



Bank of Moscow

**Group of Joint Stock Commercial Bank
Bank of Moscow
(Open Joint Stock Company)**

**Consolidated Financial Statements
for the Year Ended 31 December 2009
and Independent Auditor's Report**

**Moscow
2010**

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Independent Auditor's Report

To the Shareholders and the Board of Directors of Joint Stock Commercial Bank – Bank of Moscow (Open Joint Stock Company)

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group of Joint Stock Commercial Bank – Bank of Moscow (Open Joint Stock Company) as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Anton V. Efremov
Senior Partner

2 April 2010

Moscow, Russian Federation

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

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the consolidated financial statements of Joint Stock Commercial Bank – Bank of Moscow and its subsidiaries (the Group).

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

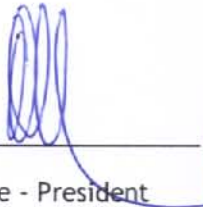
In preparing the consolidated financial statements, management is responsible for:

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

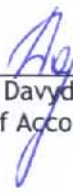
Management is also responsible for:

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

On behalf of the Group's management the consolidated financial statements for the year ended 31 December 2009 were authorized for issue on 2 April 2010 by:


D.V. Akulinin
First Executive Vice - President




L.N. Davydova
Chief Accountant

Bank of Moscow
2 April 2010

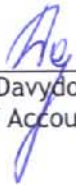
Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
 Consolidated Statement of Financial Position as at 31 December 2009
 (in thousands of Russian Roubles)

	Note	2009	2008
Assets			
Cash and cash equivalents	5	75 955 760	133 268 662
Mandatory cash balances with central banks		4 748 438	1 162 092
Financial assets at fair value through profit or loss	6	118 461 672	35 411 892
Due from other banks	7	50 703 283	74 337 103
Loans to customers	8	534 489 549	516 563 769
Financial assets available for sale	9	13 738 026	10 644 540
Investments held to maturity	10	265 211	959 716
Investments in associates and non-consolidated subsidiaries	11	3 820 845	3 965 609
Premises and equipment and intangible assets	12	16 895 277	19 255 617
Other assets	13	5 239 209	5 334 292
Current tax asset		750 310	467 521
Deferred tax asset	25	76 072	14 544
Total assets		825 143 652	801 385 357
Liabilities			
Due to other banks	14	225 714 723	214 923 626
Customer accounts	15	428 028 589	406 540 962
Financial liabilities at fair value through profit or loss	6	2 340 289	10 922 808
Debt securities issued	16	78 098 779	91 715 230
Other liabilities	17	2 774 776	7 970 954
Current tax liability		89 705	28 013
Deferred tax liability	25	1 500 756	1 633 346
Total liabilities		738 547 617	733 734 939
Equity			
Share capital	19	18 313 544	16 212 704
Share premium		34 090 420	16 191 261
Fair value reserve for financial assets available for sale		(4 972)	2 478
Revaluation reserve for premises and equipment		3 882 551	5 371 156
Accumulated exchange differences		(39 905)	149 419
Retained earnings		30 109 149	29 397 886
Equity attributable to the shareholders of the parent Bank		86 350 787	67 324 904
Non-controlling interest	18	245 248	325 514
Total equity		86 596 035	67 650 418
Total liabilities and equity		825 143 652	801 385 357


 D.V. Akulinin
 First Executive Vice-President

2 April 2010




 L.N. Davydova
 Chief Accountant

The notes set out on pages 12 to 92 are an integral part of these consolidated financial statements.

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
 Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2009
 (in thousands of Russian Roubles)

	Note	2009	2008
Interest income	20	82 264 178	61 597 343
Interest expense	20	(50 988 739)	(33 215 599)
Net interest income		31 275 439	28 381 744
Provision for impairment of due from other banks and loans to customers	7, 8	(30 751 474)	(8 966 815)
Net interest income after provision for impairment of due from other banks and loans to customers		523 965	19 414 929
Gains less losses arising from financial assets at fair value through profit or loss	21	9 595 572	(6 943 320)
Gains less losses arising from financial liabilities at fair value through profit or loss		(1 141 514)	674 382
Gains less losses arising from financial assets available for sale		935 369	122 640
Gains less losses from dealing in foreign currency and precious metals		638 493	919 389
Gains less losses from revaluation of foreign currency and precious metals		(497 849)	1 485 642
Fee and commission income	22	6 966 411	7 292 854
Fee and commission expense	22	(1 486 008)	(1 515 031)
Dividends received		19 040	53 538
Provision for impairment of financial assets available for sale	9	(233 888)	(113 868)
Provision for impairment of other assets	13	(600 239)	(361 231)
Provision for impairment of investments held to maturity	10	(4 191)	(1 484)
Provision for impairment of premises and equipment and intangible assets	12	(205 201)	-
Net income		14 509 960	21 028 440
General and administrative expenses	23	(14 317 805)	(14 991 552)
Contributions to the Deposit Insurance Fund		(633 476)	(667 540)
Other operating income less expenses	24	1 856 331	1 344 365
Operating income		1 415 010	6 713 713
Share in net (loss)/profit of the associates	11	(129 368)	842 538
Net share in other movements in equity of non-consolidated subsidiaries		(1 559)	(6 302)
Net (loss)/gain on acquisition and sale of subsidiaries and associates	28	(31 962)	699 166
Profit before taxation		1 252 121	8 249 115
Income tax expense	25	(535 118)	(1 271 185)
Net profit		717 003	6 977 930

The notes set out on pages 12 to 94 are an integral part of these consolidated financial statements.

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
 Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2009
 (in thousands of Russian Roubles)

	Note	2009	2008
Other comprehensive income:			
Revaluation of financial assets available for sale	9	(8 948)	(4 240)
Exchange differences		(201 252)	285 447
Revaluation of premises and equipment	12	(1 835 768)	6 297 247
Income tax relating to components of comprehensive income:			
- Financial assets available for sale	25	1 498	1 008
- Revaluation of premises and equipment	25	367 154	(1 244 710)
Other comprehensive (expense)/income after taxation		(1 677 316)	5 334 752
Total comprehensive (expense)/income for the period		(960 313)	12 312 682
Net profit attributable to the shareholders of the parent Bank			
Net profit attributable to the non-controlling interest	18	711 263	6 762 236
Net profit attributable to the non-controlling interest		5 740	215 694
Comprehensive income for the year attributable to the shareholders of the parent Bank			
Comprehensive income for the year attributable to the non-controlling interest		(974 116)	12 079 248
Comprehensive income for the year attributable to the non-controlling interest		13 803	233 434
Basic earnings per share (RUR/per share)	26	4.81	50.76

D.V. Akulinin
 First Executive Vice-President

2 April 2010



L.N. Davydova
 Chief Accountant

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
Consolidated Statement of Cash Flows for the Year Ended 31 December 2009
(in thousands of Russian Roubles)

	2009	2008
Cash flows from operating activities		
Interest received	78 228 863	58 143 135
Interest paid	(49 785 368)	(29 086 005)
Gains less losses arising from financial assets at fair value through profit or loss	4 135 224	(5 653 483)
Gains less losses from dealing in foreign currencies and precious metals	638 493	919 389
Fees and commissions received	6 919 790	7 149 905
Fees and commissions paid	(1 486 008)	(1 515 031)
General and administrative expenses paid, other net operating income received less expenses and contributions to the Deposit Insurance Fund	(12 799 495)	(13 480 352)
Income tax paid	(581 681)	(2 814 404)
Cash flows from operating activities before changes in operating assets and liabilities	25 269 818	13 663 154
Net (increase)/decrease in operating assets		
Mandatory cash balances with central banks	(3 586 346)	5 132 735
Financial assets at fair value through profit or loss	(76 411 747)	14 178 571
Due from other banks	23 558 545	(33 229 024)
Loans to customers	(48 142 299)	(169 649 456)
Other assets	335 155	(3 327 365)
Net increase/(decrease) in operating liabilities		
Due to other banks	(1 640 665)	143 728 318
Customer accounts	14 810 575	55 470 610
Financial liabilities at fair value through profit or loss	-	775 125
Debt securities issued (excluding eurobonds)	(1 210 219)	28 815 805
Other liabilities	(5 222 634)	6 209 686
Net cash flows from operating activities	(72 239 817)	61 768 159
Cash flows from investing activities		
Acquisition of subsidiaries and associates (Note 28)	(368 991)	(4 674 623)
Disposal of subsidiaries and associates (Note 28)	415	-
Acquisition of financial assets available for sale (Note 9)	(6 549 256)	(11 067 566)
Redemption of financial assets available for sale (Note 9)	544 242	-
Proceeds from sale of financial assets available for sale (Note 9)	3 095 449	1 192 608
Acquisition of investments held to maturity	(455 772)	-
Redemption of investments held to maturity	946 208	-
Increase in cash and cash equivalents on acquisition of the subsidiary bank	-	109 910
Purchase of premises and equipment	(1 377 343)	(1 302 161)
Proceeds from sale of premises and equipment	5 405	1 758
Dividends received	19 040	53 538
Net cash flows from investing activities	(4 140 603)	(15 686 536)

The notes set out on pages 12 to 94 are an integral part of these consolidated financial statements.

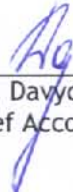
Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
 Consolidated Statement of Cash Flows for the Year Ended 31 December 2009
 (in thousands of Russian Roubles)

Cash flows from financing activities		
Share issue (Note 19)	19 999 999	8 284 950
Eurobonds issued by the Bank	-	5 762 233
Eurobonds repaid by the Bank	(12 817 628)	-
Attraction of subordinated loan	11 107 970	-
Sale of Treasury shares	-	25 167
Dividends paid (Note 27)	(25)	(232 381)
Net cash flows from financing activities	18 290 316	13 839 969
Effect of exchange rate changes on cash and cash equivalents	777 202	9 426 952
Net change in cash and cash equivalents	(57 312 902)	69 348 544
Cash and cash equivalents at the beginning of the year (Note 5)	133 268 662	63 920 118
Cash and cash equivalents at the end of the year (Note 5)	75 955 760	133 268 662


 D.V. Akulinin
 First Executive Vice - President


2 April 2010




 L.N. Davydova
 Chief Accountant

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
 Consolidated Statement of Changes in Equity for the Year Ended 31 December 2009
 (in thousands of Russian Roubles)

	Equity attributable to the shareholders of the parent Bank						Non- controlling interest	Total equity	
	Note	Share capital	Share premium	Fair value reserve for financial assets available for sale	Revaluation reserve for premises and equipment	Accumulated exchange differences			Retained earnings
Balance as at 31 December 2008		16 212 704	16 191 261	2 478	5 371 156	149 419	29 397 886	325 514	67 650 418
Share issue	19	2 100 840	-	-	-	-	-	-	2 100 840
- nominal value		2 100 840	-	-	-	-	-	-	2 100 840
- share premium		-	17 899 159	-	-	-	-	-	17 899 159
Comprehensive income for the reporting period		-	-	(7 450)	(1 488 605)	(189 324)	711 263	13 803	(960 313)
Change in the non-controlling interest on acquisition and disposal of the companies	18	-	-	-	-	-	-	(94 069)	(94 069)
Balance as at 31 December 2009		18 313 544	34 090 420	(4 972)	3 882 551	(39 905)	30 109 149	245 248	86 596 035

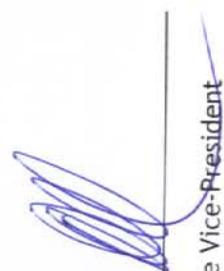

 D.V. Akulinin
 First Executive Vice-President
 2 April 2010




 L.N. Davydova
 Chief Accountant


Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
 Consolidated Statement of Changes in Equity for the Year Ended 31 December 2008
 (in thousands of Russian Roubles)

	Equity attributable to the shareholders of the parent Bank						Non-controlling interest	Total equity	
	Note	Share capital	Share premium	Treasury shares available for sale	Fair value reserve for financial assets and equipment	Revaluation reserve for premises and exchange differences			Accumulated Retained earnings
Balance as at 31 December 2007		15 476 839	8 642 176	(11 483)	5 710	314 317	22 852 385	1 429 045	48 595 003
Share issue		735 865	-	-	-	-	-	-	735 865
- nominal value		-	-	-	-	-	-	-	-
- share premium		-	7 549 085	-	-	-	-	-	7 549 085
Comprehensive income for the reporting period		-	-	-	(3 232)	5 056 839	263 405	-	12 312 682
Dividends declared for the year 2007	27	-	-	-	-	-	(232 420)	-	(232 420)
Change in the non-controlling interest on acquisition of companies	18	-	-	-	-	-	-	(1 336 965)	(1 336 965)
Transfer from non-consolidated subsidiaries into consolidated subsidiaries		-	-	-	-	-	-	-	-
Sale of treasury shares		-	-	11 483	-	-	-	-	2 001
Balance as at 31 December 2008		16 212 704	16 191 261	-	2 478	5 371 156	149 419	29 397 886	67 650 418


 D.V. Akulinin
 First Executive Vice-President

2 April 2010




 L.N. Davydova
 Chief Accountant

The notes set out on pages 12 to 94 are an integral part of these consolidated financial statements.

1. Principal Activities of the Group

These consolidated financial statements comprise the financial statements of Joint-Stock Commercial Bank - Bank of Moscow (open joint stock company) (hereinafter the "Bank" or the "Bank of Moscow") and its subsidiaries. The Bank and its subsidiaries are jointly referred to as the "Group" or "Group of the Bank of Moscow". The list of subsidiaries and associates included in these consolidated financial statements is disclosed in Note 3.

The Bank of Moscow is a joint stock commercial bank registered in the Russian Federation. The Bank of Moscow was set up in March 1995 through reorganisation of Moscow Settlement Bank registered in the Russian Federation in 1994.

The Bank operates under General Banking License No. 2748 issued by the Central Bank of the Russian Federation (hereinafter the Central Bank of RF or the Bank of Russia) on 14 October 2004. The Bank also holds licenses of the professional securities market participant and a license for trading in precious metals.

The principal activity of the Group is commercial banking comprising corporate, investment and retail banking services, asset management, private banking and transactions on financial markets. Provision of services to individuals makes up a considerable portion of the Bank's operations. The Bank is the third largest Russian bank by the volume of customer accounts attracted from individuals.

