tax assets	23	-	4,349
Other financial assets	10	5,637	6,400
Other non-financial assets	10	1,862	2,652
Fixed assets	9	3,864	4,618
Intangible assets	9	4,027	4,628
TOTAL ASSETS		**211,614**	**193,942**
LIABILITIES			
Due to banks	11	4,977	-
Customer accounts	12	12,621	8,436
Debt securities in issue	13	86,632	105,710
Syndicated loan	14	60,402	50,236
Provisions for liabilities and charges	15	6,850	5,711
Current income tax liability		1,723	1,562
Deferred tax liability	23	257	-
Other financial liabilities	16	2,253	3,832
Other non-financial liabilities	16	859	1,781
Net assets attributable to participant	17	-	206
TOTAL LIABILITIES		**176,574**	**177,474**
EQUITY			
Share capital	18	5,905	5,905
Share premium	18	65,148	65,148
Obligation under warrants	18	1,871	1,871
Accumulated deficit		(29,505)	(47,727)
Translation reserve		(8,379)	(8,729)
TOTAL EQUITY		**35,040**	**16,468**
TOTAL LIABILITIES AND EQUITY		**211,614**	**193,942**

Approved for issue and signed on behalf of the Board of Directors on 7 April 2010.

Constantinos Economides
Director



Maria Demetriou
Director

In thousands of USD	**Note**	**2009**	**2008**
Interest income	19	124,018	71,514
Interest expense	19	(31,606)	(24,876)
Net interest income		**92,412**	**46,638**
Provision for loan impairment	8	(37,019)	(30,333)
Net interest income after provision for loan impairment		**55,393**	**16,305**
Gains on repurchase of debt securities in issue	13	4,872	-
Customer acquisition expense	21	(3,359)	(13,379)
Foreign exchange translation losses less gains		(3,906)	(13,062)
Losses less gains from derivative revaluation		(1,442)	-
Fee and commission expense	20	(1,631)	(970)
Income from sale of bad debts	8	1,406	-
Gains less losses from trading in foreign currencies		73	327
Other operating income		510	567
Remeasurement of net assets attributable to minority participant	17	199	1,504
Administrative and other operating expenses	22	(25,057)	(35,346)
Profit/(loss) before tax		**27,058**	**(44,054)**
Income tax expense	23	(8,836)	(693)
Profit/(loss) for the year		**18,222**	**(44,747)**
Other comprehensive income:			
Exchange differences on translation to presentation currency		350	(9,845)
Other comprehensive income for the year		**350**	**(9,845)**
Total comprehensive income for the year		**18,572**	**(54,592)**

In thousands of USD	Note	Share capital	Share premium	Obligation under warrants	Accumula-ted deficit	Transla-tion reserve	Total
Balance at 31 December 2007		**4,687**	**28,366**	**-**	**(2,980)**	**1,116**	**31,189**
Loss for the year		-	-	-	(44,747)	-	(44,747)
Currency translation differences		-	-	-	-	(9,845)	(9,845)
Total comprehensive loss for 2008		-	-	-	**(44,747)**	**(9,845)**	**(54,592)**
Share issue	18	1,218	36,782	-	-	-	38,000
Obligation under warrants	18	-	-	1,871	-	-	1,871
Balance at 31 December 2008		**5,905**	**65,148**	**1,871**	**(47,727)**	**(8,729)**	**16,468**
Profit for the year		-	-	-	18,222	-	18,222
Currency translation differences		-	-	-	-	350	350
Total comprehensive income for 2009		**-**	**-**	**-**	**18,222**	**350**	**18,572**
Balance at 31 December 2009		**5,905**	**65,148**	**1,871**	**(29,505)**	**(8,379)**	**35,040**

In thousands of USD	Note	2009	2008
Cash flows from operating activities			
Interest received		90 680	62,589
Interest paid		(25,610)	(12,463)
Cash received from trading in foreign currencies		73	327
Cash received from sale of bad debts	8	1,406	-
Fees and commissions paid	20	(1,631)	(970)
Other operating income received		510	500
Administrative and other operating expenses paid		(22,324)	(28,130)
Customers acquisition expenses paid		(3,172)	(12,286)
Income tax paid		(4,198)	(2,886)
Cash flows from operating activities before changes in operating assets and liabilities		**35,734**	**6,681**
Changes in operating assets and liabilities			
Net (increase)/ decrease in Central Bank mandatory reserves		(884)	648
Net increase in loans and advances to customers		(38,281)	(135,029)
Purchase of derivatives		(3,848)	-
Net increase in other financial assets		(1,791)	(3,350)
Net decrease/(increase) in other non-financial assets		679	(854)
Net increase in due to banks		4,615	-
Net increase in customer accounts		4,134	6,184
Net (decrease)/increase in other financial liabilities		(1,421)	1,415
Net decrease in other non-financial liabilities		(842)	(60)
Net cash used in operating activities		**(1,905)**	**(124,365)**
Cash flows from investing activities			
Acquisition of fixed assets	9	(272)	(3,364)
Acquisition of intangible assets	9	(484)	(3,393)
Net cash used in investing activities		**(756)**	**(6,757)**
Cash flows from financing activities			
Repurchase of debt securities in issue		(11,027)	-
Proceeds from debt securities in issue		368	109,309
Repayment of debt securities in issue		-	(49,309)
Issue of ordinary shares		-	8,000
Proceeds from convertible loan subsequently converted into shares	18	-	30,000
Proceeds from syndicated loan		-	37,901
Net cash (used)/from financing activities		**(10,659)**	**135,901**
Effect of exchange rate changes on cash and cash equivalents		1,359	2,890
Net (decrease)/increase in cash and cash equivalents		**(11,961)**	**7,669**
Cash and cash equivalents at the beginning of the year	7	**30,907**	**23,238**
Cash and cash equivalents at the end of the year	7	**18,946**	**30,907**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2009 for Egidaco Investments PLC (the “Company”) and its subsidiaries (together referred to as the “Group” or “Egidaco Investments PLC Group”), and in accordance with the requirements of the Cyprus Companies Law, Chap.113.

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Companies Law, Chap.113.

Board of Directors of the Company: Constantinos Economides, Maria Demetriou, Alexis Ioannides, Julian Charles Salisbury, and Per Brilioth.

Company Secretary: A.J.K. Management Services Limited, 1 Naousis Street, Karapatakis Building, P.C. 6018 Larnaca, Cyprus (up to 21 November 2008). Altruco Secretarial Limited, G. Pavlides Court, 5th Floor 2, Arch. Kyprianou & Ayiou Andreou Street, 3036 Limassol, Cyprus, Mail: P.O.Box 50734, 3609, Limassol, Cyprus (starting from 21 November 2008).

As at 31 December 2009 and 2008 the shareholders of the Company were:

	31 December 2009	31 December 2008	Country of Incorporation
TADEC Holding and Finance S.A.	64%	64%	British Virgin Islands
Vostok Komi (Cyprus) Limited	15%	15%	Cyprus
ELQ Investors Limited	14%	14%	United Kingdom
TASOS Invest and Finance Inc.	7%	7%	British Virgin Islands
Vizer Limited	0%*	0%*	British Virgin Islands
Maitland Commercial Inc.	0%*	0%*	British Virgin Islands
Norman Legal S.A.	0%*	0%*	British Virgin Islands
Total	**100%**	**100%**	

As at 31 December 2009 and 2008 the ultimate beneficiaries of the Group are the Russian entrepreneur Oleg Tinkov (71%), the global investment firm Goldman Sachs (14%) and investment fund Vostok Nafta (15%). Vizer Limited, Maitland Commercial Inc and Norman Legal S.A. own 1 share* of the Group (2008: 1 share*).

Subsidiaries included in these consolidated financial statements are listed below:

		2009		2008		
Name	**Nature of business**	**Percentage of ownership**	**Percentage of control**	**Percentage of ownership**	**Percentage of control**	**Country of registration**
CJSC "Tinkoff. Credit Systems" Bank	Bank operations	100%	100%	100%	100%	Russian Federation
LLC "TCS"	Services	-	100%	-	100%	Russian Federation
LLC "T-Finance"	Assets holding	100%	100%	-	100%	Russian Federation

In June 2009 the Group purchased 100% ownership of LLC “T-Finance” from a related party. The operations of these companies are fully controlled by the Group. These companies bear the expenses of the Group related to the issue of credit card loans, some administrative expenses and intangible assets.