The Government of the City of Moscow directly and indirectly (through O.J.S.C. «Metropolitan Insurance Group») owns the Bank being its principal shareholder.

The Bank is registered at the following address: 8/15, Rozhdestvenka Str., Moscow, Russian Federation.

As at 31 December 2009, the Bank had 396 divisions on the territory of the Russian Federation and 7 subsidiary banks (as at 31 December 2008: 395 divisions on the territory of the Russian Federation and 7 subsidiary banks): in the Russian Federation (Moscow) - OJSC Mosvodokanalbank, Group's interest of 65.87%; (Bryansk) - Commercial Joint Stock Bank Bezhitsa-Bank (OJSC), Group's interest of 95.15%; in the Republic of Belarus (Minsk) - OJSC Bank Moscow-Minsk, Group's interest of 100.0%; in the Republic of Latvia (Riga) - JSC Latvian Businessbank (AS Latvijas Biznesa Banka), Group's interest of 99.87%; in the Republic of Estonia (Tallinn) - Estonian Credit Bank (Eesti Krediidipank), Group's interest of 89.16%; in the Republic of Ukraine (Kiev) - BM Bank LLC, Group's interest of 100.0%, in the Republic of Serbia (Belgrade) - JSC Bank of Moscow - Belgrade, Group's interest of 100.0%.

The Bank's head office is located in Moscow. The Bank's 138 offices and sub-offices are located in all administrative districts of Moscow and in large towns of Moscow region. The Bank is the financial agent of the Government of the City of Moscow for investment programs and is the authorised dealer for bonds issues of the City of Moscow. The Bank is an active participant of several financial and industrial programs of the City of Moscow. It provides services to a substantial number of municipal and commercial organisations, which participate in the implementation of Moscow Government programs.

As at 31 December 2009, the Bank of Moscow regional network comprised 48 branches, 29 operating offices and 181 sub-branches located on the territory of the Russian Federation (as at 31 December 2008: 50 branches, 12 operating offices and 194 sub-branches). The subsidiary bank OJSC Mosvodokanalbank has 3 sub-branches on the territory of the Russian Federation (as at 31 December 2008: 3 sub-branches). The subsidiary bank - Commercial Joint Stock Bank Bezhitsa-Bank (OJSC) - has 2 branches on the territory of the Russian Federation (as at 31 December 2008: 2 branches). The subsidiary bank - OJSC Bank Moscow-Minsk - has 5 branches and 41 sub-branches located on the territory of the Republic of Belarus (as at 31 December 2008: 5 branches and 38 sub-branches). The subsidiary bank - BM Bank LLC - has 45 sub-branches on the territory of the Republic of Ukraine (as at 31 December 2008: 43 sub-branches). The subsidiary bank - JSC Latvian Businessbank (AS Latvijas Biznesa Banka) has 1 sub-branch located on the territory of the Republic of Latvia (as at 31 December 2008: 1 sub-branch). Estonian Credit Bank (Eesti Krediidipank) has 8 branches and 13 sub-branches located on the territory of the Republic of Estonia (as at 31 December 2008: 10 branches and 14 sub-branches).

As at 31 December 2009 the average number of the Group's employees was 10 420 (as at 31 December 2008: 11 233).

Due to manifestations of a crisis in the Russian economy, on 4 February 2009 the international rating agency Fitch Ratings downgraded the long-term foreign currency and local currency issuer default ratings (IDR) from "BBB+" to "BBB", the short-term IDR in foreign currency from "F2" to "F3", and Russia's country ceiling rating from "A-" to "BBB+". Long-term IDR outlook was reaffirmed as negative. Also the long-term issuer default ratings (IDR) of 14 Russian banks, including Bank of Moscow, were downgraded. Long-term foreign currency issuer default rating (IDR) of the Bank of Moscow was set at "BBB-", negative outlook. Short-term IDR was reaffirmed at "F3" and support rating at "2".

On 24 February 2009, Moody's Investors Service reviewed and downgraded long-term local currency deposit ratings, and foreign currency and local currency debt ratings of 9 Russian credit organisations with state interest (Sberbank, banks of the VTB group, Gazprombank (Open Joint-stock Company), Vnesheconombank, Bank of Moscow, Rosselkhozbank and OJSC «AHML») to Russia's country ceiling. Moody's Investors Service confirmed the Bank of Moscow long-term foreign currency deposit rating at "Baa1", short-term foreign currency deposit rating at "P-2" and bank financial strength rating at "D", with negative outlook for all ratings.

On 22 January 2010 Fitch Ratings confirmed Russia's long-term local and foreign currency issuer default ratings (IDR) at "BBB" and revised the outlook from negative to stable. Fitch Ratings also confirmed short-term foreign currency issuer default rating at "F3" and country ceiling rating at "BBB+". The decision on revision of Russia's outlook to stable was encouraged by the growth in oil prices, recovery of net capital inflows to the private sector, upturn in the business activity, abating inflation, subsiding risks in the banking sector and a lower than expected budget deficit in 2009.

On 26 January 2010 Fitch Ratings upgraded the Bank's outlook from negative to stable and confirmed the following Bank's ratings: long-term foreign currency IDR at "BBB-", short-term foreign currency IDR at "F3", the national long-term rating at "AA+(rus)", stable outlook, support rating at "2" and individual rating at "D".

2. Operating Environment of the Group

General

Since the early 1990s the Russian Federation has undergone substantial political, economic and social changes. Though since 2002 the Russian economy has been recognised to be the market economy and a number of main reforms aimed at establishment of banking, judicial, tax and legislative systems have been implemented, the business and legislative framework do not possess the same level of stability as in the countries with more developed economy.

In 2004 the Bank joined the Mandatory Deposit Insurance System. The activities of the Mandatory Deposit Insurance System are provided for by federal laws and regulations. It is managed by the state corporation Deposit Insurance Agency. The limit of coverage of the Bank's liabilities to private customers is up to RUR 700 thousand per each depositor in the event of bankruptcy or withdrawal of the license for banking operations by the Central Bank of Russia.

Currently, the economy of the Russian Federation continues to display characteristics of an emerging market. These characteristics include:

- relatively high inflation rates during a number of years;
- low level of liquidity on capital markets;
- inconvertibility of the national currency in most foreign countries.

Inflation

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

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

Currency transactions and currency control

Foreign currencies, in particular the US dollar and euro, play a significant role in measuring economic parameters of many business transactions in Russia.

The table below shows the exchange rates of USD and EUR relative to RUR:

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

Financial market transactions

In the context of the world-wide financial crisis, substantial reduction of Russia's gold and exchange currency reserves, the outflow of foreign capital from the country and declining oil prices, the rating agency Moody's revised its sovereign ratings and Fitch Ratings and Standard & Poor's downgraded their sovereign ratings as follows: Moody's - "Baa1" with stable outlook on 12 December 2008, Fitch Ratings - "BBB" with stable outlook on 22 January 2010, Standard & Poor's - "BBB" with negative outlook on 8 December 2008.

On 21 December 2009 Standard & Poor's reaffirmed the sovereign debt ratings of the Russian Federation: the long-/short-term foreign currency sovereign debt rating was reaffirmed at "BBB/A-3, and the long-/short-term local currency sovereign debt rating was reaffirmed at "BBB+/A-2", stable outlook.

The world-wide financial crisis spread to Russia in the second half of 2008. Before the first manifestations of the crisis in the Russian economy the major enterprises had already felt the impact of the global world-wide financial crisis that began a year earlier in Europe and USA. The world-wide financial crisis has resulted in, among other things, the global liquidity crunch in 2007-2008 which led to contraction of the international and domestic capital market, lower liquidity levels across the Russian banking sector and very high uncertainty in the domestic and foreign equity markets.

In 2008-2009, the uncertainties in the global financial market have also led to bank failures and subsequent bank rescues by the state in the United States of America, Western Europe, Russia and other countries as a measure to stabilize the banking system.

At that time the government of RF took steps to buy out shares on the equity market and allocated funds to refinance the debts on foreign loans of large Russian enterprises and banks, maturing in 2009. Support of the real sector included price preferences granted to Russian companies under state and municipal procurement programs, expanded subsidizing of interest rates on loans for technological modernization of production and the started program of state guarantees for loans to enterprises. These guarantees were issued in addition to the collateral that the enterprises provided to the banks. A state program was launched to help those individuals with mortgage loans who had lost their jobs or a substantial part of income as a result of the crisis. In 2009 a state program was launched to subsidize loans for purchase of domestically-made cars.

In November 2008, the government of RF approved an anti-crisis plan. The plan identified 55 tasks covering the major sectors of the Russian economy from banks to agribusiness, real estate and small business.

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

The CBR has lowered mandatory reserve requirements, expanded the list of assets accepted as collateral on CBR loans and provides loans to commercial banks through collateral-free auctions. The CBR lowered the refinancing rate from 12.5% to 8.25% per annum in 2009 - 2010, signed agreements on partial compensation of losses incurred on the interbank market with a number of major Russian banks, including the Bank of Moscow, to encourage the operations on the interbank market.

In November 2008 - January 2009 the CBR conducted the "regulated rouble devaluation" versus the major world currencies. The CBR explained the "regulated devaluation" of the national currency as a necessitated response to the cardinal changes in the world economy, including impossibility for Russian banks and companies to raise new loans and refinance the existing debts, a wide capital outflow and a sharp reduction in prices for locally-produced goods.

The devaluation occurred in a relatively stable period, when the most severe consequences of the financial crisis were cushioned by the anti-crisis measures undertaken by the Russian Government and CBR.

Since mid- 2009 the trend towards gradual ruble appreciation was observed, the outflow of funds from household bank deposits held by individuals has stopped, prices for shares and bonds of the Russian issuers demonstrated a stable performance and there were no significant defaults of Russian companies on external and domestic debts.

Currently, it is impossible to fully assess the influence of the crisis or avoid its impact. It is also impossible to fully assess the efficiency of the anti-crisis measures undertaken by the Russian Government and CBR.

At present investors are re-evaluating their exposure to risks. As a result the limits on financial transactions in the Russian Federation have been expanded or re-opened after their reduction and closing in 2007-2008. However, the on-going instability of the world economies may affect the ability of the Group to obtain new borrowings at terms and conditions similar to those applied to earlier transactions.

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

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

3. Basis of Presentation

General principles

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

These consolidated financial statements are presented in Russian Roubles being the Group's functional and presentation currency. Subsidiaries, which are residents of foreign states, have functional currencies other than Russian Roubles. In this regard, in order to present the consolidated financial statements of the Group financial statements of foreign subsidiaries are recalculated in rubles. These consolidated financial statements of the Group are rounded to the nearest thousand rubles.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Issues that require best estimate and are most significant for the consolidated financial statements are disclosed in Notes 7, 8, 9, 10 and 13.

Subsidiaries

Subsidiary undertakings, i.e. those entities in which the Group owns over one half of the voting shares or is otherwise able to exercise control over the operations, including special purpose entities (SPE) have been consolidated. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intragroup transactions, balances and unrealised gains on such transactions are fully eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquisition of subsidiaries

The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and costs incurred or liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the date of acquisition, if the business combination of the companies is made by one transaction; and the date of each share purchase if the business combination of the companies occurs in stages by successive share purchases. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the date of acquisition, irrespective of the extent of non-controlling interest.

The excess of the cost of the acquisition over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of the acquisition is less than the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

Non-controlling interest

Non-controlling interest is the share of the subsidiary that is not owned by the Group. Non-controlling interest at the reporting date is the non-controlling interest's portion of the net fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition and post-acquisition changes in the equity of the subsidiary. Non-controlling interest is recorded within equity.

Losses allocated to non-controlling interest do not exceed the non-controlling interest in the equity of the subsidiary and are allocated to the Group unless there is a binding obligation of the non-controlling shareholders to fund the losses.

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
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(in thousands of Russian Roubles)

Below are the Group's subsidiaries as at 31 December 2009:

Name	Location	Business activity	Percentage of ownership, %	Year of acquisition
CJSC Imagine	Russia	Financial services	100.00	1996
CJSC Altruist	Russia	Financial services	100.00	1996
CJSC Press Magnate	Russia	Publishing	100.00	1996
CJSC Vechernyaya Moskva	Russia	Publishing	100.00	1997
BM Holding LTD	Switzerland	Financial services	100.00	1998
OJSC Bank Moscow-Minsk	Belarus	Banking services	100.00	2000
CJSC DOSSOM	Russia	Public catering	100.00	2001
CJSC Bank of Moscow management company	Russia	Financial services	100.00	2002
LLC BM Bank	Ukraine	Banking services	100.00	2005
CJSC Stroiporinvest	Russia	Financial services	100.00	2006
	British Virgin Islands			
BoM Finance Ltd.	Islands	Financial services	100.00	2007
BoM Asset Management Ltd.	Cyprus	Financial services	100.00	2007
Crossplanet Ltd.	Cyprus	Financial services	100.00	2007
		Brokerage, dealer and depository services		
LLC Mos-Broker	Russia		100.00	2008
CJSC Lespromprocessing	Russia	Financial services	100.00	2008
CJSC Spetsstroy-2	Russia	Construction	100.00	2008
JSC Bank Moscow - Belgrade	Serbia	Banking services	100.00	2008
AS Latvijas Biznesa Banka	Latvia	Banking services	99.87	2002
CJSC Financial Assistant	Russia	Financial services	99.67	2006
		Machine-building and equipment		
LLC Selkhozstroj	Russia		99.00	2006
		Machine-building and equipment		
LLC PO Montazh	Russia		99.00	2006
OJSC Bezhitsa-Bank	Russia	Banking services	95.15	2008
SIA "LBB IPAŠUMI"	Latvia	Real estate	92.63	2008
AS Eesti Krediidipank	Estonia	Banking services	89.16	2005
		Real estate management		
AS Martinoza	Estonia		89.16	2005
AS Krediidipanga Liising	Estonia	Leasing	89.16	2005
"MOSVODOKANALBANK"	Russia	Banking services	65.87	1997
CJSC Concern Vechernyaya Moskva	Russia	Publishing	57.35	1997
OJSC International Asset Management Company	Russia	Financial services	50.00	2003

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Below are the Group's subsidiaries as at 31 December 2008:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
CJSC Imagine	Russia	Financial services	100.00	1996
CJSC Altruist	Russia	Financial services	100.00	1996
CJSC Press Magnate	Russia	Publishing	100.00	1996
CJSC Vechernyaya Moskva	Russia	Publishing	100.00	1997
BM Holding LTD	Switzerland	Financial services	100.00	1998
OJSC Bank Moscow-Minsk	Belarus	Banking services	100.00	2000
CJSC Bank of Moscow management company	Russia	Financial services	100.00	2002
LLC BM Bank	Ukraine	Banking services	100.00	2005
CJSC Stroiportinvest	Russia	Financial services	100.00	2006
	British Virgin Islands			
BoM Finance Ltd.	Islands	Financial services	100.00	2007
BoM Asset Management Ltd.	Cyprus	Financial services	100.00	2007
Crossplanet Ltd.	Cyprus	Financial services	100.00	2007
		Brokerage, dealer and depository services		
LLC Mos-Broker	Russia		100.00	2008
CJSC Lespromprocessing	Russia	Financial services	100.00	2008
CJSC Spetsstroy-2	Russia	Construction	100.00	2008
JSC Bank of Moscow - Belgrade	Serbia	Banking services	100.00	2008
CJSC DOSSOM	Russia	Public catering	100.00	2001
AS Latvijas Biznesa Banka	Latvia	Banking services	99.87	2002
CJSC Financial Assistant	Russia	Financial services	99.67	2006
		Machine-building and equipment		
LLC Selkhozstroj	Russia		99.00	2006
		Machine-building and equipment		
LLC PO Montazh	Russia		99.00	2006
AS Eesti Krediidipank	Estonia	Banking services	89.04	2005
		Real estate management		
AS Martinoza	Estonia		89.04	2005
AS Krediidipanga Liising	Estonia	Leasing	89.04	2005
"MOSVODOKANALBANK"	Russia	Banking services	65.87	1997
OJSC Bezhitsa-Bank	Russia	Banking services	59.83	2008
CJSC Concern Vechernyaya Moskva	Russia	Publishing	57.00	1997
OJSC International Asset Management Company	Russia	Financial services	50.00	2003

Kuznetski Capital S.A. founded in 2004 for special purposes as SPE (eurobonds issue) and registered in Luxemburg was also included in these consolidated financial statements.

Where the companies do not have a significant influence on the consolidated financial statements of the Group, they are not consolidated. The investments in the share capitals of these companies are recorded within investments in associates and non-consolidated subsidiaries in the consolidated statement of financial position.

Following is a list of the companies, which were not included into the consolidated financial statements for the year 2009:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
CJSC Monolit	Russia	Wholesale trading	99.00	2007
CJSC Stolichnaya Neftyanaya Kompania	Russia	Production	75.00	2005
LLC VM-Open City	Russia	Publishing	57.35	2008
Editorial office of MK-Boulevard magazine, LLC	Russia	Publishing	50.00	2002

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Following is a list of the companies, which were not included into the consolidated financial statements for the year 2008:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
Private security company Yaroslavna, LLC	Russia	Security	99.83	1999
CJSC Monolit	Russia	Wholesale trading	99.00	2007
CJSC Stolichnaya Neftyanaya Kompania	Russia	Production	75.00	2005
LLC VM-Open City	Russia	Publishing	57.00	2008
Editorial office of MK-Boulevard magazine, LLC	Russia	Publishing	50.00	2002

«BOM Capital P.L.C.» founded in 2009 for special purposes as SPE (eurobonds issue) and registered in Ireland was neither included in these consolidated financial statements.

Associates

Associates are entities in which the Group directly or indirectly owns between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence (for example, through representation in management bodies), but which it does not control. Investments in associates are accounted for under the equity method and are initially recognised at cost. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in the consolidated statement of comprehensive income, and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments on behalf of the associate.

Below is the list of the Group's associates as at 31 December 2009:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
Äigrumäe Kinnisvara AS	Estonia	Financial services	44.49	2007
CJSC Automated Banking Technologies	Russia	Information technologies	25.82	2006
O.J.S.C. «Metropolitan Insurance Group»	Russia	Insurance	24.92	2007
Russian National Commercial Bank	Russia	Banking services	20.00	1999
LLC "Pension Reserve"	Russia	Financial services	19.00	2008

Below is the list of the Group's associates as at 31 December 2008:

Name	Country of registration	Business activity	Percentage of ownership, %	Year of acquisition
City Centre for Data Processing (EIRTS), LLC	Russia	Maintenance of software and hardware	49.50	2005
SIA LBB IPAŠUMI	Latvia	Real estate business	48.94	2008
Äigrumäe Kinnisvara AS	Estonia	Financial services	44.43	2007
CJSC Automated Banking Technologies	Russia	Information technologies	25.82	2006
O.J.S.C. «Metropolitan Insurance Group»	Russia	Insurance	24.92	2007
Russian National Commercial Bank	Russia	Banking services	20.00	1999
LLC "Pension Reserve"	Russia	Financial services	19.00	2008

Standards applied

The accounting policies adopted are consistent with those of the previous financial year. Certain new IASs and IFRSs became effective for the Group from 1 January 2009. Listed below are those new or amended standards or interpretations which are relevant or could be relevant in the future to the Group's operations:

- IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009). The new amendment is aimed at simplifying analysis and comparison of information in the financial statements. The revised standard impacts the format of data presentation in the Group's consolidated financial statements but does not impact recognition and measurement of individual transactions and balances. The main changes are summarized below:
 - "balance sheet" becomes "a statement of financial position";
 - "statement of income" becomes "a statement of comprehensive income";
 - a statement of comprehensive income can be presented in two ways: as one statement of comprehensive income consisting of two parts, where the first part is actually an income statement, or as two statements (a separate income statement and a statement of comprehensive income);
 - minority interest is amended to non-controlling interest;
 - non-owner changes in equity earlier presented in the statement of changes in equity should be reported within other comprehensive income;
 - when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when the entity reclassifies items in the financial statements, at least three statements of financial position are required - as at the end of the current period, as at the end of the previous reporting period (coinciding with the beginning of the current reporting period) and as at the beginning of the earliest comparative period.
 - separate disclosure of dividends in the statement of changes in equity or in the notes to financial statements is required.
- IAS 23 "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009).
- IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009).
- IAS 38 "Intangible assets" (effective for annual periods beginning on or after 1 July 2009);
- IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 July 2009).
- IFRS 3 "Business Combinations" (effective for annual reporting periods beginning on or after 1 July 2009).
- IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 July 2009).

- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on 1 July 2009);
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on 1 July 2009).

IFRSs and IFRIC interpretations not yet effective

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

- IAS 1 "Presentation of Financial Statements"(effective for annual periods beginning on or after 1 January 2010).
- IAS 7 "Statement of Cash Flows" (effective for annual periods beginning on or after 1 January 2010).
- IAS 17 "Leases" (effective for annual periods beginning on or after 1 January 2010).
- IAS 36 "Impairment of assets" (effective for annual periods beginning on or after 1 January 2010).
- IAS 39 "Financial Instruments: Recognition and Measurement" (effective for annual periods beginning on or after 1 January 2010).
- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective for annual periods beginning on or after 1 January 2010).
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).

4. Summary of Significant Accounting Policies

Cash and cash equivalents

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

Gold and other precious metals are recorded at the officially set CBR prices approximating their fair value, quoted at a discount to London Metal Exchange rates. Changes in the CBR prices are recorded as exchange differences within gains less losses from revaluation of foreign currency and precious metals in the consolidated statement of comprehensive income.

Cash and cash equivalents do not include mandatory cash balances held with central banks.

Mandatory cash balances with the central banks

Mandatory cash balances held with central banks represent mandatory reserve deposits with the Central Bank of the Russian Federation and the central banks of other countries where the Group's members are residents. Mandatory cash balances held in central banks are not available to finance the Group's day-to-day operations and are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Financial assets

The Group classifies its financial assets in the following categories:

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

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

Purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace (regular way purchases or sales) are recognised on the trade date, i.e. the date the Group commits to purchase or sell the asset. In all other cases such transactions are reported as derivative financial instruments until the payment is made.

In the course of application of the Group's accounting policy with respect to definition of financial assets recognized in the consolidated financial statements, the management used judgments and estimates the most significant of which are presented below.

Initial recognition of financial instruments

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

All financial assets and liabilities are initially recognised at acquisition cost, which is the fair value of the consideration given. Costs that are directly attributable to the acquisition or issue of a financial asset or liability are added to the amount initially recognised, except financial asset at fair value through profit or loss.

Fair value measurement

The fair value of financial instruments traded in an active market is determined on the basis of market or dealer quotations, without deduction the transaction costs incurred.

If quoted market prices are not available, the fair value of financial assets and liabilities recorded in the consolidated statement of financial position is estimated using various valuation techniques, including mathematical models. Where mathematical models are used, inputs are based on observable market data, where possible. Otherwise, the fair value should be determined using the management's best estimate based on liquidity considerations and data used for models, such as correlation and volatility of long-term derivative financial instruments.

Derecognition of financial assets

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

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

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

Reclassifications of financial assets

The Group shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued, except in rare circumstances when such reclassification is permitted for non-derivative financial instruments, other than those designated at fair value through profit or loss upon initial recognition, if there is no active market for this financial instrument. In this case debt financial instruments measured at fair value through profit or loss may be reclassified into financial assets available for sale, investments held to maturity or loans to customers depending on the purpose of these investments. Equity financial instruments measured at fair value through profit or loss may be reclassified into financial assets available for sale in the rare circumstances referred to above.

In exceptional circumstances, such as the absence of an active market, financial assets available for sale representing debt instruments may be reclassified into investments held to maturity or loans to customers, if the entity has the intention to hold that financial asset for the foreseeable future or until maturity.

If financial assets as described in the above two paragraphs are reclassified into investments held to maturity or loans to customers, the market price on the date of reclassification will become the new cost or the amortized cost, accordingly.

If, as a result of a change in intention or ability of the Group, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as available for sale and remeasured at fair value. Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recorded in the consolidated statement of comprehensive income within other comprehensive income.

The Group shall not classify any financial assets as held to maturity if the Group has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Whenever sales or reclassifications of more than an insignificant amount of held-to-maturity investments do not meet any of the conditions of the classification, any remaining held-to-maturity investments shall be reclassified as available for sale.

Due to sharp deterioration in global financial markets in 2008 and in accordance with the amendments to IAS 39 and IFRS 7 "The reclassification of financial assets" a number of financial assets, valued at fair value through profit or loss, were reclassified in the category of financial assets available for sale (Note 9), as well as in the category of investments held to maturity (Note 10). In addition, some financial assets available for sale were reclassified into the category of investments held to maturity (Note 10). These reclassifications were made by subsidiary banks of the Group: AS Latvijas Biznesa Banka, AS Eesti Krediidipank and "MOSVODOKANALBANK".

Financial assets at fair value through profit or loss

Financial assets recorded at fair value through profit or loss include trading securities and derivative financial instruments.

Trading securities represent securities acquired principally for the purpose of generating a profit from short-term fluctuations in price or trader's margin, or securities included in a portfolio where a pattern of short-term trading exists. The Group classifies securities as trading securities when it intends to sell them within a short period of time after purchase.

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

Derivative financial instruments. In the normal course of business, the Group uses various derivative financial instruments including options, futures, forwards and swaps. Such financial instruments are held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivative financial instruments are carried as financial assets when their fair value is positive and as financial liabilities when it is negative. Gains and losses from transactions in the above instruments are reported in the consolidated statement of comprehensive income as gains less losses arising from financial assets or liabilities at fair value through profit or loss. Changes in the fair value of derivative instruments are included in gain/loss.

Despite the fact that the Group performs with transactions derivative financial instruments for hedging of risks, these operations do not meet the criteria for the application of hedge accounting rules.

Loans to customers

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

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

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

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

Loans purchased from third parties are carried at amortized cost using the effective interest method.

Due from other banks

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

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are classified as investment securities which management intends to hold for an indefinite period of time, that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group's management determines the appropriate classification of financial assets at the time of purchase.

Financial assets available for sale are initially recognized at cost, which is the fair value of the consideration given. Transaction costs that are directly attributable to the acquisition of a financial asset are added to the amount initially recognised. Financial assets available for sale are subsequently remeasured to fair value based on quoted bid prices.

Certain financial assets available for sale for which there is no available independent quotation have been fair valued by the Group's management with the attraction of independent appraiser. For other financial assets fair value was determined on the basis of results of recent sales of similar financial assets to unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation methodologies.

Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recognised in the consolidated statement of comprehensive income as other comprehensive income. When financial assets available for sale are disposed of, the related accumulated unrealised gains and losses previously recognised in other comprehensive income are reclassified into consolidated profit or loss within gains less losses arising from financial assets available for sale. Impairment of previously revalued assets is reported in the consolidated statement of changes in equity within the fair value reserve for financial assets available for sale which was set up earlier.

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

Investments held to maturity

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

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

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

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

Interest income on investments held to maturity is recognised in the consolidated statement of comprehensive income within interest income.

Promissory notes purchased

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

Impairment of financial assets

The Group assesses on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognized in the consolidated statement of comprehensive income as they are incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the 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 of impairment exists 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.

Impairment of due from other banks and loans to customers

For due from other banks and loans to customers carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, which are assets the impairment of which may have a significant effect on the average expected level of the Group's operating income, or collectively for financial assets that are not individually significant.

Objective evidence that individually significant assets within due from other banks and loans to customers are impaired is based on the following main criteria:

- default in any payments due;
- significant financial difficulty of the borrower supported by financial information at the Group's disposal;

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

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

For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, payment status, statistical information about actual losses of the Group (loans written off against allowances) and other relevant factors. The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The main criterion used for determining objective evidence of loss from impairment of due from other banks and loans to customers representing collectively impaired financial assets is availability of observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such information may include adverse changes in the payment status of borrowers in the group (for example, an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount), national or local economic conditions that correlate with defaults on the assets in the group (for example, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in prices for real estate in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For determining the possible price of collateral realisation (taking into account probable market costs) Group uses different discount rates to the fair value of collateral. As at 31 December 2009 discount rates were as follows: premises - 30% - 50%, vehicles - 40% - 50%, equipment - 40% - 70%, goods in turnover - 40% - 50%.