1 Introduction (Continued)

Principal activity. The Group's principal business activity is retail banking operations within the Russian Federation through the subsidiary CJSC "Tinkoff. Credit Systems" Bank (the "Bank"). The Bank has operated under a full banking license N. 2673 issued by the Central Bank of the Russian Federation ("CBRF") since 8 December 2006. Before that date and back to 28 January 1994 the Bank operated under the name of CJSC "Khimmashbank" under the same full banking license N. 2673 issued by the CBRF on 28 January 1994. The Bank was acquired by the Company on 17 November 2006 and was subsequently renamed CJSC "Tinkoff. Credit Systems" Bank.

The Bank participates in the state deposit insurance scheme, which was introduced by the Federal Law N. 177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF-imposed moratorium on payments.

Registered address and place of business. The Company's registered address is Arch. Kyprianou & Ag. Andreou, 2 G. Pavlides Court, 5th floor P.C. 3036, Limassol, Cyprus. The Bank's registered address is 1-st Volokolamsk passage, 10, building 1, 123060, Moscow, Russian Federation. The Group's principal place of business is the Russian Federation.

Presentation currency. These consolidated financial statements are presented in thousands of USD.

2 Operating Environment of the Group

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

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

Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. The amount of provision for impaired loans is based on management's appraisals of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

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

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

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

2 Operating Environment of the Group Policies (Continued)

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

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap.113.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial statements based on fair value, and by revaluation of derivatives carried at fair value The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest.

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

Any part of minority interest relating to a Russian OOO subsidiary will generally form a liability called e.g. "net assets attributable to minority participants in subsidiaries" in the balance sheet rather than equity, and movements in the liability will be recorded in non-operating profit e.g. as "remeasurement of net assets attributable to minority participants in subsidiaries".

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower.

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

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

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

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was, the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

In the course of business the Group sells bad debts to third parties, and the difference between the carrying amount of bad debt and the consideration received are recorded in profit and loss at the settlement date.

3 Summary of Significant Accounting Policies (Continued)

Credit related commitments. The Group enters into credit related commitments. Commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At each balance sheet date, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date.

Fixed assets. Fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of fixed assets items are capitalised and the replaced part is retired.

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Depreciation of each item of fixed assets is calculated using the straight-line method to allocate its cost to its residual value over its estimated useful life as follows:

	Useful lives in years
Equipment	3 to 10
Vehicles	5
Leasehold improvements	Over the term of the underlying lease

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

Intangible assets. The Group's intangible assets have definite useful life and include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 5 years.

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

Customer accounts. Customer accounts are non-derivative liabilities to corporate entities and individuals and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Debt securities in issue. Debt securities in issue include bonds issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Syndicated loans. Syndicated loans are non-derivative instruments, which are stated at amortised cost.

Extinguishment of the original financial liability. Substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

Derivative financial instruments. Derivative financial instruments represented by currency options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting.

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

3 Summary of Significant Accounting Policies (Continued)

Uncertain tax positions. The Group's uncertain tax positions are assessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as likely to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted at the end of reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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

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

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Net assets attributable to subsidiaries' participant. The equity participant of subsidiaries not owned by equity holders of the Company has a right to request redemption of its interest in subsidiaries in cash. The subsidiaries' obligation to redeem gives rise to a financial liability for the present value of the redemption amount even though the obligation is conditional on the equity participant exercising the right. It is impractical to determine the fair value of this liability as it is unknown when and if participants will withdraw from the Company. As a practical expedient, the Company measures the liability presented as 'Net assets attributable to subsidiaries' participant' at the IFRS carrying value of the subsidiaries consolidated net assets. Remeasurement of net assets attributable to subsidiaries' participant is recorded in comprehensive income.

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

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

Customer acquisition costs represented by the expenses paid by the Group on services related to attraction of the credit card borrowers (mailing of advertising materials, processing of the responses etc) and are expensed on the basis of the actual services provided.

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

3 Summary of Significant Accounting Policies (Continued)

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the Russian Rouble ("RR"), which is the currency of the primary economic environment in which each entity operates. The Group's presentation currency, selected for management purposes, is the national currency of the United States of America, US Dollars ("USD").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

The results and financial position of each group entity are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year (as gains or losses on disposal of a subsidiary).

At 31 December 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 30.2442 (2008: USD 1 = RR 29.3804), and average rate for the year was USD 1= RR 31.2621 (2008: USD 1= RR 24.8553).

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

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructing obligation to make pension or similar benefit payments beyond.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker.

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

The revised IAS 1, *Presentation of Financial Statements*, which became effective from 1 January 2009 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period ('opening statement of financial position'), when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements.

3 Summary of Significant Accounting Policies (Continued)

The requirement to present the additional opening statement of financial position, when the entity has made a restatement or reclassification, extends to the information in the related notes. Management considered materiality and concluded that it is sufficient for an entity to present such information only in those notes that have been impacted by a restatement or a reclassification and state in the financial statements that the other notes have not been impacted by the restatement or reclassification. The omission of the notes to the additional opening statement of financial position is therefore, in management's view, not material.

The changes in presentation adopted in 2009 did not have any impact on the statement of financial position and the Group therefore does not present in the notes information as of 1 January 2008.

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

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The primary factor that the Group considers as objective evidence of impairment is the overdue status of the loan. In general, loans where there are no breaches in loan servicing are considered to be unimpaired. Given the nature of the borrowers and the loans it is the Group's view and experience that the time lag between a possible loss event that could lead to impairment and the non or under payment of a monthly installment is minimal. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. In accordance with internal methodology for the provision estimation the Group uses all available loss statistics for the whole period of it's operations. Last six months of losses statistics history cause the most significant impact on the provision amount. Such approach lets the Group implement in the model the latest trends.

To the extent that the incurred losses as at 31 December 2009 resulting from future cash flows change by 10% (2008: 10%) from the historic loss pattern, the provision would be approximately USD 2,605 thousand (2008: USD 1,192 thousand) higher or USD 2,605 thousand (2008: USD 2,085 thousand) lower.

Management considered the impact of economic conditions in the Russian Federation (Note 2) on assessment of impairment losses on loans and advances. In estimating the recoverability of loans management concluded that existing level of provisioning is sufficient considering current level of recoverability of retail loans.

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

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 27.

Entities controlled in substance, but not in form. Judgement is applied in determining that certain entities, though not legally owned, were controlled by the Group in substance, and are therefore consolidated, as described in Note 1. Management considers that, although the Group has no legal title to the entities' assets, the substance of the relationships between the Group and the entities, is such that the Group has the power to govern the financial and operating policies of the entities.

Net assets attributable to subsidiaries' participant. The liability for the redemption right held by the Russian subsidiaries' equity participant is classified as 'at fair value through profit or loss' under IAS 39 (revised 2003). It should be measured at fair value, being the present value of the expected redemption amount. It is impractical to determine the exact fair value of this liability as it is unknown when and if the participant will withdraw from the subsidiaries. The Group's accounting policy for determining this amount, applied as a practical expedient, is disclosed in Note 3. TCS' standalone net assets determined in accordance with the Russian Accounting Regulations are USD 2,805 thousand at 31 December 2009 (2008: USD 343 thousand). This amount would have been payable if all participants had exercised their redemption rights at the end of reporting period. LLC T Finance is 100% owned by the Group since June 2009 (Note 1).

Critical judgement on share-based payment. The key management personnel are entitled to an additional bonus equal to 7% of the fair value of the majority owner's share of the Bank's equity. This bonus is payable in cash by the ultimate beneficiary who has a controlling stake in the Group and depends on the timing of services provided by the management.

Management considered whether this arrangement should be accounted for by the Group as expenses recognised in profit and loss, with a corresponding capital contribution in equity. Management concluded that this arrangement does not constitute transfer of a parent entity's equity instruments and, therefore no capital contribution has been recognised in equity in respect of this arrangement between the ultimate beneficiary who has controlling stake and management.

Going concern. Management prepared these consolidated financial statements on a going concern basis. In making this judgment management considered the Group's financial position, current intentions, profitability of operations and access to financial resources and analysed the impact of the recent financial crisis on future operations of the Group. In particular, management considered the impact of economic deteriorations in the Russian Federation since fourth quarter 2008 on the financial position of the Group, its liquidity position and ability to meet its regulatory requirements.

The Group reported profit in 2009 of USD 18,222 thousand (2008: loss of USD 44,747 thousand). Net assets as at 31 December 2009 were USD 35,040 thousand (2008: USD 16,468 thousand). Management considers that the financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory given the start up nature of the business and developing financial crisis in the world.

Based on the outcome of the above assessments and continued access to sources of liquidity, management is of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis.

5 Adoption of New or Revised Standards and Interpretations

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2009 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of the following:

(i) Certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting;
(ii) Improvements to IFRSs 2009.

In addition, the following interpretations have been endorsed, however their effective dates are not the same, although an entity may choose to early adopt them:

(i) IFRIC 12 "Service Concession Arrangements";
(ii) IFRIC 15 "Agreements for the construction of real estate"; and
(iii) IFRIC 16 "Hedges of a Net Investment in a Foreign Operation".

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

IFRS 8, Operating Segments. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 has resulted in a decrease in the number of reportable segments presented (one segment – retail banking). Note 24.

IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that is not carried at fair value and that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method. The revised IAS 23 did not have an impact on the Group.

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

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards.

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

The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have an impact on the Group.

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

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

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

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

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

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

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

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

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

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

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

IFRIC 18, Transfers of Assets from Customers (effective from 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's consolidated financial statements.

6 New Accounting Pronouncements

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

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

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

6 New Accounting Pronouncements (Continued)

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

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

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

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

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

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

6 New Accounting Pronouncements (Continued)

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

Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Group is currently assessing the impact of the amendment on its financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011, not endorsed by EU). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendments will not have any impact on the Group's financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010, not endorsed by EU). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendments will not have any impact on the Group's financial statements.

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

6 New Accounting Pronouncements (Continued)

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011, not endorsed by EU). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013, not endorsed by EU). IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

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

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

7 Cash and Cash Equivalents

In thousands of USD	**2009**	**2008**
Cash on hand	485	93
Cash balances with the CBRF (other than mandatory reserve deposits)	5,024	2,612
Placements with other banks with original maturities of less than three months, including:		
Rated by Fitch agency from A- to AA-	-	79
Rated by Fitch agency BBB+	8,755	19,779
Rated by Fitch agency BBB	3,825	-
Other Russian banks	857	8,344
Total Cash and Cash Equivalents	**18,946**	**30, 907**

Interest rate and maturity analysis of cash and cash equivalents is disclosed in Note 25.

8 Loans and Advances to Customers

In thousands of USD	2009	2008
Loans to individuals:	**199,144**	**160,776**
Credit card loans	198,906	160,541
Other loans to individuals	238	235
Corporate loans, broken down by borrower's activity classes:	**3,712**	**12,429**
Development	1,668	2,397
Trading	1,223	8,945
Finance	581	655
Leasehold operations	240	289
Other	-	143
Total loans and advances to customers before impairment:	**202,856**	**173,205**
Less: Provision for loan impairment	(29,121)	(33,093)
Total loans and advances to customers	**173,735**	**140,112**

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Group. These limits may be increased or decreased from time-to-time.

Presented below is an analysis of credit card limits on issued, activated and utilised cards:

Credit card limits	**2009**	**2008**
Up to 10 RR thousand	3,048	3,770
10-20 RR thousand	31,489	24,347
20-30 RR thousand	65,637	56,691
30-40 RR thousand	59,178	48,226
40-50 RR thousand	39,092	23,162
50-60 RR thousand	26,987	21,962
60-80 RR thousand	10,333	7,543
80-100 RR thousand	9,893	11,407
100-200 RR thousand	1,831	1,899
Total cards	**247,488**	**199,007**

Movements in the provision for loan impairment are as follows:

In thousands of USD	**As at 31 December 2008**	**Effect of translation**	**Write-off of bad debts**	**Sales of bad debts**	**Provision for/(Recovery of) impairment during the period**	**As at 31 December 2009**
Loans to individuals:						
Credit card loans	20,854	(613)	-	(32,552)	39,185	26,874
Other loans to individuals	235	(7)	-	-	10	238
Corporate loans, broken down by creditors' activity classes:						
Trading	8,945	(256)	(7,466)	-	-	1,223
Development	2,397	(71)	-	-	(1,727)	599
Finance	655	(19)	-	-	(479)	157
Leasehold operations	-	-	-	-	30	30
Other corporate entities	7	-	(7)	-	-	-
Total provision for loan impairment	**33,093**	**(966)**	**(7,473)**	**(32,552)**	**37,019**	**29,121**

8 Loans and Advances to Customers (Continued)

In thousands of USD	As at 31 December 2007	Effect of translation	Write-off	Provision for impairment during the period	As at 31 December 2008
Loans to individuals:					
Credit card loans	2,206	(363)	-	19,011	20,854
Other loans to individuals	305	(60)	(310)	300	235
Corporate loans, broken down by creditors' activity classes:					
Trading	1,571	(309)	-	7,683	8,945
Development	-	-	(280)	2,677	2,397
Finance		-	-	655	655
Leasehold operations	-	-	-	-	-
Other corporate entities	411	(81)	(330)	7	7
Total provision for loan impairment	**4,493**	**(813)**	**(920)**	**30,333**	**33,093**

In 2009 the Group sold bad debts to third parties (foreign debt collection agencies) with gross amount of USD 32,552 thousand, and provision for impairment of USD 32,552 thousand. The difference between carrying amount of these loans and consideration received was recognized in profit or loss as income from sale of bad debts in the amount of USD 1,406 thousand. The criteria for bad debts qualifying for the sale to external debt collection agency are disclosed in Note 25.

Information on collateral held in respect of loans to individuals is as follows:

	2009		2008	
In thousands of USD	Credit card loans	Other loans to individuals	Credit card loans	Other loans to individuals
Unsecured loans	198,906	-	160,541	-
Loans collateralised by:				
- land plots	-	238	-	235
Total loans to individuals	**198,906**	**238**	**160,541**	**235**

Information on collateral held in respect of corporate loans at 31 December 2009:

In thousands of USD	Development	Trading	Finance	Leasehold operations	Total
Loans collateralised by:					
- land plots	1,668	-	581	-	2,249
- equipment	-	1 223	-	240	1,463
Total corporate loans	**1,668**	**1,223**	**581**	**240**	**3,712**

8 Loans and Advances to Customers (Continued)

Information on collateral held in respect of corporate loans at 31 December 2008:

In thousands of USD	Develop-ment	Trading	Finance	Leasehold operations	Other	Total
Unsecured loans	-	7,604		289	143	8,036
Loans collateralised by:						
- land plots	2,397	-	655	-	-	3,052
- equipment	-	1,341	-	-	-	1,341
Total corporate loans	**2,397**	**8,945**	**655**	**289**	**143**	**12,429**

Analysis by credit quality of loans to individuals is as follows:

	2009		**2008**	
In thousands of USD	**Credit card loans**	**Other loans to individuals**	**Credit card loans**	**Other loans to individuals**
Loans collectively assessed as impaired:				
- current	156,712	-	127,788	-
- less than 30 days overdue	10,055	-	12,380	-
- 30 to 90 days overdue	10,909	-	8,212	-
- 90 to 180 days overdue	10,502	-	5,412	235
- 180 to 360 days overdue	9,086	-	5,735	-
- over 360 days overdue	1,642	238	1,014	-
Less: Provision for loan impairment	(26,874)	(238)	(20,854)	(235)
Total loans to individuals	**172,032**	**-**	**139,687**	**-**

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

In thousands of USD	Develop-ment	Trading	Finance	Leasehold operations	Total
Loans individually determined to be impaired:					
- current and impaired	-	-	-	240	240
- over 360 days overdue	1,668	1,223	581	-	3,472
Corporate loans before impairment:	**1,668**	**1,223**	**581**	**240**	**3,712**
Less: Provision for loan impairment	(599)	(1,223)	(157)	(30)	(2,009)
Total corporate loans	**1,069**	**-**	**424**	**210**	**1,703**

8 Loans and Advances to Customers (Continued)

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

In thousands of USD	Trading	Develop-ment	Finance	Leasehold operations	Other	Total
Current and not impaired	-	-	-	289	-	289
Loans individually determined to be impaired:						-
- current and impaired	8,570	-	-	-	143	8,713
- less than 30 days overdue	375	-	-	-	-	375
- 180 to 360 days overdue	-	758	655	-	-	1,413
- over 360 days overdue	-	1,639	-	-	-	1,639
Corporate loans before impairment:	**8,945**	**2,397**	**655**	**289**	**143**	**12,429**
Less: Provision for loan impairment	(8,945)	(2,397)	(655)	-	(7)	(12,004)
Total corporate loans	**-**	**-**	**-**	**289**	**136**	**425**

The primary factors that the Group considers in assessing whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Group presents above an analysis by age of loans that are individually and collectively determined to be impaired.