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

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

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

In accordance with the Russian legislation, in case of a write-off of the uncollectible loan and relating interest, the Group shall take necessary and adequate steps, envisaged by law, custom of business turnover or agreement, to collect this outstanding loan. The write-off of uncollectible loan and relating interest is justified if there are documents to prove that the borrower failed to fulfil its obligations to its creditors within the period not less than one year till the date when the decision was taken to write off the loan.

Impairment of financial assets available for sale

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets available for sale is impaired.

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

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

If in subsequent periods the fair value of a debt instrument classified as available for sale increases, and such increase can be objectively rated to the event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through the profit and loss accounts of the current period.

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

Impairment of investments held to maturity

The Group assesses on an individual basis whether there is any objective evidence that the value of the investments held to maturity has been impaired. In case of such objective evidence of impairment loss the amount of loss is determined as a difference between the carrying value of the asset and the present value of the expected future cash flows. The carrying value of the asset is decreased and the loss is recognised in the consolidated statement of comprehensive income. If in the next year the amount of expected impairment losses decreases due to the event occurred after the recognition of impairment losses, the previously recognised amounts are recorded as income in the consolidated statement of comprehensive income.

Financial liabilities

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

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

Financial liabilities of acquired subsidiaries are initially recorded in the consolidated statement of financial position at fair value at the date of acquisition.

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss if they are incurred for the purpose of selling or closing them in the near term. They normally contain trade financial liabilities or "short" positions in securities or obligations to return borrowed securities sold to third parties. Derivatives with negative fair value are also classified as financial liabilities at fair value through profit or loss unless they are designated as hedges. Obligations to return borrowed securities sold to third parties are recorded at fair value through profit or loss. Gains or losses on financial liabilities at fair value through profit or loss are recognised in the consolidated statement of comprehensive income.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost using the effective interest rate include due to other banks, customer accounts and debt securities issued. The respective expenses are recorded as interest expense in the consolidated statement of comprehensive income using the effective interest rate method.

Due to other banks. Due to other banks are recorded when funds or other assets are advanced to the Group by counterparty banks.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers.

Debt securities issued. Debt securities issued include promissory notes, bonds and eurobonds issued by the Group. If the Group purchases its own debt securities issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is reported as gain from early retirement of debt.

Repurchase and reverse repurchase agreements and lending of securities

Sale and repurchase agreements ("repo" agreements) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognized, and the securities are not reclassified. The corresponding liability is presented within due to other banks or customer accounts.

Securities purchased under agreements to resell ("reverse repo" agreements) are recorded as due from other banks or loans to customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest rate method.

Securities lent by the Group to counterparties continue as a loan for fixed compensation to be recognised in the Group's consolidated financial statements as securities. Securities borrowed for fixed compensation are not recorded in the Group's consolidated financial statements except when they are sold to third parties. In such cases, the financial result from sale and purchase of such securities is recognised in the consolidated statement of comprehensive income within gains less losses arising from financial assets at fair value through profit or loss. The obligation to return the securities is recorded as financial liabilities at fair value through profit or loss.

Offsetting of financial instruments

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

Premises and equipment

Premises and equipment are stated at cost restated to the equivalent purchasing power of the Russian Rouble as at 31 December 2002 (applied to premises and equipment purchased before this date) or at revalued amount, as described below, less accumulated depreciation and impairment provision.

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

The Group's premises are regularly revalued. The frequency of revaluations depends on changes in the fair value of the assets subjected to revaluation. After the initial recognition at cost, the buildings shall be carried at a revalued amount being the fair value at the date of revaluation less accumulated amortization and subsequent impairment loss.

The Group's premises were revalued at current market prices as at 31 December 2009. The appraisal was performed by an independent professional valuer. The market value was used as a basis for valuation. Revaluation of premises was conducted for OJSC Bank of Moscow and its subsidiaries CJSC Imagine, CJSC DOSSOM and CJSC Concern Vechernyaya Moskva. The management believes that the carrying value of premises of other participants of the Group does not materially differ from their fair value.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and recorded within general and administrative expenses.

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

Construction in progress is carried at cost less provision for impairment. Upon completion, assets are transferred to premises and equipment at their carrying amount at the transfer date. Construction in progress is not depreciated until the asset is available for use.

Depreciation

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

- Premises 1% - 5% per annum;
- Office and computer equipment and other premises and equipment 10% - 25% per annum.

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 each reporting date.

Goodwill

Goodwill acquired in a business combination is initially recognised at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of acquisition. Goodwill arising on acquisition of subsidiaries is recorded in the consolidated statement of financial position. Goodwill arising on acquisition of associates is recorded as investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested annually for impairment, as well as when there are indications of impairment. If such indications exist, the Group performs an impairment analysis to evaluate recoverability of the carrying amount of goodwill. Goodwill is written off when the carrying value of goodwill exceeds its recoverable amount.

The excess of the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition is recognised in the consolidated statement of comprehensive income as income.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible asset is recognized if:

- the asset is expected to generate future economic benefits for the Group;
- the cost of the asset can be measured reliably;

- the asset is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or liability or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets include computer software, licenses and other identifiable intangible assets acquired in a business combination.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets have finite or infinite useful lives. Intangible assets with finite useful lives are amortised over the useful economic life ranging from 3 to 5 years, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenses that enhance or extend the performance of the software beyond its original specifications are recognised as capital expenditures and added to the original cost of the software. Costs of software development recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

Operating lease - the Group as lessee

Leases of property under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses. Where the operating lease is terminated prior to its expiration date, any penalty payable to the lessor is recognised as expense in the period the operating lease was terminated.

Operating lease - the Group as lessor

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised as other operating income in the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Share capital

Contributions to the share capital made before 1 January 2003 are recorded at cost adjusted for inflation, and contributions to the share capital made after 1 January 2003 are recorded at cost.

Share premium

Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses arising from sale of own shares are recognized as share premium.

Treasury shares

Where the Group purchases its treasury shares, the consideration paid including any attributable incremental external costs is deducted from equity until they are cancelled or disposed of. Where such shares are subsequently disposed of, any consideration received is included in the equity. Treasury shares are recognized at acquisition cost.

Dividends

Dividends are recognised as a liability and deducted from shareholders' equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements were authorized for issue. Payment of dividends and other distribution of earnings are made on the basis of the current year net profits as reported in the financial statements prepared in accordance with the legislation of the Russian Federation.

The amount of dividends that can be paid out by the Group is limited by retained earnings determined in accordance with legislation of the Russian Federation.

Contingent assets and liabilities

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

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

Credit related commitments

This category includes guarantees, letters of credit, and undrawn irrevocable credit lines assumed by the Group in the normal course of its business. Guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Documentary letters of credit, which are written undertakings by the Group to pay on behalf of the clients the agreed amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Credit related commitments are initially recognised at their fair value. Subsequently, at each reporting date, the commitments are reviewed and revised to obtain the current best estimate. The best estimate of expenditure required to settle the existing commitment will be the amount that the Group would either pay to settle the commitment at the reporting date or transfer to a third party at this date.

Taxation

Income tax expense is recorded in the consolidated financial statements in accordance with the applicable legislation of the Russian Federation and other countries where the Group's subsidiaries are operating. Current tax is calculated on the basis of the estimated taxable profit for the year, using the tax rates enacted or substantively enacted at the reporting date. The income tax charge comprises current tax and deferred tax and is recorded in the consolidated statement of comprehensive income.

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

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

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 income tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carryforwards will be utilised. Deferred tax assets and liabilities are offset only within each individual company of the Group. Deferred tax assets for deductible temporary differences and tax loss carryforwards are recorded to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Management's judgment is required to determine the amount of deferred tax assets that may be recognized in financial statements based on probable periods and amounts of future taxable profits and future tax planning strategies.

Russia and other countries where the Group's subsidiary banks and companies are operating also have various other operating taxes, which are assessed on the Group's activities. These taxes are recorded within general and administrative expenses in the consolidated statement of comprehensive income.

Income and expense recognition

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

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

Commissions and fees arising from negotiating a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recorded on completion of the transaction in the consolidated statement of comprehensive income. Investment portfolio and other management and advisory service fees are recognised on the basis of applicable service contracts. Asset management fees related to investment funds are recognised rateably over the period when the service is provided. The same principle is applied to services related to property management, financial planning and custody services that are continuously provided over an extended period of time.

Employee benefits and social insurance contributions

The Group pays unified social tax (UST) on the territory of the Russian Federation. UST contributions are recorded on an accrual basis. UST comprises contributions to the state pension, social insurance, and obligatory medical insurance funds in respect of the Group's employees. These expenses are recognised as incurred and included in staff costs. The Group subsidiaries, which operate on the territory of other countries, make the respective contributions in accordance with the local legislation. The Group does not have its own pension plan. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave, sick leave and bonuses are accrued in the year in which the associated services are rendered by the employees of the Group.

Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currency at the CBR exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the CBR's official exchange rate ruling at the reporting date. Foreign exchange gains and losses resulting from translation of the transactions in foreign currencies are included within gains less losses from revaluation of foreign currency and precious metals in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated at the CBR exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rate ruling at the dates the fair values were determined.

At the date of consolidated financial statements, for companies whose functional currency is other than the Group's presentation currency, the assets and liabilities are translated to Russian Roubles at the exchange rate as at the reporting date, whereas the items recorded in the consolidated statement of comprehensive income are translated at an average rate of exchange for the year. Gains and losses on translation are charged to other comprehensive income. When a subsidiary or associate, whose functional currency differs from the Group's presentation currency is sold, the comprehensive income amount related to this company should be reclassified and recognized in the consolidated statement of comprehensive income.

Fiduciary activities

Assets held by the Group in its own name, but for the account of third parties under depository, agency, trust management and other similar agreements are not reported in the Group's consolidated statement of financial position. Commissions received from such fiduciary operations are presented within fee and commission income in the consolidated statement of comprehensive income.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing either products or services (business segment), or in providing products and services within particular economic environment (geographical segment). A segment shall be reported separately in the consolidated financial statements if a majority of its revenue is earned from sales to external customers, and its revenue, its financial result or its assets are ten percent or more of all the segments.

The Group's major activity is banking business. The impact of the Group's other companies (non-banks) on the structure of the Group's assets, liabilities and profits is insignificant.

The Group's banking business can be divided into three core segments: treasury, corporate and retail business. Each segment is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Over 95% of the Group's banking business is concentrated in the Russian Federation, where the Bank of Moscow, the Group's parent company, is located. The remaining business is conducted in Latvia, Estonia, Belarus, Ukraine and Serbia.

5. Cash and Cash Equivalents

	2009	2008
Cash on hand	19 802 960	21 440 842
Precious metals	791 069	309 196
Cash balances with central banks (other than mandatory reserve deposits)	38 680 072	64 717 807
Correspondent accounts and overnight deposits with other banks:		
- the Russian Federation;	2 955 101	7 352 194
- other countries	13 726 558	39 448 623
Total cash and cash equivalents	75 955 760	133 268 662

Geographical analysis and analysis of cash and cash equivalents by currency structure are disclosed in Note 31.

6. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss reflected in the consolidated statement of financial position include trading securities and derivative financial instruments. As at the reporting date the Group does not have other types of financial instruments classified into this category.

	31 December 2009	31 December 2008
Rouble-denominated securities		
Corporate bonds	37 903 876	20 854 269
Russian Federation bonds (OFZ)	20 276 312	61 211
Bonds of RF subjects and local authorities	12 584 844	1 529 399
Corporate eurobonds	7 490 297	7 927 429
Equity securities	3 900 033	937 686
Corporate promissory notes	225 405	194 216
	82 380 767	31 504 210
USD denominated securities		
Corporate eurobonds	18 897 818	695 204
Eurobonds of the Russian Federation	9 010 593	590 521
Bonds of foreign governments	2 922 557	-
Equity securities	567 675	242 256
	31 398 643	1 527 981
EUR denominated securities		
Bonds of RF subjects and local authorities	1 352 241	-
Bonds of foreign governments	1 016 394	806 399
Corporate eurobonds	194 196	563 720
Equity securities	-	749
	2 562 831	1 370 868
Securities denominated in other currencies		
Corporate eurobonds	1 121 284	-
Equity securities	527 414	253 941
	1 648 698	253 941
Derivative financial instruments in US dollars	469 740	158 497
Derivative financial instruments in other currencies	549	-
Derivative financial instruments in EUR	444	130 478
Derivative financial instruments in Russian Roubles	-	465 917
	470 733	754 892
Total financial assets at fair value through profit or loss	118 461 672	35 411 892

Corporate bonds are represented by Rouble denominated interest-bearing securities issued by large Russian companies and credit institutions, quoted on the Moscow Interbank Currency Exchange (MICEX). As at 31 December 2009, these bonds in the Group's portfolio have maturities from 26 February 2010 to 14 November 2019, coupon rates ranging from 7.30% to 19.82% per annum in 2009 and yield to maturity ranging from 1.38% to 142.97% per annum, depending on the issue.

As at 31 December 2009, corporate bonds include mortgage-backed bonds of OJSC the Agency for Housing Mortgage Lending and Moscow Mortgage Agency Bank (OJSC) with the fair value of RUR 1 778 144 thousand, maturing from 23 February 2012 to 15 September 2028, with coupon rates ranging from 8.05% to 19.82% per annum and yield to maturity ranging from 1.38% to 13.09% per annum. Out of which, the bonds secured by state guarantees of the City of Moscow amount to RUR 274 586 thousand and have a maturity date on 20 September 2012, coupon rate of 10% per annum and yield to maturity of 1.38% per annum.

OFZ are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 31 December 2009, OFZ in the Group's portfolio have maturity dates from 4 May 2011 to 3 August 2016, in 2009 coupon rates ranging from 5.80% to 12.00% per annum and yield to maturity from 7.83% to 8.61% per annum, depending on the issue.

Bonds of RF subjects and local authorities represent Rouble-denominated interest-bearing securities quoted on the MICEX. As at 31 December 2009, these bonds in the Group's portfolio have maturities from 15 March 2010 to 14 June 2017, coupon rates ranging from 6.75% to 19.05% per annum and yield to maturity from 7.68% to 13.1% per annum, depending on the issue.

Corporate eurobonds are represented by interest-bearing securities denominated in RUR, USD and EUR issued by large Russian companies and credit institutions and quoted on international markets. As at 31 December 2009, corporate eurobonds in the Group's portfolio have maturity dates from 16 August 2010 to 16 August 2037, coupon rates ranging from 5.36% to 9.63% per annum and yield to maturity ranging from 5.2% to 13.88% per annum, depending on the issue.

Equity securities are represented by shares of major Russian companies quoted on the MICEX and Russian Trading System, and depository receipts for shares of major Russian entities quoted on the London and New York Stock Exchanges.

Corporate promissory notes are Rouble-denominated notes of large Russian credit institutions. As at 31 December 2009, promissory notes in the Group's portfolio have maturities from 29 April 2010 to 25 October 2010 and yield to maturity ranging from 10.48% to 11.0% per annum.

Eurobonds of the Russian Federation are US dollar denominated securities issued by the Ministry of Finance of the Russian Federation and quoted on international markets. As at 31 December 2009, eurobonds in the Group's portfolio have maturities from 24 June 2028 to 31 March 2030, the coupon rate from 7.5% to 12.75% per annum and yield to maturity from 6.12% to 7.46% per annum.

Bonds of foreign governments are represented by bonds of Austria, Germany, the Netherlands and USA.

As at 31 December 2009, financial assets at fair value through profit or loss comprise securities provided as collateral under sale and repurchase agreements (REPO) with the fair value of RUR 4 935 956 thousand, and the related liabilities are recorded within due to other banks (Note 14) and customer accounts (Note 15).

Trading securities are stated at fair value determined on the basis of observable market quotations.

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Below, there is information on outstanding transactions with derivative financial instruments. Amounts relating to these transactions are presented on a gross basis, before offsetting by each counterparty, and are short-term in nature.

	2009			2008		
	Contract amount	Asset	Fair value Liability	Contract amount	Asset	Fair value Liability
Forward transactions	-	201 051	1 679 636	-	326 008	153 660
Foreign currency						
Sale	1 168 542	25 134	-	9 395 395	280 825	91 498
Purchase	51 059 705	175 917	1 679 636	1 355 668	9 091	13 114
Securities						
Sale	-	-	-	35 400	2 614	-
Purchase	-	-	-	3 346 624	33 478	49 048
Options	-	-	-	-	162 051	162 051
Foreign currency						
Sale	-	-	-	162 051	-	162 051
Purchase	-	-	-	162 051	162 051	-
Futures	-	-	-	-	130 478	-
Foreign currency						
Sale	-	-	-	1 653 311	130 478	-
Swap transactions		269 682	660 653	-	136 355	860 025
Currency and interest rate swaps	18 785 045	269 682	660 653	16 395 144	136 355	860 025
Total derivative financial instruments		470 733	2 340 289		754 892	1 175 736
Fair value of securities sold under reverse repo agreements						
Bonds of foreign governments						5 058 144
Eurobonds of the Russian Federation						3 535 402
Corporate eurobonds						728 053
Bonds of RF subjects and local authorities						425 473
Total financial liabilities at fair value through profit or loss			2 340 289			10 922 808

The table below shows analysis of financial assets at fair value through profit or loss less derivative financial instruments in accordance with international agencies' ratings as at 31 December 2009:

	Investment rating	Speculative rating	No rating assigned	Total
Corporate bonds	27 382 154	9 019 468	1 502 254	37 903 876
Corporate eurobonds	7 258 754	219 445	20 225 396	27 703 595
Russian Federation bonds (OFZ)	20 276 312	-	-	20 276 312
Bonds of RF subjects and local authorities	11 917 714	2 019 371	-	13 937 085
Eurobonds of the Russian Federation	9 010 593	-	-	9 010 593
Equity securities	1 561 101	846 386	2 587 635	4 995 122
Bonds of foreign governments	3 938 951	-	-	3 938 951
Corporate promissory notes	169 859	55 546	-	225 405
Total financial assets at fair value through profit or loss less derivative financial instruments	81 515 438	12 160 216	24 315 285	117 990 939

7. Due from Other Banks

	2009	2008
Loans and deposits with other banks	49 022 351	65 137 565
Deposits with central banks	1 012 126	524 272
Reverse repo agreements with other banks	672 550	8 676 997
Overdue placements with other banks	965	1 415
Less: provision for impairment of due from other banks	(4 709)	(3 146)
Total due from other banks	50 703 283	74 337 103

As at 31 December 2009, the Group had deposit and account balances above 10% of the Group's capital with 1 bank (as at 31 December 2008: 5 banks). The aggregate amount of these funds was RUR 8 894 780 thousand (as at 31 December 2008: RUR 37 325 032 thousand) or 17.54% of due from other banks (as at 31 December 2008: 50.2%).

As at 31 December 2009, securities acquired from banks under reverse repo agreements comprise eurobonds of the Russian Federation with the fair value of RUR 515 361 thousand (as at 31 December 2008: RUR 2 131 045 thousand) and corporate eurobonds with the fair value of 236 888 thousand (as at 31 December 2008: none). As at 31 December 2008, securities acquired from banks under reverse repo agreements also comprised bonds of foreign governments with the fair value of RUR 5 484 515 thousand, bonds of RF subjects with the fair value of RUR 497 585 thousand and corporate bonds with the fair value of RUR 260 543 thousand.

Movements in the provision for impairment of due from other banks are as follows:

	2009	2008
Provision for impairment of due from other banks as at 1 January	3 146	28 476
Provision for impairment/(recovery of provision) of due from other banks during the year	1 568	(24 353)
Exchange difference	(5)	(977)
Provision for impairment of due from other banks as at 31 December	4 709	3 146

Due from other banks, with the exception of "reverse repo" transactions, are not collateralised.

Geographical analysis and analysis of due from other banks by currency structure and maturities, as well as analysis of interest rates are disclosed in Note 31. The Group provided a number of loans to related parties. The relevant information on related party transactions is disclosed in Note 34.

8. Loans to Customers

	2009	2008
Corporate loans	431 682 996	349 322 311
Loans to small and medium business	38 340 380	46 519 103
Loans to government and municipal authorities	18 577 961	16 077 139
Reverse repo agreements	899 421	4 465 770
Less: provision for impairment of loans to legal entities	(29 719 925)	(6 432 960)
Total loans to legal entities	459 780 833	409 951 363
Consumer loans	43 194 666	57 144 119
Mortgage loans	27 477 242	30 937 434
Car loans	10 426 096	15 714 246
Credit cards	5 864 108	5 759 444
Scoring loans	1 230 441	3 424 996
Overdrafts	101 826	88 805
Less: provision for impairment of loans to individuals	(13 585 663)	(6 456 638)
Total loans to individuals	74 708 716	106 612 406
Total loans to customers	534 489 549	516 563 769

As at 31 December 2009, accrued interest income on impaired loans amounted to RUR 659 310 thousand (as at 31 December 2008: RUR 197 674 thousand).

As at 31 December 2009, the Group had 8 borrowers (as at 31 December 2008: 7 borrowers) with the total amount of debt over 10% of the Group's capital. The aggregate amount of these loans was RUR 96 542 895 thousand (as at 31 December 2008: RUR 65 170 327 thousand) or 16.7% of loans to customers (as at 31 December 2008: RUR 12.6%).

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As at 31 December 2009, securities acquired under reverse repo agreements comprise corporate eurobonds with the fair value of RUR 994 590 thousand (as at 31 December 2008: RUR 1 910 134 thousand). As at 31 December 2008, securities acquired from customers under reverse repo agreements comprise eurobonds of the Russian Federation with the fair value of RUR 2 323 318 thousand, bonds of RF subjects with the fair value of RUR 461 982 thousand and corporate eurobonds with the fair value of RUR 8 190 thousand.

As at 31 December 2009, current loans to customers include loans in the amount of RUR 23 368 069 thousand the terms of which were renegotiated, that would otherwise be past due.

Movements in the provision for impairment of loans to legal entities during 2009 are as follows:

	Corporate loans	Loans to small and medium business	Loans to government and municipal authorities	Total
Provision for impairment of loans to legal entities as at 1 January	3 574 918	2 857 426	616	6 432 960
Provision for impairment during the year	18 483 698	5 034 204	8 884	23 526 786
Exchange difference	(52 207)	(49 104)	-	(101 311)
Loans written off during the year as uncollectible	(111 191)	(27 319)	-	(138 510)
Provision for impairment of loans to legal entities as at 31 December	21 895 218	7 815 207	9 500	29 719 925

Movements in the provision for impairment of loans to individuals during 2009 are as follows:

	Consumer loans	Mortgage loans	Car loans	Scoring loans	Credit cards	Over-drafts	Total
Provision for impairment of loans to individuals as at 1 January	3 772 292	136 349	900 092	860 822	773 344	13 739	6 456 638
Provision for impairment/ (recovery of provision) during the year	4 621 857	1 216 859	762 180	(21 597)	637 448	6 373	7 223 120
Exchange difference	(41 609)	(5 161)	(1 624)	(190)	(42 591)	(249)	(91 424)
Loans written off during the year as uncollectible	-	(2 426)	(182)	(63)	-	-	(2 671)
Provision for impairment of loans to individuals as at 31 December	8 352 540	1 345 621	1 660 466	838 972	1 368 201	19 863	13 585 663

Movements in the provision for impairment of loans to legal entities during 2008 are as follows:

	Corporate loans	Loans to small and medium business	Loans to government and municipal authorities	Total
Provision for impairment of loans to legal entities as at 1 January	1 651 104	722 296	1 600	2 375 000
Provision for impairment/ (recovery of provision) during the year	1 838 256	2 105 772	(984)	3 943 044
Provision of the acquired subsidiary	94 430	2 867	-	97 297
Exchange difference	9 053	30 540	-	39 593
Loans written off during the year as uncollectible	(17 925)	(4 049)	-	(21 974)
Provision for impairment of loans to legal entities as at 31 December	3 574 918	2 857 426	616	6 432 960

Movements in the provision for impairment of loans to individuals during 2008 are as follows:

	Consumer loans	Mortgage loans	Car loans	Scoring loans	Credit cards	Over- drafts	Total
Provision for impairment of loans to individuals as at 1 January	840 243	26 391	368 298	662 103	244 175	8 908	2 150 118
Provision for impairment during the year	3 044 643	110 141	531 605	768 212	588 750	4 773	5 048 124
Provision of the acquired subsidiary	398	-	-	-	-	-	398
Exchange difference	7 570	1 332	189	1 157	135	58	10 441
Loans written off during the year as uncollectible	(120 562)	(1 515)	-	(570 650)	(59 716)	-	(752 443)
Provision for impairment of loans to individuals as at 31 December	3 772 292	136 349	900 092	860 822	773 344	13 739	6 456 638

Composition of the Group's loan portfolio by type of the borrower's ownership is as follows:

Type of ownership	2009		2008	
	Amount	%	Amount	%
Loans to non-state entities and organisations	411 024 958	71.1	375 415 426	70.9
Loans to individuals	88 294 379	15.3	113 069 044	21.4
Loans to enterprises in federal ownership	45 120 287	7.8	14 304 160	2.7
Loans to RF subjects	18 577 961	3.2	16 077 139	3.0
Loans to enterprises owned by the Government of the City of Moscow	13 770 124	2.4	7 644 086	1.4
Loans to enterprises in regional (municipal) ownership (other than the Government of the City of Moscow)	1 007 428	0.2	2 943 512	0.6
Total loans to customers (gross)	577 795 137	100.0	529 453 367	100.0

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

	2009		2008	
	Amount	%	Amount	%
Financial services	126 220 179	21.8	108 239 010	20.4
Individuals	88 294 379	15.3	113 069 044	21.4
Construction	80 365 088	13.9	71 272 928	13.5
Manufacturing	72 349 245	12.5	62 399 134	11.8
Trade	62 842 343	10.9	54 525 477	10.3
Fuel and energy sector	36 099 586	6.2	22 656 903	4.3
Transport and communications	22 985 848	4.0	28 260 557	5.3
Metallurgy	22 024 496	3.8	16 996 257	3.2
State agencies	18 577 961	3.2	16 077 139	3
Food industry	14 287 528	2.5	12 243 655	2.3
Agriculture and fishing	3 779 736	0.7	2 180 390	0.4
Other	29 968 748	5.2	21 532 873	4.1
Total loans to customers (gross)	577 795 137	100.0	529 453 367	100.0

The credit quality analysis of loans to customers as at 31 December 2009 is presented below.

The quality of loans, for which no impairment was identified, is not a homogeneous due to variety of industry risks and characteristics of financial conditions of the borrowers.

For presentation purposes a past due loan in these consolidated financial statements shall be deemed as the total amount due from the borrower (including the principal and interest amounts and commission income) if at least one of the loan-related payments is past due as at the reporting date.