The fair value of collateral in respect of corporate loans at 31 December 2009 was as follows:

In thousands of USD	Development	Finance	Leasehold operations	Total
Fair value of collateral - individually impaired loans:				
- land plots	1,069	424	-	1,493
- equipment	-	-	97	97
Total	**1,069**	**424**	**97**	**1,590**

The fair value of collateral in respect of corporate loans at 31 December 2008 was as follows:

In thousands of USD	Finance	Total
Fair value of collateral - individually impaired loans		
- land plots	539	539
Total	**539**	**539**

Refer to Note 29 for the estimated fair value of each class of loans and advances to customers.

Interest rate analysis of loans and advances to customers is disclosed in Note 25. Information on related party balances is disclosed in Note 31.

9 Fixed and Intangible Assets

In thousands of USD	Equipment	Leasehold improvements	Vehicles	Total fixed assets	Intangible assets
Cost					
At 31 December 2007	**2,253**	**1,249**	**115**	**3,617**	**4,017**
Acquisitions	3,343	-	21	3,364	3,393
Disposals	(38)	-	(6)	(44)	-
Translation reserve	(911)	(246)	(27)	(1,184)	(1,156)
At 31 December 2008	**4,647**	**1,003**	**103**	**5,753**	**6,254**
Acquisitions	217	46	9	272	484
Disposals	(122)	-	-	(122)	(401)
Translation reserve	(130)	(28)	(3)	(161)	(177)
At 31 December 2009	**4,612**	**1,021**	**109**	**5,742**	**6,160**
Depreciation					
At 31 December 2007	**(142)**	**(168)**	**(11)**	**(321)**	**(510)**
Charge for the period (Note 22)	(458)	(210)	(20)	(688)	(883)
Depreciation of disposed objects	44	-	-	44	-
Translation reserve	(97)	(65)	(8)	(170)	(233)
At 31 December 2008	**(653)**	**(443)**	**(39)**	**(1,135)**	**(1,626)**
Charge for the period (Note 22)	(716)	(170)	(11)	(897)	(703)
Depreciation of disposed objects	122	-	-	122	149
Translation reserve	18	13	1	32	47
At 31 December 2009	**(1,229)**	**(600)**	**(49)**	**(1,878)**	**(2,133)**
Net book value					
At 31 December 2008	**3,994**	**560**	**64**	**4,618**	**4,628**
At 31 December 2009	**3,383**	**421**	**60**	**3,864**	**4,027**

Leasehold improvements are capital expenditures on a rented office and are depreciated over the term of lease, which is 5 years.

Intangible assets acquired during the years ended 31 December 2009 and 2008 mainly represent accounting software, retail banking software, licences and development of software.

10 Other Financial and Non-financial Assets

In thousands of USD	**2009**	**2008**
Other Financial Assets		
MasterCard guarantee deposit	2,004	3,754
Settlement of operations with plastic cards	3,552	2,570
Trade and other receivables	68	76
Other financial assets	13	-
Total Financial Assets	**5,637**	**6,400**
Other Non-Financial Assets		
Prepaid expenses	1,092	1,997
Materials	280	644
Other	490	11
Total Non-Financial Assets	**1,862**	**2,652**

Prepaid expenses consist of prepaid expenses for minor office repairs, postal services, software. Materials include application forms, letters to customers, envelopes.

Other financial assets are not impaired and not past due. Refer to Note 29 for the disclosure of the fair value of other financial assets.

11 Due to Banks

At 31 December 2009, included in amount due to banks are loans from CBR of USD 4,977 thousand (2008: USD 0 thousand), bearing 12% p.a. These loans were repaid in January 2010 at maturity.

Interest rate and maturity analysis of amounts due to other banks is disclosed in Note 25.

12 Customer Accounts

In thousands of USD	**2009**	**2008**
Legal entities		
-Current/settlement accounts of corporate entities	363	534
-Term deposits of corporate entities	3,815	6,344
Individuals		
-Current/settlement accounts of individuals	789	14
-Term deposits of individuals	7,654	1,544
Total Customer Accounts	**12,621**	**8,436**

In December 2009 the Group had one customer, a related party, having a deposit in the amount of USD 1,569 thousand or 12% of the total customer accounts (2008: USD 4,300 thousand or 51% of total customer accounts).

Refer to Note 29 for the disclosure of the fair value of customer accounts. Interest rate analysis and maturity analysis of customer accounts is disclosed in Note 25. Information on related party balances is disclosed in Note 31.

13 Debt Securities in Issue

In thousands of USD	2009	2008
Euro denominated bonds	86,505	105,411
RR denominated bonds	127	299
Total Debt Securities in Issue	**86,632**	**105,710**

Euro denominated bonds were placed publicly on 24 June 2008 at nominal amount of EUR 70,000 thousand with contractual maturity on 24 June 2011 and with a coupon rate of 18% p.a. payable semi-annually. In the period from March to August 2009 the Group repurchased some of these bonds from the market with a nominal value of EUR 7,960 thousand and with discounts from 33.1% to 59.8%. The difference between carrying amount of these bonds and cash paid was recognized in the consolidated statement of comprehensive income as gains on repurchase of debt securities in issue in the amount of USD 4, 872 thousand. In October 2009 the Group sold bonds to the market with a nominal value of EUR 294 thousand and with a discount of 16.5%.

RR denominated bonds in the amount of USD 127 thousand represent RR denominated bonds issued by the Group on the domestic market in the period from 23 October 2007 to 7 November 2007. These bonds mature on 23 October 2010 and have a coupon rate of 18% p.a. payable semi-annually.

Refer to Note 29 for the disclosure of the fair value of debt securities in issue. Interest rate and liquidity analysis of debt securities in issue is disclosed in Note 25.

14 Syndicated Loan

In December 2007 the Group obtained a RR denominated syndicated loan facility from several large international institutions with a total limit of USD 61,109 thousand (equivalent of RR 1,500,000 thousand). In accordance with the initial terms of the agreement, the facility matures on 24 June 2011 and bears an interest rate of 16.5% till December 2008, 18.5% from January 2009 till December 2009 and 20.5% from 2010 until maturity date.

The initial terms of the agreement were revised in May 2009, and in accordance with the revised terms of the agreement the facility matures on 24 September 2011 and bears an interest rate of 16.5% till 23 December 2008, 18.5% from 23 December 2008 till 29 December 2008, 24.5% from 30 December 2008 till 31 December 2009, and 26.5% from January 2010 till maturity date.

On 19 March 2008 the Group issued warrants to lenders of RR denominated syndicated loan facility representing 6% of the authorized share capital of the Group (Refer to Note 18).

In May 2009 the financial covenants on the syndicated loan, effective as at 31 December 2008, were revised together with maturity and interest rate terms of the agreement.

The carrying value of the syndicated loan at 31 December 2009 was USD 60,402 thousand (2008: USD 50,236 thousand).

Refer to Note 29 for the disclosure of the fair value of debt syndicated loan. Interest rate analysis and maturity analysis are disclosed in Note 25.

15 Provisions for Liabilities and Charges

The Group recorded provisions of USD 6,850 thousand (2008: USD 5,711 thousand) in respect of uncertain taxes including related penalties and interest, mostly in relation to administrative expenses. The balance at 31 December 2009 is expected to be either fully utilised or released by the end of 2011 (for Contingencies and Commitments disclosure refer to Note 27).

In thousands of USD	Note	Provision for tax risks
Carrying amount at 31 December 2007		**1,556**
Provision charged to profit or loss	22	4,411
Currency translation differences		(256)
Carrying amount at 31 December 2008		**5,711**
Provision charged to profit or loss	22	1,302
Currency translation differences		(163)
Carrying amount at 31 December 2009		**6,850**

16 Other Financial and Non-financial Liabilities

In thousands of USD	2009	2008
Other Financial Liabilities		
Settlement of operations with plastic cards	1,394	1,425
Trade payables	210	1,918
Other	649	489
Total Other Financial Liabilities	**2,253**	**3,832**
Other Non-financial Liabilities		
Accrued administrative expenses	425	1,069
Performance fee received in advance	419	697
Other	15	15
Total Other Non-financial Liabilities	**859**	**1,781**

17 Net Assets Attributable to Subsidiaries' Participant

As at 31 December 2008 the consolidated subsidiaries LLC "TCS" and LLC "T-Finance" were owned by a related party of the Group (Note 1). The Group purchased 100% ownership of LLC "T-Finance" in June 2009. The operations of LLC "TCS" and LLC "T-Finance" remained fully controlled by the Group. These companies bear the expenses of the Group related to the issue of credit card loans and some administrative expenses.

Movement in net assets attributable to subsidiaries' participant is as follows:

In thousands of USD	**Net assets attributable to subsidiaries' participants**
As at 31 December 2007	**1,770**
Loss for the year	(1,504)
Currency translation differences	(60)
As at 31 December 2008	**206**
Loss for the year	(1)
Acquisition of LLC "T-Finance"	(198)
Currency translation differences	(7)
As at 31 December 2009	**-**

18 Share Capital

In thousands of USD except for number of shares	**Number of authorised shares**	**Number of outstanding shares**	**Ordinary shares**	**Share premium**	**Total**
At 31 December 2007	**7,619,180**	**4,687,977**	**4,687**	**28,366**	**33,053**
Shares issued in June 2008	-	332,314	332	7,668	8,000
Shares issued in September 2008	-	885,934	886	29,114	30,000
At 31 December 2008	**7,619,180**	**5,906,225**	**5,905**	**65,148**	**71,053**
At 31 December 2009	**7,619,180**	**5,906,225**	**5,905**	**65,148**	**71,053**

In May 2008 the Company obtained from a European investor, minority shareholder, a convertible loan facility in the amount of USD 30,000 thousand. In accordance with the terms of the agreement the loan was converted into 15% of the Company's share capital on 26 June 2008. The Company issued 885,934 ordinary shares.

In June 2008 the Company issued 332,314 ordinary shares in the authorized share capital to an existing minority shareholder.

In 2008 the Company issued warrants, which give to lenders of the syndicated loan (Note 14) an opportunity to buy 6% of the warrant shares. The warrants are exercisable at any time till maturity of the syndicated loan. The Company's obligation under warrants was recorded in equity in the amount of USD 1,871 thousand.

19 Interest Income and Expense

In thousands of USD	2009	2008
Interest income		
Loans and advances to customers, including:		
Credit card loans	123,294	67,340
Corporate loans	414	1,376
Other loans to individuals	-	34
Placements with other banks	248	1,824
Other interest income	62	940
Total interest income	**124,018**	**71,514**
Interest expense		
Euro denominated bonds	17,658	11,047
Syndicated loan	12,753	9,958
Customer accounts	707	224
Due to banks	372	-
RR denominated bonds	43	2,696
Other interest expense	73	951
Total interest expense	**31,606**	**24,876**
Net interest income	**92,412**	**46,638**

20 Fee and Commission Expense

In thousands of USD	2009	2008
Service fees	1,257	902
Banking and other fees	374	68
Total fee and commission expense	**1,631**	**970**

21 Customer acquisition expenses

Customer acquisition expenses in the amount of USD 3,359 thousand (2008: USD 13,379 thousand) represent expenses paid by the Group on services related to origination of credit card customers (mailing of advertising materials, processing of responses etc). The Group uses a variety of different channels for the acquisition of new customers.

22 Administrative and Other Operating Expenses

In thousands of USD	Note	2009	2008
Staff costs		12,954	15,516
Taxes other than income tax		2,295	4,736
Communication services		1,942	3,334
Provision for tax risks	15	1,302	4,411
Information services		1,162	1,457
Operating lease expense for premises and equipment		1,121	1,139
Depreciation of fixed assets	9	897	688
Amortization of intangible assets	9	703	883
Professional services		513	1,075
Advertising expenses		510	239
Office expenses		200	276
Stationery		104	331
Repair of premises and equipment		300	333
Other administrative expenses		1,054	928
Total		**25,057**	**35,346**

23 Income Taxes

Income tax expense comprises the following:

In thousands of USD	2009	2008
Current tax	(4,359)	(4,448)
Deferred tax	(4,477)	3,755
Income tax expense for the year	**(8,836)**	**(693)**

The income tax rate applicable to the majority of the Group's income is 20% (2008: 24%). The operations of the Group are subject to multiple tax jurisdictions. The income tax rate applicable to the Russian subsidiaries of the Company is 20%. The income tax rate applicable to the Company (Egidaco Investments PLC) is 10%.

A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of USD	2009	2008
Profit/(loss) before tax	**27,058**	**(44,054)**
Theoretical tax (expense)/credit at statutory rate of 20% (2008:24%)	(5,412)	10,573
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	(977)	(2,512)
- Other	(291)	(3,342)
- Impact of changes in tax rate to 20% effective from 1 January 2009	-	(870)
Effects of different tax rates in other countries		
- Financial result of parent entity at 10%	(1,295)	(2,741)
- Unrecognised tax loss carry forward at 10%	(861)	(1,801)
Income tax expenses for the year	**(8,836)**	**(693)**

23 Income Taxes (Continued)

The Group has unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of the Company in the amount of USD 2,662 thousand (2008: USD 1,801 thousand). The tax loss carry forwards has no time limitation in accordance with Cyprus tax legislation.

On 26 November 2008, the Russian Federation reduced the standard corporate income tax rate from 24% to 20% with effect from 1 January 2009. The impact of the change in tax rate presented above represents the effect of applying the reduced 20% tax rate to deferred tax balances at 31 December 2008.

Differences between IFRS and taxation regulations in Russia and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. As all of the Group's temporary differences arise in Russia, the tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2008: 24%).

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

In thousands of USD	**31 December 2008**	**(Charged)/ credited to profit or loss**	**Effect of translation**	**31 December 2009**
Tax effect of deductible and taxable temporary differences and tax loss carry forwards				
Loans and advances to customers	3,190	(3,789)	(94)	(693)
Premises and equipment	9	89	-	98
Intangible assets	(253)	(559)	7	(805)
Syndicated loan	201	(263)	(6)	(68)
Accrued expenses	479	602	(14)	1,067
Tax loss carry-forward	295	(286)	(9)	-
Prepaid expenses	428	(271)	(13)	144
Net deferred tax (liability)/assets	**4,349**	**(4,477)**	**(129)**	**(257)**

In thousands of USD	**31 December 2007**	**Credited/ (charged) to profit or loss**	**Effect of translation**	**31 December 2008**
Tax effect of deductible and taxable temporary differences and tax loss carry forwards				
Loans and advances to customers	743	2,593	(146)	3,190
Fixed assets	29	(14)	(6)	9
Intangible assets	(596)	226	117	(253)
Other assets	99	(80)	(19)	-
Syndicated loan	-	201	-	201
Accrued expenses	58	432	(11)	479
Tax loss carryforward	425	(46)	(84)	295
Prepaid expenses	(14)	439	3	428
Debt securities in issue	(32)	26	6	-
Other financial assets	27	(22)	(5)	-
Net deferred tax asset	**739**	**3,755**	**(145)**	**4,349**

24 Segment Analysis

Starting from 1 January 2009, the Group prepares its segment analysis in accordance with IFRS 8, Operating segments, which replaced IAS 14, Segment reporting. Comparatives were adjusted to conform to the presentation of current period amounts.

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Board of Directors of the Group.

The business of the Group is represented by one operating segment (the “retail banking”) as the Group specialises in issuance of credit cards. All the management decisions are based on the financial information related to the retail banking segment.

Measurement of operating segment profit or loss, assets and liabilities

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

(i) fee and commission income and expenses related to lending are recognized immediately rather than deferred using the effective interest method;

(ii) penalties for overdue loans and advances to customers are not accrued;

(iii) deferred tax position is not taken into account;

(iv) the warrant obligations are not recorded;

(v) Provision for probable tax risks is not accrued.

The CODM evaluates performance of the business based on total revenue and profit before tax.