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Below is the analysis of loans to customers and provisions for impairment as at 31 December 2009:

	Individually impaired loans	Overdue loans with past due payments				Total
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
Loans individually assessed for impairment						
Corporate loans	92 602 892	2 437 714	-	-	-	95 040 606
Less: provision for impairment of loans to legal entities	(6 560 972)	(2 412 536)	-	-	-	(8 973 508)
Total loans to legal entities individually assessed for impairment	86 041 920	25 178	-	-	-	86 067 098

	Current loans	Overdue loans with past due payments				Total
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
Loans collectively assessed for impairment						
Corporate loans	329 015 841	633 762	1 230 033	1 390 761	4 371 993	336 642 390
Loans to small and medium business	30 238 156	2 287 792	816 187	2 152 691	2 845 554	38 340 380
Loans to government and municipal authorities	18 577 961	-	-	-	-	18 577 961
Reverse repo agreements	899 421	-	-	-	-	899 421
Less: provision for impairment of loans to legal entities	(10 744 600)	(1 242 892)	(804 521)	(2 282 112)	(5 672 292)	(20 746 417)
Total loans to legal entities collectively assessed for impairment	367 986 779	1 678 662	1 241 699	1 261 340	1 545 255	373 713 735

Loans collectively assessed for impairment						
Consumer loans	33 021 827	1 197 822	1 806 498	734 875	6 433 644	43 194 666
Mortgage loans	24 875 494	647 841	498 290	426 022	1 029 595	27 477 242
Car loans	8 443 313	360 101	210 349	131 694	1 280 639	10 426 096
Credit cards	4 260 831	299 150	161 911	138 547	1 003 669	5 864 108
Scoring loans	397 807	22 529	15 233	15 520	779 352	1 230 441
Overdrafts	79 828	2 372	869	2 629	16 128	101 826
Less: provision for impairment of loans to individuats	(826 561)	(575 440)	(1 437 165)	(1 191 779)	(9554 718)	(13 585 663)
Total loans to individuals	70 252 539	1 954 375	1 255 985	257 508	988 309	74 708 716

Below is the analysis of loans to customers and provisions for impairment as at 31 December 2008:

	Individually impaired loans	Overdue loans with past due payments				Total
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
Loans individually assessed for impairment						
Corporate loans	81 751 251	-	-	-	-	81 751 251
Less: provision for impairment of loans to legal entities	(1 016 236)	-	-	-	-	(1 016 236)
Total loans to legal entities individually assessed for impairment	80 735 015	-	-	-	-	80 735 015

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	Current loans	Overdue loans with past due payments				Total
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
Loans collectively assessed for impairment						
Corporate loans	267 219 647	113 467	70 396	55 957	111 593	267 571 060
Loans to small and medium business	45 234 132	694 761	225 200	76 380	288 630	46 519 103
Loans to government and municipal authorities	16 077 139	-	-	-	-	16 077 139
Reverse repo agreements	4 465 770	-	-	-	-	4 465 770
Less: provision for impairment of loans to legal entities	(3 927 161)	(776 291)	(281 365)	(62 544)	(369 363)	(5 416 724)
Total loans to legal entities collectively assessed for impairment	329 069 527	31 937	14 231	69 793	30 860	329 216 348
Loans collectively assessed for impairment						
Consumer loans	43 841 753	7 939 489	1 535 326	1 069 860	2 757 691	57 144 119
Mortgage loans	29 743 725	756 168	276 070	88 271	73 200	30 937 434
Car loans	14 025 998	486 030	279 259	183 892	739 067	15 714 246
Credit cards	4 372 451	443 801	248 581	178 344	516 267	5 759 444
Scoring loans	2 453 441	124 878	110 989	109 414	626 274	3 424 996
Overdrafts	70 610	2 152	2 203	1 539	12 301	88 805
Less: provision for impairment of loans to individuals	(364 133)	(98 577)	(543 741)	(772 306)	(4 677 881)	(6 456 638)
Total loans to individuals	94 143 845	9 653 941	1 908 687	859 014	46 919	106 612 406

The table below contains information on the collateral as at 31 December 2009:

	Guarantees and sureties	Property	Securities	Total
Corporate loans	430 108 489	256 665 107	98 811 015	785 584 611
Loans to small and medium business	89 394 093	92 784 306	6 924 726	189 103 125
Reverse repo agreements	-	-	1 746 839	1 746 839
Total collateral against loans to legal entities	519 502 582	349 449 413	107 482 580	976 434 575
Mortgage loans	18 719 614	4 107 954	1 434 501	24 262 069
Car loans	9 990 224	29 890 282	5 200 690	45 081 196
Consumer loans	8 580 636	19 857 526	-	28 438 162
Total collateral against loans to individuals	37 290 474	53 855 762	6 635 191	97 781 427
Total collateral against loans to customers	556 793 056	403 305 175	114 117 771	1 074 216 002

The table below contains information on the collateral as at 31 December 2008:

	Guarantees and sureties	Property	Securities	Total
Corporate loans	425 908 330	216 372 059	74 261 610	716 541 999
Loans to small and medium business	81 192 031	84 698 833	1 786 813	167 677 677
Reverse repo agreements	-	-	4 703 624	4 703 624
Total collateral against loans to legal entities	507 100 361	301 070 892	80 752 047	888 923 300
Consumer loans	11 858 001	2 602 420	66 690	14 527 111
Mortgage loans	14 149 343	34 963 101	2 135 664	51 248 108
Car loans	10 430 989	24 962 854	313	35 394 156
Total collateral against loans to individuals	36 438 333	62 528 375	2 202 667	101 169 375
Total collateral against loans to customers	543 538 694	363 599 267	82 954 714	990 092 675

Discounts were used for calculation of collateral value, depending on its type. The fair value of collateral may differ from the carrying amount.

Property received by the Group as collateral on loans includes real estate, equipment, goods in turnover.

Geographical analysis and analysis of loans to customers by currency structure and maturities, as well as analysis of interest rates are disclosed in Note 31. The Group provided a number of loans to related parties. The relevant information on related party transactions is disclosed in Note 34.

9. Financial Assets Available for Sale

	2009	2008
Equity securities	13 242 688	10 002 586
Bonds of foreign governments	428 911	506 113
Corporate bonds	372 072	229 493
Bonds of RF subjects and local authorities	47 377	-
Corporate eurobonds	-	29 828
Less: provision for impairment of financial assets available for sale	(353 022)	(123 480)
Total financial assets available for sale	13 738 026	10 644 540

Equity securities mainly represent shares and equity holdings of Moscow enterprises: OJSC Serp & Molot, CJSC Investlesprom, JSC Insurance Group, OJSC Pushkinskaya Ploshchad Polygraphic Company, CJSC Mikoyan, as well as shares of JSCB Zarechiye and JSCB Bank of Khakasia.

Corporate debt securities are represented by interest-bearing securities issued by major Russian and Ukrainian companies and credit institutions with maturity ranging from 25 February 2010 to 29 December 2036, the coupon rate ranging from 7.55% to 25.0% per annum and yield to maturity from 6.49% to 24.62% per annum.

Bonds of foreign governments are represented by interest-bearing securities of Ministry of Finance of Belarus denominated in BYR with maturity ranging from 23 November 2011 to 22 November 2012, coupon income of 10.49% per annum and yield to maturity of 10.55% per annum.

Bonds of RF subjects and local authorities represent Rouble-denominated interest-bearing securities quoted on the MICEX. As at 31 December 2009, these bonds in the Group's portfolio have maturities from 24 June 2010 to 19 December 2013, coupon rates ranging from 7.0% to 9.3% per annum and yield to maturity ranging from 6.11% to 14.28% per annum, depending on the issue.

Movements in financial assets available for sale are as follows:

	Note	2009	2008
Financial assets available for sale as at 1 January (gross)		10 768 020	3 781 700
Gains less losses from revaluation to fair value		(8 948)	(4 240)
Accrued interest income	20	94 724	189 796
Interest received		(16 289)	(81 133)
Acquisitions		6 549 256	11 067 566
Sale		(3 095 449)	(1 192 608)
Redemption		(544 242)	-
Reclassification from investments held to maturity		344 173	-
Reclassification to investments held to maturity		-	(209 282)
Reclassification from financial assets at fair value through profit or loss		-	39 479
Transfer to associates	11	-	(2 909 957)
Transfer from associates	11	-	62 741
Exchange difference		(197)	23 958
Financial assets available for sale as at 31 December (gross)		14 091 048	10 768 020

Movements in the provision for impairment of financial assets available for sale are as follows:

	2009	2008
Provision for impairment of financial assets available for sale as at 1 January	123 480	10 519
Provision for impairment of financial assets available for sale during the year	233 888	113 868
Exchange difference	(4 346)	(907)
Provision for impairment of financial assets available for sale as at 31 December	353 022	123 480

Below is analysis of assets reclassified into assets held to maturity as at 31 December 2009. Reclassification was made by subsidiary banks of the Group - AS Latvijas Biznesa Banka and AS Eesti Krediidipank as a result of liquidity decrease in stock market in autumn 2008 and following change in purpose of holding of financial assets at fair value through profit or loss, in accordance with amendments to IAS 39 "Financial Instruments - Recognition and Measurement" effective since November 2008:

	Financial assets	
	at fair value through profit or loss Equity securities	available for sale Equity securities
Reclassified assets as if there were no reclassification		
Carrying value	10 858	-
Fair value	9 220	-
Expenses from movements in the fair value of assets which would be recognized in the consolidated statement of comprehensive income	(1 638)	-
Reclassified assets as at the reporting date after reclassification		
Carrying value	-	10 858
Fair value	-	9 220
Expenses recognised within other comprehensive income	-	(1 638)

Below is analysis of assets reclassified into assets held to maturity as at 31 December 2008. Reclassification was made by subsidiary banks of the Group - AS Latvijas Biznesa Banka and AS Eesti Krediidipank as a result of liquidity decrease in stock market in autumn 2008 and following change in purpose of holding of financial assets at fair value through profit or loss, in accordance with amendments to IAS 39 "Financial Instruments - Recognition and Measurement" effective since November 2008:

	Financial assets			
	at fair value		available for sale	
	through profit or loss			
	Corporate eurobonds	Equity securities	Corporate eurobonds	Equity securities
Reclassified assets as if there were no reclassification				
Carrying value	38 773	706	-	-
Fair value	38 773	706	-	-
Expenses from movements in the fair value of assets which would be recognized in the consolidated statement of comprehensive income	-	(2 471)	-	-
Reclassified assets as at the reporting date after reclassification				
Carrying value	-	-	38 773	706
Fair value	-	-	38 773	706
Income/(expense), recognized in the consolidated statement of comprehensive income	-	-	1 059	(530)
Expenses recognised within other comprehensive income	-	-	-	(2 471)

Below is the credit quality analysis of financial assets available for sale in accordance with international agencies' ratings as at 31 December 2009:

	Investment rating	Speculative rating	No rating assigned	Total
Equity securities	647	-	13 242 041	13 242 688
Bonds of foreign governments	-	428 911	-	428 911
Corporate bonds	87 249	146 286	138 537	372 072
Bonds of RF subjects and local authorities	-	44 291	3 086	47 377
Financial assets available for sale (gross)	87 896	619 488	13 383 664	14 091 048

10. Investments Held to Maturity

	2009	2008
Corporate eurobonds	169 392	398 712
Russian Federation bonds (OFZ)	66 328	-
Bonds of foreign governments	34 885	33 836
Corporate bonds	-	282 989
Corporate promissory notes	-	193 814
Bonds of RF subjects and local authorities	-	51 849
Less: provision for impairment of investments held to maturity	(5 394)	(1 484)
Total investments held to maturity	265 211	959 716

Corporate eurobonds are represented by interest-bearing securities denominated in USD and EUR issued by major Russian and Ukrainian companies and a large Latvian bank quoted on international markets. As at 31 December 2009, corporate eurobonds in the Group's portfolio have maturity dates from 11 February 2010 to 10 May 2017, coupon rates ranging from 5.63% to 13.0% per annum and yield to maturity ranging from 6.65% to 13.0% per annum, depending on the issue.

OFZ are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation and quoted on the MICEX. As at 31 December 2009, OFZ in the Group's portfolio have maturity dates from 20 January 2010 to 19 January 2011, coupon rates ranging from 6.11% to 7.4% per annum and yield to maturity from 6.11% to 7.4% per annum, depending on the issue.

Bonds of foreign governments are represented by interest-bearing securities denominated in LVL, freely tradable on the Riga Stock Exchange. As at 31 December 2009, these bonds in the Group's portfolio have maturity on 14 February 2013, coupon rate of 5.13% per annum and yield to maturity of 5.14%.

Below, there is analysis of assets reclassified to assets held to maturity as at 31 December 2009. Reclassification was performed by the following subsidiary banks of the Group: AS Latvijas Biznesa Banka, AS Eesti Krediidipank and "MOSVODOKANALBANK" as a result of decrease in stock market in autumn 2008 and following change in purpose of holding of financial assets at fair value through profit or loss, in accordance with amendments to IAS 39 "Financial Instruments - Recognition and Measurement" effective since November 2008.

	Financial assets and investments				
	At fair value through profit or loss		Available for sale	Held to maturity	
	Corporate eurobonds	Russian Federation bonds (OFZ)	Corporate eurobonds	Corporate eurobonds	Russian Federation bonds (OFZ)
Reclassified assets as if there were no reclassification					
Carrying value	139 231	66 328	30 146	-	-
Fair value	80 940	65 591	30 389	-	-
Expenses from movements in the fair value of assets which would be recognized in the consolidated statement of comprehensive income	(58 291)	(737)	-	-	-
Income from movements in the fair value of assets which would be recognized within other comprehensive income	-	-	243	-	-
Reclassified assets as at the reporting date after reclassification					
Carrying value	-	-	-	169 377	66 328
Fair value	-	-	-	111 329	65 591
Income recognized in the consolidated statement of comprehensive income	-	-	-	17 166	-
Income recognized within other comprehensive income	-	-	-	182	-

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Below, there is analysis of assets reclassified to assets held to maturity as at 31 December 2008. Reclassification was performed by the following subsidiary banks of the Group: AS Latvijas Biznesa Banka, AS Eesti Krediidipank and "MOSVODOKANALBANK" as a result of decrease in stock market in autumn 2008 and following change in purpose of holding of financial assets at fair value through profit or loss, in accordance with amendments to IAS 39 "Financial Instruments - Recognition and Measurement" effective since November 2008.