24 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group for the year ended 31 December 2009 is set out below:

In thousands of USD	Retail banking	Total
External revenues	125,954	125,954
Total revenues	**125,954**	**125,954**
Total revenues comprise:		
- Interest income	74,474	74,474
- Fee and commission income	48,803	48,803
- Other operating income	2,677	2,677
Total revenues	**125,954**	**125,954**
Interest expense	(31,596)	(31,596)
Provision for loan impairment	(35,412)	(35,412)
Fee and commission expense	(8,781)	(8,781)
Customer acquisition expenses	(3,864)	(3,864)
Staff cost	(12,894)	(12,894)
Administrative and other expenses	(10,130)	(10,130)
Segment result	**23,277**	**23,277**
Profit before tax and forex result		**23,277**
Income tax expenses		(4,359)
Profit before forex result		**18,918**
Gains less losses from trading in foreign currencies		73
Gain from purchase of debt securities issued		5,062
Hedge revaluation		(1,442)
Foreign exchange translation losses less gains		(3,906)
Profit for the year		**18,705**
Segment assets	**212,603**	**212,603**
Segment liabilities	**172,163**	**172,163**

24 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group for the year ended 31 December 2008 is set out below:

In thousands of USD	Retail banking	Total
External revenues	68,425	68,425
Total revenues	**68,425**	**68,425**
Total revenues comprise:		
- Interest income	38,383	38,383
- Fee and commission income	25,316	25,316
- Other operating income	4,726	4,726
Total revenues	**68,425**	**68,425**
Interest expense	(24,876)	(24,876)
Provision for loan impairment	(30,333)	(30,333)
Fee and commission expense	(970)	(970)
Customer acquisition expenses	(13,379)	(13,379)
Staff cost	(18,378)	(18,378)
Administrative and other expenses	(24,044)	(24,044)
Segment result	**(43,555)**	**(43,555)**
Loss before tax and forex result		**(43,555)**
Income tax credit		3,656
Loss before forex result		**(39,899)**
Gains less losses from trading in foreign currencies		327
Gain from purchase of debt securities issued		-
Hedge revaluation		-
Foreign exchange translation losses less gains		(14,943)
Loss for the year		**(54,515)**
Segment assets	**185,937**	**185,937**
Segment liabilities	**171,557**	**171,557**

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities is provided below:

In thousands of USD	2009	2008
Total revenues for reportable segments	**125,954**	**68,425**
Amortized cost adjustment	(1,426)	3,656
Income from sale of bad debts	1,406	-
Total consolidated revenues	**125, 934**	**72,081**

24 Segment Analysis (Continued)

Total consolidated revenues comprise interest income, income from sale of bad debts and other operating income.

In thousands of USD	2009	2008
Total reportable segment result	**23,277**	**(43,555)**
Amortized cost adjustment	3,309	3,912
Provision for probable tax risks	(934)	(4,411)
Income from sale of bad debts	1,406	-
Profit or loss before tax	**27,058**	**(44,054)**

In thousands of USD	2009	2008
Total reportable segment assets	**212,603**	**185,937**
Amortized cost adjustment	5,160	4,880
Provision for impairment	(5,882)	(1,224)
Deferred tax asset adjustment	-	4,349
Other adjustments	(267)	-
Total consolidated assets	**211,614**	**193,942**

25 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that the exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. The Group uses a transition matrix approach for calculation of the credit risk.

The Group grants credit card loans to customers across all regions of Russia, therefore its credit risk is broadly diversified.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

25 Financial Risk Management (Continued)

The Group created a credit committee, which establishes general principles for lending to individual borrowers. According to these principles, the minimum requirements for potential customers are listed below:

- Citizenship of Russian Federation
- Age 21 to 70 inclusive
- Monthly income above RR 5 thousand
- Availability of cell-phone, and
- Permanent employment.

The decision to provide a credit card loan to a potential customer is made either automatically (for ordinary credit card customers) or by the collective decision of the Credit Committee (VIP customers).

1. Ordinary customers. The decision is made in four steps.

    a) The first step includes validation of the application data. Credit officers check the documents and validate contact information (addresses and telephones).

    b) The second step includes phone verification of the application information about the potential customer, his/her employment, social and property status, etc.

    c) The third step includes request of the previous credit history of the applicant from the three largest in Russia credit bureau – Equifax, Experian and NBCH (National Bureau of Credit Histories).

    d) Finally, based on all available information, the credit score of the applicant is calculated and a final decision is made about the approval of the credit card and respective credit limit is calculated depending on the score of the customer. As an additional loss preventing instrument, the credit limit on a credit card loan is blocked when delinquency reaches 7 days.

2. VIP customers. A limit below RR 300 thousand can be approved by two members of the Credit Committee. In rare cases the limit may exceed RR 300 thousand and in such cases should be approved by the Credit Committee.

When loans become unrecoverable or not economically viable, to pursue further collection efforts, the Collection Department decides to sell these loans to a debt collection agency. The Collection Department considers the following criteria for bad debts qualifying for the sale to external debt collection agencies:

a) loans remain unpaid after all collection procedures were performed (no payment during last 6 months);

b) The debtor cannot be either reached or found during the last 4 months;

c) The debtor has no assets and there is no expectation he/she will have any in future;

d) The debtor has died and there is no known estate or guarantor;

e) It is determined that it is not cost effective to continue collection efforts.

The management of the Group manages the credit risk on unused limits on credit cards in the following way:

a) If the credit card loan is overdue for more than 7 days, it’s account will be blocked till repayment;

b) If the borrower had lost his/her source of income, than borrower’ account will be blocked till verification of his/her new employment;

c) If borrower’ income is substantially less than at the time of loan origination than the borrower’ limit for credit might be reduced accordingly.

25 Financial Risk Management (Continued)

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, the management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2009			**At 31 December 2008**		
In thousands of USD	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
Russian roubles	192,655	74,572	118,083	148,776	53,006	95,770
US Dollars	5,701	4,906	795	9,215	10,817	(1,602)
Euro	3,505	87,407	(83,902)	19,704	104,391	(84,687)
Total	**201,861**	**166,885**	**34,976**	**177,695**	**168,214**	**9,481**

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of reporting period, with all other variables held constant:

	At 31 December 2009		**At 31 December 2008**	
In thousands of USD	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 20% (2008: by 40%)	159	159	(641)	(641)
US Dollar weakening by 20% (2008: by 40%)	(159)	(159)	641	641
Euro strengthening by 20% (2008: by 40%)	(16,780)	(16,780)	(33,875)	(33,875)
Euro weakening by 20% (2008: by 40%)	16,780	16,780	33,875	33,875

As the Rouble began to strengthen in the second quarter of 2009, as a result, the Group entered into RUB/EUR option contract with maturity on 15 June 2011. The Group does not apply hedge accounting. Information on fair value of the derivative is disclosed in Note 28.

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

25 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of USD	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	Total
31 December 2009					
Total financial assets	42,597	72,390	86,874	-	201,861
Total financial liabilities	(8,414)	(17,223)	(18,669)	(122,579)	(166,885)
Net interest sensitivity gap at 31 December 2009	**34,183**	**55,167**	**68,205**	**(122,579)**	**34,976**
31 December 2008					
Total financial assets	47,652	58,203	71,840	-	177,695
Total financial liabilities	(8,195)	(21,988)	(4,091)	(133,940)	(168,214)
Net interest sensitivity gap at 31 December 2008	**39,457**	**36,215**	**67,749**	**(133,940)**	**9,481**

The Group has no significant risk associated with variable % rates on credit and advances provided to customers or loans received.

At 31 December 2009 if interest rates at that date had been 200 basis points lower (2008: 200 points lower), with all other variables held constant, profit would have been USD 1,016 thousand (2008: USD 4,178 thousand) lower.

If interest rates had been 200 basis points higher (2008: 200 points higher), with all other variables held constant, profit would have been USD 1,016 thousand (2008: USD 3,482 thousand) higher.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	2009			2008		
In % p.a.	**RR**	**USD**	**EURO**	**RR**	**USD**	**EURO**
Assets						
Cash and cash equivalents	4.8	-	-	-	-	3.6
Loans and advances to customers						
Corporate loans	20.6	-	-	18.7	-	-
Credit card loans	75.0	-	-	70.4	-	-
Other loans to individuals	20.0			20.0	-	-
Liabilities						
Due to banks	12.0	-	-	-	-	-
Customer accounts	17.3	13.2	9.0	14.0	12.0	
Debt securities in issue	19.8	-	20.7	19.8	-	19.8
Syndicated loan	24.4	-	-	19.9	-	-

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

25 Financial Risk Management (Continued)

Other price risk. The Group has no exposure to equity price risk as no transactions in equity products are performed.

The Group is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Group's current year profit or loss and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2008: no material impact).

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

In thousands of Russian Roubles	Russia	OECD	Total
Financial assets			
Cash and cash equivalents	18,629	317	18,946
Mandatory cash balances with the CBRF	1,182	-	1,182
Loans and advances to customers	173,735	-	173,735
Derivatives	-	2,361	2,361
Other financial assets	5,637	-	5,637
Total financial assets	**199,183**	**2,678**	**201,861**
Financial liabilities			
Due to banks	4,977	-	4,977
Customer accounts	12,621	-	12,621
Debt securities in issue	127	86,505	86,632
Syndicated loan	-	60,402	60,402
Other financial liabilities	2,253	-	2,253
Total financial liabilities	**19,978**	**146,907**	**166,885**
Credit related commitments (Note 27)	**81,723**	**-**	**81,723**

25 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	Russia	OECD	Total
Financial assets			
Cash and cash equivalents	30,907	-	30,907
Mandatory cash balances with the CBRF	276	-	276
Loans and advances to customers	140,112	-	140,112
Other financial assets	6,400	-	6,400
Total financial assets	**177,695**	**-**	**177,695**
Financial liabilities			
Customer accounts	8,436	-	8,436
Debt securities in issue	299	105,411	105,710
Syndicated loan	-	50,236	50,236
Other financial liabilities	3,832	-	3,832
Total financial liabilities	**12,567**	**155,647**	**168,214**
Credit related commitments (Note 27)	**60,901**	**-**	**60,901**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties are allocated to the caption "Russia". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations at 31 December 2009 and 2008.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits and current accounts. The Group does not maintain cash resources to meet all of these needs as experience shows that only a certain level of calls will take place and it can be predicted with a high level of certainty. Liquidity risk is managed by the Chief Financial Officer (CFO) of the Group.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to institutional investors, corporate and retail customer deposits and debt securities. The Group keeps all available cash in diversified portfolios of liquid instruments such as a correspondent account with CBRF and overnight placements in high-rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The available cash at all times exceeds all accrued financing costs falling due within half a year plus two months of regular operating costs.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring balance sheet liquidity ratios against regulatory requirements.

25 Financial Risk Management (Continued)

The CFO receives information about the liquidity profile of the financial assets and liabilities. This includes daily, weekly, monthly and quarterly updates on the level of credit card transactions and repayments, statistics on credit card issuance and credit card limit utilisation, inflow and outflow of retail deposits, level of expected outflows such as operating costs and financing activities. The CFO then ensures the availability of an adequate portfolio of short-term liquid assets, made up of an amount on correspondent account with CBR and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Group as a whole. Major assumptions used in liquidity analysis are based on long-standing statistics that shows that on average, about 78-82% of issued credit cards are activated, about 90-94% of activated credit cards are actually being used, limit utilisation level on credit cards is stable at 73-76%. The level of quarterly transactions is generally within 16-17% of the net credit card portfolio while the level of quarterly repayments is generally 32-33% of the net credit card portfolio.

Regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions and credit card portfolio behavior is performed by the CFO.

The Bank also calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 279.1% at 31 December 2009 (2008: 410.5%). The statutory ratio limit is a minimum of 15%.
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 239.8% at 31 December 2009 (2008: 428.7%). The statutory ratio limit is a minimum of 50%.
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 0% at 31 December 2009 (2008: 3%). The statutory ratio limit is a maximum of 120%.

The table below shows liabilities at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.

In thousands of USD	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 3 years	Total
Liabilities						
Due to banks	5,000	-	-	-	-	5,000
Customer accounts	34	3,253	1,547	3,149	7,281	15,264
Debt securities in issue	-	-	11,885	14,794	84,395	111,074
Syndicated loan	-	426	436	867	88,797	90,526
Other financial liabilities	2,253	-	-	-	-	2,253
Undrawn credit lines	81,723	-	-	-	-	81,723
Total potential future payments for financial obligations	**89,010**	**3,679**	**13,868**	**18,810**	**180,473**	**305,840**

25 Financial Risk Management (Continued)

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

In thousands of USD	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 3 years	Total
Liabilities						
Customer accounts	4,950	738	110	220	3,324	9,342
Debt securities in issue	-	3,203	7,806	26,808	109,208	147,025
Syndicated loan	-	2,251	2,381	4,744	66,682	76,058
Other financial liabilities	1,425	2,407	-	-	-	3,832
Undrawn credit lines	60,901	-	-	-	-	60,901
Total potential future payments for financial obligations	**67,276**	**8,599**	**10,297**	**31,772**	**179,214**	**297,158**

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

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring balance sheet liquidity ratios against regulatory requirements. The liquidity analysis takes into account the covenant requirements and ability of the Group to waive any potential breaches within the grace period.

The Group monitors expected maturities, which may be summarised as follows at 31 December 2009:

In thousands of USD	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 3 years	Total
Assets						
Cash and cash equivalents	18,946	-	-	-	-	18,946
Mandatory cash balances with the CBRF	1,182	-	-	-	-	1,182
Loans and advances to customers	14,471	28,956	43,434	86,874	-	173,735
Derivatives	2,361	-	-	-	-	2,361
Other financial assets	5,637	-	-	-	-	5,637
Total financial assets	**42,597**	**28,956**	**43,434**	**86,874**	**-**	**201,861**
Liabilities						
Due to banks	4,977	-	-	-	-	4,977
Customer accounts	1,184	3,125	1,351	2,881	4,080	12,621
Debt securities in issue	-	-	11,885	14,921	59,826	86,632
Syndicated loan	-	-	862	867	58,673	60,402
Other financial liabilities	2,253	-	-	-	-	2,253
Total financial liabilities	**8,414**	**3,125**	**14,098**	**18,669**	**122,579**	**166,885**
Net liquidity gap at 31 December 2009	**34,183**	**25,831**	**29,336**	**68,205**	**(122,579)**	**34,976**
Cumulative liquidity gap at 31 December 2009	**34,183**	**60,014**	**89,350**	**157,555**	**34,976**	

25 Financial Risk Management (Continued)

The expected maturity analysis of financial assets and financial liabilities at 31 December 2008 is as follows:

In thousands of USD	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1 to 3 years**	**Total**
Assets						
Cash and cash equivalents	30,907	-	-	-	-	30,907
Mandatory cash balances with the CBRF	276		-	-		276
Loans and advances to customers	12,066	23,281	34,922	69,843	-	140,112
Other financial assets	4,403	-	-	1,997	-	6,400
Total financial assets	**47,652**	**23,281**	**34,922**	**71,840**	**-**	**177,695**
Liabilities						
Customer accounts	4,849	719	104	198	2,566	8,436
Debt securities in issue	-	-	16,381	-	89,329	105,710
Syndicated loan	-	2,142	2,156	3,893	42,045	50,236
Other financial liabilities	3,346	486	-	-	-	3,832
Total financial liabilities	**8,195**	**3,347**	**18,641**	**4,091**	**133,940**	**168,214**
Net liquidity gap at 31 December 2008	**39,457**	**19,934**	**16,281**	**67,749**	**(133,940)**	**9,481**
Cumulative liquidity gap at 31 December 2008	**39,457**	**59,391**	**75,672**	**143,421**	**9,481**	

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

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

26 Management of Capital

The Group's objectives when managing capital are (i) for the Bank to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) for the Group to comply with the financial covenants set under the syndicated loan facility; (iii) to safeguard the Group's ability to continue as a going concern.

The Group considers total capital under management to be equity as shown in the consolidated balance sheet. The amount of capital that the Group managed as of 31 December 2009 was USD 35,040 thousand (2008: USD 16,468 thousand). Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually.

Under the current capital requirements set by the Central Bank of Russia banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level of 10%.

The Group and the Bank have complied with all externally imposed capital requirements throughout 2009 and 2008.

27 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements.

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

The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This includes them following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice in this respect has been contradictory.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

27 Contingencies and Commitments (Continued)

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

In addition to the above transfer pricing matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of USD 4,701 thousand (2008: USD 7,004 thousand). These exposures primarily relate to the operating expenses and to acquisitions of intangible assets.

As at 31 December 2009 the Group recorded provisions in respect of uncertain taxes in the amount of USD 6,850 thousand (2008: USD 5,711 thousand). Refer to Note 15.

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

In thousands of USD	**2009**	**2008**
Not later than 1 year	819	114
Total operating lease commitments	**819**	**114**

Compliance with covenants. The Group is subject to certain covenants related primarily to its debt securities in issue. Non-compliance with such covenants may result in negative consequences for the Group.