	Financial assets and investments							
	at fair value through profit or loss		available for sale		held to maturity			
	Corporate bonds	RF subject and local authorities	Corporate eurobonds	Corporate eurobonds	Corporate promissory notes	Corporate promissory notes	Bonds of subject and local authorities	Bonds of foreign governments
Results on reclassified assets as if there were no reclassification								
Carrying value	282 989	189 430	192 330	209 282	-	-	-	-
Fair value	273 712	103 560	198 654	175 451	-	-	-	-
Expenses from movements in the fair value of assets which would be recognized in the consolidated statement of comprehensive income	(9 277)	(85 870)	-	-	-	-	-	-
Income from movements in the fair value of assets which would be recognized within other comprehensive income	-	-	6 324	(33 831)	-	-	-	-
Results on reclassified assets at the reporting date after reclassification								
Carrying value	-	-	-	398 712	282 989	193 814	51 849	33 836
Fair value	-	-	-	279 011	273 712	198 654	49 305	33 836
Income recognized in the consolidated statement of comprehensive income	-	-	-	941	-	-	-	-
Income recognized within other comprehensive income	-	-	-	-	-	-	-	-

Movements in the provision for impairment of investments held to maturity are presented below:

	2009	2008
Provision for impairment of investments held to maturity as at 1 January	1484	-
Provision for impairment of investments held to maturity	4 191	1 484
Exchange difference	(281)	-
Provision for impairment of investments held to maturity as at 31 December	5 394	1 484

Below is the credit quality analysis of investments held to maturity as at 31 December 2009 in accordance with the international agencies' ratings:

	Investment rating	Speculative rating	No rating assigned	Total
Corporate eurobonds	14 675	90 668	64 049	169 392
Russian Federation bonds	66 328	-	-	66 328
Bonds of foreign governments	-	34 885	-	34 885
Total investments held to maturity (gross)	81 003	125 553	64 049	270 605

11. Investments in Associates and Non-Consolidated Subsidiaries

	2009	2008
Investments in associates	3 820 837	3 950 186
Investments in non-consolidated subsidiaries	8	15 423
Total investments in associates and non-consolidated subsidiaries	3 820 845	3 965 609

Movements in the carrying value of investments in associates during the year are as follows:

	2009	2008
Carrying value as at 1 January	3 950 186	236 792
Share in net profit/loss of the associates	(129 368)	842 538
Fair value of the increase in the share capital of the associates	-	15 200
Transfer from associates to consolidated subsidiaries	(57)	-
Transfer from financial assets available for sale (Note 9)	-	2 909 957
Transfer to financial assets available for sale (Note 9)	-	(62 741)
Acquisition of associates	-	8 459
Exchange difference	76	(19)
Carrying value as at 31 December	3 820 837	3 950 186

Below is a list of investments in associates:

Name	2009		2008	
	Amount of investment	Percentage of ownership, %	Amount of investment	Percentage of ownership, %
O.J.S.C. "Metropolitan Insurance Group"	3 567 086	24.9	3 762 365	24.9
Russian National Commercial Bank	191 048	20.0	145 309	20.0
LLC "Pension Reserve"	36 950	19.0	27 410	19.0
CJSC Automated Banking Technologies	25 753	25.8	13 811	20.0
Äigrumäe Kinnisvara AS	-	44.5	1 234	44.5
SIA "LBB IPAŠUMI"	-	-	57	49.0
City Centre for Data Processing (EIRTS), LLC **	-	-	-	49.5
Total investments in associates	3 820 837		3 950 186	

* In the reporting period the company was transferred to consolidated subsidiaries.

** The company was sold in the reporting period. Information on disposal of the associate is disclosed in Note 28.

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Below is a list of investments in non-consolidated subsidiaries:

Name	2009		2008	
	Amount of investment	Percentage of ownership, %	Amount of investment	Percentage of ownership, %
LLC VM - Open City	8	100.0	9	100.0
CJSC Monolit	-	99.0	-	99.0
CJSC Stolichnaya Neftyanaya Kompania	-	75.0	-	75.0
Editorial office of MK-Boulevard magazine, LLC	-	50.0	-	50.0
Private security company Yaroslavna, LLC *	-	-	15 414	75.3
Total investments in non-consolidated subsidiaries	8		15 423	

* *The company was sold in the reporting period. Information on disposal of the non-consolidated subsidiaries is disclosed in Note 28.*

Financial statements of the above subsidiaries were not included in the Group's consolidated financial statements, as they would not have a material effect on the consolidated financial statements (less than 0.1% of total assets and net profit of the Group for 2009 and 2008).

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12. Premises and Equipment and Intangible Assets

	Premises	Office and computer equipment and other fixed assets	Capital investments	Intangible assets	Total
Carrying value as at 31 December 2008	15 892 169	1 715 657	960 480	687 311	19 255 617
Cost/revalued amount					
Balance as at 31 December 2008	16 026 254	3 207 473	960 480	992 124	21 186 331
Additions	491 558	428 446	401 875	146 533	1 468 412
Transfer to another category	89 477	45 405	(134 882)	-	-
Disposals	(761 870)	(173 085)	(21 896)	(1 798)	(958 649)
Revaluation	(1 838 568)	-	-	-	(1 838 568)
Impairment	(44 966)	-	-	(160 235)	(205 201)
Elimination of accumulated depreciation of revalued premises and equipment	(100 094)	-	-	-	(100 094)
Effect of exchange rate movements	(104 795)	(39 935)	5 398	(1 494)	(140 826)
Balance as at 31 December 2009	13 756 996	3 468 304	1 210 975	975 130	19 411 405
Accumulated depreciation					
Balance as at 31 December 2008	134 085	1 491 816	-	304 813	1 930 714
Depreciation charge	229 367	448 905	-	169 845	848 117
Disposals	(43 828)	(99 001)	-	(486)	(143 315)
Elimination of accumulated depreciation of revalued premises and equipment	(100 094)	-	-	-	(100 094)
Effect of exchange rate movements	1 440	(19 840)	-	(894)	(19 294)
Balance as at 31 December 2009	220 970	1 821 880	-	473 278	2 516 128
Carrying value as at 31 December 2009	13 536 026	1 646 424	1 210 975	501 852	16 895 277

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	Premises	Office and computer equipment and other fixed assets	Capital investments	Intangible assets	Total
Carrying value as at 31 December 2007	4 805 478	1 765 703	752 452	476 420	7 800 053
Cost/revalued amount					
Balance as at 31 December 2007	5 050 535	3 197 402	752 452	676 020	9 676 409
Purchased with a subsidiary	4 940 991	14 763	-	-	4 955 754
Additions	331 007	350 182	537 188	316 138	1 534 515
Transfer to another category	241 354	92 332	(333 686)	-	-
Disposals	(735 115)	(455 773)	(54 872)	(1 068)	(1 246 828)
Revaluation	6 297 247	-	-	-	6 297 247
Elimination of accumulated depreciation of revalued premises and equipment	(209 102)	-	-	-	(209 102)
Effect of exchange rate movements	109 337	8 567	59 398	1 034	178 336
Balance as at 31 December 2008	16 026 254	3 207 473	960 480	992 124	21 186 331
Accumulated depreciation					
Balance as at 31 December 2007	245 057	1 431 699	-	199 600	1 876 356
Purchased with a subsidiary	7 735	12 293	-	-	20 028
Transfer to another category	(40 067)	40 067	-	-	-
Depreciation charge	132 541	450 302	-	104 445	687 288
Disposals	(19 096)	(455 384)	-	(646)	(475 126)
Elimination of accumulated depreciation of revalued premises and equipment	(209 102)	-	-	-	(209 102)
Effect of exchange rate movements	17 017	12 839	-	1 414	31 270
Balance as at 31 December 2008	134 085	1 491 816	-	304 813	1 930 714
Carrying value as at 31 December 2008	15 892 169	1 715 657	960 480	687 311	19 255 617

The Group's premises were appraised by an independent valuer as at 31 December 2009. The valuation was performed by the independent appraiser Neo Centre LLC and was based on the market value. The revaluation of premises was performed for OJSC Bank of Moscow and the subsidiaries CJSC Imagine, CJSC DOSSOM and CJSC Concern Vechernyaya Moskva. The carrying value of the premises amounts to RUR 4 816 994 thousand representing positive revaluation of the Group's premises. Deferred tax liability from this revaluation of premises was charged to revaluation reserve for premises and equipment within the Group's equity. If the premises were recorded at cost less depreciation, the book value of the premises would be RUR 1 552 139 thousand on 31 December 2009.

Capital investments represent investments in construction and renovation of premises. Upon completion of the work, these assets are recorded in the corresponding category of premises and equipment.

13. Other Assets

	2009	2008
Receivables	3 778 210	3 080 772
Advance payments	746 596	540 908
Property transferred to the Group as debt repayment	485 154	138 566
Prepaid expenses	286 164	390 385
Plastic card receivables	159 064	191 900
Taxes receivable (other than income tax)	90 401	35 711
Insurance claims	177	897 817
Other	470 517	424 271
Less: provision for impairment of other assets	(777 074)	(366 038)
Total other assets	5 239 209	5 334 292

A significant part of receivables represents claims to corporate and retail clients on payments of fines and penalties as well as other credit related expenses payable by the customers.

Property transferred to the Group as loan repayment represents real estate received by the Group in settlement of overdue loans. The Group intends to realize these assets in the foreseeable future. The assets are not classified as held for sale in accordance with IFRS 5, as the Group has not started active marketing of these assets to sell them. These assets were recognized at fair value on acquisition.

The insurance claims of the Group are claims filed to the Deposit Insurance Agency to compensate payments made to the individual depositors of the banks with a recalled license.

The table below shows the analysis of changes in the provision for impairment of other assets:

	Receivables	Advance payments	Total
Provision for impairment of other assets as at 31 December 2007	2 750	-	2 750
Provision for impairment during the year	331 689	29 542	361 231
Exchange differences	2 057	-	2 057
Provision for impairment of other assets as at 31 December 2008	336 496	29 542	366 038
Provision for impairment during 2009	510 648	89 591	600 239
Assets written off against provision	(179 832)	-	(179 832)
Exchange differences	(9 371)	-	(9 371)
Provision for impairment of other assets as at 31 December 2009	657 941	119 133	777 074

Receivables are not secured by collateral.

The credit quality analysis of other financial assets as at 31 December 2009 is presented below:

	Current	Overdue				Total
		Less than montl	From 1 to 6 months	From 6 to 12 months	More than 1 year	
Receivables	2 655 413	111 548	260 330	333 699	417 220	3 778 210
Insurance claims	177	-	-	-	-	177
Plastic card receivables	159 064	-	-	-	-	159 064
Less: provision for impairment of other assets	(777)	(153)	(64 718)	(175 073)	(417 220)	(657 941)
Total other financial assets	2 813 877	111 395	195 612	158 626	-	3 279 510

The table below shows the credit quality analysis of other financial assets as at 31 December 2008:

	Current	Overdue				Total
		Less than montl	From 1 to 6 months	From 6 to 12 months	More than 1 year	
Receivables	2 413 725	119 163	23 194	447 829	76 861	3 080 772
Insurance claims	897 817	-	-	-	-	897 817
Plastic card receivables	191 900	-	-	-	-	191 900
Less: provision for impairment of other assets	(30 065)	-	(5 775)	(223 915)	(76 741)	(336 496)
Total other financial assets	3 473 377	119 163	17 419	223 914	120	3 833 993

The geographical analysis of other assets by currency structure and maturities is disclosed in Note 31.

14. Due to Other Banks

	2009	2008
Term deposits and loans of other banks	91 660 050	86 112 317
Loans and deposits of CBR	73 845 154	79 407 816
Syndicated loans of foreign banks	36 942 091	39 814 178
Subordinated loan	14 109 430	2 978 659
Correspondent accounts of other banks	4 984 901	3 306 431
Repo agreements with other banks	4 173 097	3 304 225
Total due to other banks	225 714 723	214 923 626

As at 31 December 2009, the Group raised funds over 10% of the Group's capital from two banks (as at 31 December 2008: three banks). The aggregate amount of these funds was RUR 137 696 155 thousand (as at 31 December 2008: RUR 159 278 857 thousand) or 61% of due to other banks (as at 31 December 2008: 74.1%).

As at 31 December 2009, securities sold to other banks under REPO agreements comprised bonds of foreign governments with the fair value of RUR 2 922 561 thousand (2008: none), and bonds of RF subjects and local governments with the fair value of RUR 1 662 902 thousand (2008: none). As at 31 December 2008, the securities sold under repo agreements include RF government and corporate eurobonds with the fair value of RUR 1 036 915 thousand and RUR 5 207 412 thousand, accordingly.

As at 31 December 2009, the Group raised syndicated loans from foreign banks:

Description	Interest rate	Payment schedule	Date of origination	Maturity date	Nominal value, '000	Carrying amount, RUR'000
I	LIBOR+0.55%	semi-annually	19.03.2007	19.03.2010	\$105 000	3 183 124
II	LIBOR+0.55%	monthly	23.11.2007	21.05.2010	\$600 000	18 130 338
III	LIBOR+1.5%	quarterly	20.01.2009	20.07.2011	\$30 000	890 071
IV	LIBOR+3.2%	quarterly	23.12.2009	23.12.2011	\$350 000	10 268 518
Total syndicated loans in USD					\$1 085 000	32 472 051
I	EURIBOR+1.5%	quarterly	20.01.2009	20.07.2011	€105 000	4 470 040
Total syndicated loans in EUR					€105 000	4 470 040
Total syndicated loans						36 942 091

In 2009 the Group raised a loan from Barclays Bank PLC Wholesale, London in the amount of USD 70 000 thousand (or RUR 2 117 094 thousand) maturing on 10 December 2010.

In 2009 the Group raised loans from OJSC Russian Development Bank in the amounts of RUR 856 000 thousand and RUR 1 446 000 thousand maturing on 30 October 2012 and 30 November 2012, accordingly.

In 2009 the Group raised a subordinated loan from state corporation "The Bank for Development and Foreign Economic Affairs" (Vnesheconombank) in the amount of RUR 11 107 970 thousand, the rate of 8% per annum, maturing on 18 December 2019.

In 2008 the Group raised a loan from Sumitomo Mitsui Banking Corporation Europe LTD in the amount of JPY 5 500 000 thousand, maturing on 11 July 2011. As at 31 December 2009, the outstanding loan balance was JPY 1 088 950 thousand (or RUR 357 459 thousand).

In 2008 the Group raised a loan from ING Bank, Amsterdam, in the amount of USD 25 300 thousand (or RUR 765 178 thousand) maturing on 25 June 2010.

15. Customer Accounts

	2009	2008
Federal and regional budgets and funds		
- Current/settlement accounts	18 698 735	22 312 864
- Term deposits	47 589 240	71 881 514
State-owned organisations		
- Current/settlement accounts	24 523 510	20 882 630
- Term deposits	20 452 207	5 898 151
Other legal entities		
- Current/settlement accounts	71 071 008	83 096 031
- Term deposits	68 223 271	51 262 070
Individuals		
- Current/demand accounts	33 345 723	29 812 259
- Term deposits	144 124 895	121 395 443
Total customer accounts	428 028 589	406 540 962

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

As at 31 December 2009, the Group raised funds over 10% of the Group's capital from 4 clients (as at 31 December 2008: 2 clients). The aggregate amount of these funds was RUR 104 726 028 thousand (as at 31 December 2008: RUR 113 205 500 thousand) or 24.47% of customer accounts (as at 31 December 2008: 27.8%).