Credit related commitments. The primary purpose of these commitments is to ensure that funds are available to a customer as required.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. If loans were extended in respect of total unused commitments, the Group would become exposed to credit risk in respect of the additional loans provided. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In thousands of USD	**2009**	**2008**
Unused limits on credit cards loans	81,723	60,901
Total credit related commitments	**81,723**	**60,901**

27 Contingencies and Commitments (Continued)

The total outstanding contractual amount of undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded and therefore its fair value is close to zero. Credit related commitments are denominated in Russian Rubles.

28 Derivatives

At 31 December 2009, the Group had:

- an outstanding purchased call option giving the Group the right to buy Euro 50,000 thousand from an international financial institution for a strike price of RR 45 per 1 EUR.
- an outstanding written put option giving an international financial institution the right to sell Euro 100,000 thousand to the Group for a strike price of RR 55 per 1 EUR.
- an outstanding purchased call option giving the Group the right to buy Euro 50,000 thousand from an international financial institution for a strike price of RR 65 per 1 EUR.

All of the above mentioned options are parts of a combined option structure purchased on 15 June 2009 which can be exercised on 15 June 2011. The fair value of the outstanding options was recognised as an asset of USD 2,361 thousand (2008: none).

29 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

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

Assets and liabilities carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.

29 Fair Value of Financial Instruments (Continued)

Average discount rates used depend on the currency and maturity of the instrument and the credit risk of the counterparty and were as follows:

In % p.a.	**2009**	**2008**
Assets		
Cash and cash equivalents	4.8	3.6
Loans and advances to customers		
Corporate loans	20.6	14.9
Credit card loans	75.0	70.4
Other loans to individuals	20.0	19.8
Liabilities		
Due to banks	12.0	-
Customer accounts	14.9	8.3
Debt securities in issue	23.0	20.0
Syndicated loan	32.0	20.0

The fair value of financial instruments carried a as at 31 December 2009 and 2008 are as follows:

	31 December 2009		**31 December 2008**	
In thousands of USD	**Fair value with inputs observable in markets**	**Carrying value**	**Fair value with inputs observable in markets**	**Carrying value**
FINANCIAL ASSETS CARRIED AT AMORTISED COST				
Cash and cash equivalents				
-Cash on hand	485	485	93	93
- Cash balances with the CBRF (other than mandatory reserve deposits)	5,024	5,024	2,612	2,612
- Placements with other banks with original maturities of less than three months	13,437	13,437	28,202	28,202
Mandatory cash balances with the CBRF	1,182	1,182	276	276
Loans and advances to customers				
- Loans to individuals:				
Credit card loans	172,032	172,032	139,687	139,687
- Corporate loans:				
Development	1,069	1,069	-	-
Finance	424	424	-	-
Leasehold operations	210	210	289	289
Other	-	-	136	136
Other financial assets				
- MasterCard guarantee deposit	2,004	2,004	3,754	3,754
- Settlement of operations with plastic cards receivable	3,552	3,552	2,570	2,570
- Other financial assets	81	81	76	76
FINANCIAL ASSETS CARRIED AT FAIR VALUE				
Derivatives	2,361	2,361	-	-
TOTAL FINANCIAL ASSETS	**201,861**	**201,861**	**177,695**	**177,695**

29 Fair Value of Financial Instruments (Continued)

	31 December 2009		31 December 2008	
In thousands of USD	**Fair value with inputs observable in markets**	**Carrying value**	**Fair value with inputs observable in markets**	**Carrying value**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST				
Due to banks	4,977	4,977	-	-
Customer accounts				
Legal entities				
-Current/settlement accounts of corporate entities	363	363	534	534
-Term deposits of corporate entities	3,684	3,815	6,344	6,344
Individuals				
-Current/settlement accounts of individuals	789	789	14	14
-Term deposits of individuals	7,877	7,654	1,544	1,544
Debt securities in issue				
Euro denominated bonds	86,200	86,505	98,278	105,411
Bonds issued on domestic market	127	127	299	299
Syndicated loan	57,277	60,402	45,089	50,236
Other financial liabilities				
Trade payables	210	210	1,918	1,918
Settlement of operations with plastic cards	1,394	1,394	1,425	1,425
Other	649	649	489	489
TOTAL FINANCIAL LIABILITIES	**163,547**	**166,885**	**155,934**	**168,214**

30 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2009:

In thousands of USD	**Loans and receivables**	**Assets held for trading**	**Non-financial assets**	**Total**
Cash and cash equivalents				
-Cash on hand	485	-	-	485
- Cash balances with the CBRF (other than mandatory reserve deposits)	5,024	-	-	5,024
- Placements with other banks with original maturities of less than three months	13,437	-	-	13,437
Mandatory cash balances with the CBRF	1,182	-	-	1,182
Loans and advances to customers				
- Loans to individual:				
Credit card loans	172,032	-	-	172,032
Other loans to individuals	-	-	-	-
- Corporate loans:				
Development	1,069	-	-	1,069
Consulting	-	-	-	-
Finance	424	-	-	424
Leasehold operations	210	-	-	210
Other	-	-	-	-
Other financial assets				
- MasterCard guarantee deposit	2,004	-	-	2,004
- Settlement of operations with plastic cards receivable	3,552	-	-	3,552
- Other financial assets	81	-	-	81
			-	
FINANCIAL ASSETS CARRIED AT FAIR VALUE				
Derivatives	-	2,361	-	2,361
Total financial assets	**199,500**	**2,361**	-	**201,861**
Non-financial assets			**9,753**	**9,753**
Total assets	**199,500**	**2,361**	**9,753**	**211,614**

30 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of classes of financial assets with the measurement categories defined in IAS 39, *Financial Instruments: Recognition and Measurement*, as of 31 December 2008:

In thousands of USD	Loans and receivables	Assets held for trading	Non-financial assets	Total
Cash and cash equivalents				
-Cash on hand	93	-	-	93
- Cash balances with the CBRF (other than mandatory reserve deposits)	2,612	-	-	2,612
- Placements with other banks with original maturities of less than three months	28,202	-	-	28,202
Mandatory cash balances with the CBRF	276	-	-	276
Loans and advances to customers				
- Loans to individual:				
Credit card loans	139,687	-	-	139,687
Other loans to individuals	-	-	-	-
- Corporate loans:				
Development	-	-	-	-
Consulting	-	-	-	-
Finance	-	-	-	-
Leasehold operations	289	-	-	289
Other	136	-	-	136
Other financial assets				
- MasterCard guarantee deposit	3,754	-	-	3,754
- Settlement of operations with plastic cards receivable	2,570	-	-	2,570
- Other financial assets	76	-	-	76
FINANCIAL ASSETS CARRIED AT FAIR VALUE				
Derivatives	-	-	-	
Total financial assets	**177,695**	**-**		**177,695**
Non-financial assets	-	**-**	**16,247**	**16,247**
Total assets	**177,695**	**-**	**16,247**	**193,942**

As of 31 December 2009 and 2008 all of the Group's financial liabilities were carried at amortised cost.

31 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

	31 December 2009		31 December 2008	
In thousands of USD	Key management personnel	Other related parties	Key management personnel	Other related parties
ASSETS				
Gross amounts of loans and advances to customers (contractual interest rate: 20% (2008: 1%)	67	240	66	7,835
Impairment provisions for loans and advances to customers	-	(50)	-	(7,403)
LIABILITIES				
Customer accounts (contractual interest rate: 9%-18% p.a. (2008: 1,5%)	72	1,730	-	4,300

Interest income and interest expense with related parties for 2009 and 2008 are as follows:

	2009		2008	
In thousands of USD	Key management personnel	Other related parties	Key management personnel	Other related parties
Interest income	3	70	19	1,027
Interest expense	-	(79)	-	(64)

In 2009 the total remuneration of key management comprised only short-term benefits and amounted to USD 2,513 thousand (2008: USD 2,405 thousand).

Key management personnel are entitled to a bonus equal to 7% of the fair value of the controlling shareholder's stake in the Bank's equity, payable directly by the ultimate beneficiary who has controlling stake. The fair value will be calculated based upon report of the independent appraiser or price of the placements of the Bank's shares as at 31 December 2012.

32 Subsequent event

In February 2010 the Group sold Euro denominated bonds to the market with a nominal value of EUR 659 thousand and with a discount of 10.0%.