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As of 31 December 2009, Group attracted customer accounts in the amount of RUR 383 679 thousand collateralized by eurobonds of the Russian Federation with the fair value of RUR 350 493 thousand (2008: no).

The geographical analysis and analysis of customer accounts by currency structure, maturities and interest rates are disclosed in Note 31. Information on the funds raised from related parties is disclosed in Note 34.

16. Debt Securities Issued

	2009	2008
Eurobonds	51 978 409	63 952 625
Bonds	17 818 205	20 566 469
Promissory notes	8 302 165	7 196 136
Total debt securities issued	78 098 779	91 715 230

As at 31 December 2009, eurobonds comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying amount, RUR'000	Market price, %
\$300 000	26.05.2005	26.11.2010	7.375%, semi-annually	8 707 342	104.37
\$300 000 subordinated	25.11.2005	25.11.2015 with the redemption right in November 2010	7.5% semi-annually during the first 5 years; then the rate equals US Treasury plus 4.567%	9 095 382	97.88
\$500 000	13.05.2006	13.05.2013	7.335%, semi-annually	15 166 030	104.49
\$400 000 subordinated	10.05.2007	10.05.2017	6.807%, semi-annually during the first 5 years; then the rate equals US Treasury plus 5.25%	12 141 257	93.02
CHF 250 000	04.03.2008	04.03.2011	6.253% annually	6 868 398	100.75
Total eurobonds				51 978 409	

As at 31 December 2008, eurobonds comprised:

Nominal value, '000	Date of issue	Maturity date	Interest rate	Carrying amount, RUR'000	Market price, %
\$250 000	28.09.2004	28.09.2009	8%, semi-annually	7 487 864	95.54
\$300 000	26.05.2005	26.11.2010	7.375%, semi-annually	8 706 896	85.25
\$300 000 subordinated	25.11.2005	25.11.2015 with the redemption right in November 2010	7.5%, semi-annually during the first 5 years; then the rate equals US Treasury plus 4.567%	8 849 691	40.11
\$500 000	12.05.2006	13.05.2013	7.335%, semi-annually	14 786 120	62.32
\$400 000 subordinated	10.05.2007	10.05.2017	6.807%, semi-annually during the first 5 years; then the rate equals US Treasury plus 5.25%	11 805 818	37.61
CHF 250 000	04.03.2008	04.03.2011	6.253% annually	7 289 318	76.00
Total foreign currency eurobonds				58 925 707	
RUR 5 000 000	25.11.2006	25.11.2009	7.25%, semi-annually	5 026 918	75.48
Total eurobonds				63 952 625	

As at 31 December 2009, bonds comprised:

Series/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
5-200-02-0359	20%, monthly	09.10.2009	09.04.2010	BYR 30 000 000	322 260	-
5-200-02-0363	20%, monthly	02.11.2009	03.05.2010	BYR 70 000 000	754 553	-
Total bonds in foreign currency					1 076 813	
40202748B	11.75%, semi-annually	08.02.2008	01.02.2013	RUR 10 000 000	10 468 816	101.7
40102748B*	10.64%, semi-annually	01.08.2008	29.07.2011	RUR 6 105 994	6 272 576	99.87
Total bonds in RUR					16 741 392	
Total bonds					17 818 205	

* In 2009 bonds with nominal value RUR 3 894 006 thousand were presented for redemption under the terms of the offer.

As at 31 December 2008, bonds comprised:

Series/code of state registration	Interest rate	Date of issue	Maturity date	Nominal value, '000	Carrying amount, RUR'000	Market price, %
A**	14.5%, quarterly	25.06.2007	21.06.2010	UAH 7 005	27 118	-
B	19%, quarterly	26.11.2007	16.11.2010	UAH 110	432	-
Total bonds in foreign currency					27 550	
40202748B	7.85%, semi-annually	08.02.2008	01.02.2013	RUR 10 000 000	10 228 668	100.59
40102748B	9.25%, semi-annually	01.08.2008	29.07.2011	RUR 10 000 000	10 310 251	99.99
Total bonds in RUR					20 538 919	
Total bonds					20 566 469	

** In 2009 bonds with nominal value UAH 7 005 thousand were presented for redemption under the terms of the offer.

17. Other Liabilities

	2009	2008
Payables	1 852 426	7 135 007
Remuneration to employees payable	505 538	273 746
Taxes payable other than income tax	147 075	90 086
Settlements relating to plastic cards	59 398	194 598
Deferred income	31 445	37 892
Dividends payable	47	72
Other	178 847	239 553
Total other liabilities	2 774 776	7 970 954

As at 31 December 2009 remuneration to employees payable includes accrued bonus to the employees in the total amount of RUR 223 878 thousand for the year 2009, which was paid in two installments in March and April 2010.

18. Non-Controlling Interest

Movements in the non-controlling interest of the Group are as follows:

	2009	2008
Non-controlling interest as at 1 January	325 514	1 429 045
Share in the net profit	5 740	215 694
Acquisition of subsidiaries/Increase in investments in equity of subsidiaries	(94 069)	(1 336 965)
Exchange difference	8 063	17 740
Non-controlling interest as at 31 December	245 248	325 514

19. Share Capital

Authorised, issued and fully paid share capital comprises:

	31 December 2009		31 December 2008	
	Number of shares	Nominal value, RUR'000	Number of shares	Nominal value, RUR'000
Ordinary shares	158 367 983	15 836 798	137 359 580	13 735 958
Restatement of share capital prior to 31 December 2002 under IAS 29	-	2 476 746	-	2 476 746
Total share capital	158 367 983	18 313 544	137 359 580	16 212 704

The nominal value of each ordinary share is 100 roubles. Each share gives the right of one vote.

The Government of the City of Moscow directly and indirectly (through O.J.S.C. «Metropolitan Insurance Group») owns the Bank, being its principal shareholder.

On 28 July 2009, the CBR registered the 13th issue of the Bank of Moscow ordinary voting shares in the amount of 21 008 403 at the nominal value of RUR 100. The shares were offered at the following prices: RUR 952 per share under the pre-emptive rights offer and RUR 952 per share under open subscription, totalling RUR 19 999 999 thousand, including share premium of RUR 17 899 159 thousand. Based on the results of the additional share issue, the total interest controlled by the Government of the City of Moscow in the Bank of Moscow share capital totalled 63.39% (direct shareholding of the Government of the City of Moscow in the Bank of Moscow totalled 48.11%, and the shareholding of the Government of the City of Moscow in the Bank of Moscow through O.J.S.C. «Metropolitan Insurance Group» (and its subsidiaries) was 15.28%).

The share capital structure is as follows:

	31 December 2009	31 December 2008
Government of the City of Moscow	48.11%	44.00%
O.J.S.C. «Metropolitan Insurance Group»	-	7.59%
Group of subsidiaries of O.J.S.C. «Metropolitan Insurance Group»		
«Moscow Insurance Company»	11.44%	5.81%
JSC MSK Standard	2.12%	2.00%
LLC TBIH Russian Funds	1.72%	-
LLC Plastoinstrument*	4.60%	3.52%
LLC NPO Pharmatsevtika*	3.70%	4.26%
LLC Stroyelektromontazh*	3.67%	4.23%
LLC GAZDORSTROY*	3.65%	4.20%
LLC KHIMPROMEXPORT*	3.45%	3.98%
LLC Centrotransport*	3.15%	3.64%
Other shareholders with less than 5% in the share capital	14.39%	16.77%
Total share capital	100.00%	100.00%

* As at 31 December 2009, the ultimate beneficiaries in the proportion of 80/20 are Mr. A.F. Borodin, President of the Bank, and Mr. L.F. Alaluev, Deputy Chairman of the Board of Directors.

20. Interest Income and Expense

	Note	2009	2008
Interest income			
Loans to customers		71 901 629	51 505 595
Financial assets at fair value through profit or loss		7 970 398	4 747 490
Due from other banks		2 229 332	5 141 172
Financial assets available for sale	9	94 724	189 796
Investments held to maturity		68 095	13 290
Total interest income		82 264 178	61 597 343
Interest expense			
Current accounts and term deposits of customers		31 944 486	21 931 770
Term deposits of banks		11 705 768	6 539 654
Debt securities issued		7 338 485	4 744 175
Total interest expense		50 988 739	33 215 599
Net interest income		31 275 439	28 381 744

21. Gains less Losses Arising from Financial Assets at Fair Value through Profit or Loss

	2009	2008
Gain/(loss) from transactions in trading securities and derivative financial instruments	4 734 116	(4 845 856)
Gain/(loss) from revaluation of securities	4 861 456	(2 097 464)
Total gains less losses arising from financial assets at fair value through profit or loss	9 595 572	(6 943 320)

22. Fee and Commission Income and Expense

	2009	2008
Fee and commission income		
Commission on settlement and cash transactions	3 965 452	3 570 757
Commission on operations with plastic cards	1 582 289	1 997 836
Commission on guarantees issued	778 917	678 728
Commission on cash collection	232 750	193 961
Commissions under fiduciary activities	228 870	212 369
Commission on transactions with securities	121 939	222 665
Other	56 194	416 538
Total fee and commission income	6 966 411	7 292 854
Fee and commission expense		
Commission on cash collection	559 169	546 823
Commission on operations with plastic cards	515 760	498 436
Commission on settlement and cash transactions	158 944	245 438
Commission on guarantees received	106 154	65 821
Commission on transactions with securities	68 665	52 549
Other	77 316	105 964
Total fee and commission expense	1 486 008	1 515 031
Net fee and commission income	5 480 403	5 777 823

23. General and Administrative Expenses

	Note	2009	2008
Staff costs		7 430 049	7 938 238
Rent		2 045 801	1 746 683
Professional services (security, communications and other)		1 220 347	950 217
Taxes other than income tax		1 083 060	990 703
Depreciation and amortization	12	848 117	687 288
Expenses related to premises and equipment		612 705	801 054
Administrative expenses		484 626	722 620
Advertising and marketing		328 068	711 210
Charity		88 032	136 732
Other		177 000	306 807
Total general and administrative expenses		14 317 805	14 991 552

Staff costs include remuneration to employees and unified social tax.

24. Other Operating Income less Expenses

	2009	2008
Fines and penalties received and paid	1 340 267	985 318
Proceeds from property lease	280 731	214 097
Net (loss)/income from sale of goods, work and services by non-banks	(13 561)	16 187
Other	248 894	128 763
Total other operating income less expenses	1 856 331	1 344 365

25. Income Tax

Income tax expense comprises:

	2009	2008
Current income tax expense	360 584	1 890 238
Deferred taxation movement due to origination and reversal of temporary differences	(194 118)	625 657
Less: deferred taxation charged to other comprehensive income	368 652	(1 244 710)
Total income tax expense	535 118	1 271 185

Each entity of the Group files individual tax returns.

The current tax rate applicable to the major portion of the profits earned by the Bank of Moscow and its Russian subsidiaries in the year 2009 is 20% (2008: 24%). The income tax rate for Latvian residents is 15% (2008: 15%), for Ukrainian residents - 25% (2008: 25%), for Serbian residents - 10% (2008:10%), and the effective income tax rate for Byelorussian residents is 26.3% (2008: 26.3%).

In 2009 the tax rate applicable to the coupon income on state securities was: 15% on coupon income of OFZ and OVGZ issued in 1999; 0% on OVGZ coupon income of the 5th -7th tranches; 20% on coupon income of eurobonds of the Russian Federation. In 2008, the tax rate applicable to coupon income on state securities of RF subjects was 15% and to coupon income on securities of local authorities - 9%.

Current income tax expense of the Bank and its subsidiaries located on the territory of the Russian Federation was computed based on the amount of profits calculated under Russian federal accounting regulations and adjusted for compliance with the Russian tax legislation. Accordingly, current tax expense of the subsidiary banks located on the territory of Latvia, Estonia, Belarus, Ukraine and Serbia was determined in compliance with their local tax legislations.

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

	2009	2008
IFRS profit before taxation	1 252 121	8 249 115
Theoretical tax charge at the rate of 20% (2008: 24%)	250 424	1 979 788
Non-taxable income less non-deductible expenses	651 779	(440 571)
Effect of decrease in income tax rate to 20% since 1 January 2009	-	(166 630)
Income on government securities taxed at different rates	(190 723)	(75 953)
Adjustments for non-resident subsidiary banks' profits taxed at different rates	(176 362)	(25 449)
Income tax expense for the year	535 118	1 271 185

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for the Group's profit tax purposes. Deferred tax assets (deferred tax liabilities) are reflected at the rate of 20% (2008: 20%), except for income on government securities taxed at the rate of 15% (2008: 15%).

	2009	Change	2008
Tax effect of deductible temporary differences			
Loans to customers	867 882	867 882	-
Premises and equipment and intangible assets	535 605	226 439	309 166
Other requirements	223 417	257 421	(34 004)
Recognized deferred tax assets of subsidiary banks	76 072	61 528	14 544
Provision for impairment of financial assets available for sale	39 192	39 192	-
Total deferred tax assets (gross)	1 742 168	1 452 462	289 706
Tax effect of taxable temporary differences			
Provision for impairment of loans to customers	(1 423 024)	(1 364 449)	(58 575)
Revaluation of premises and equipment	(966 113)	367 154	(1 333 267)
Premises and equipment and intangible assets	(530 340)	(326 596)	(203 744)
Revaluation of securities at fair value	(163 879)	5 304	(169 183)
Due to other banks	(52 254)	(19 012)	(33 242)
Recognized deferred tax assets of subsidiary banks	(31 242)	(12 913)	(18 329)
Provision for impairment of other assets	-	92 168	(92 168)
Total deferred tax liabilities (gross)	(3 166 852)	(1 258 344)	(1 908 508)
Total net deferred tax liabilities	(1 424 684)	194 118	(1 618 802)

Comparative information for the year 2008 is provided below:

	2008	Change	Effect of change in income tax rate	2007
Tax effect of deductible temporary differences				
Premises and equipment and intangible assets	309 166	177 830	(26 230)	157 566
Recognized deferred tax assets of subsidiary banks	14 544	7 906	-	6 638
Provision for impairment of loans to customers	-	(173 673)	(34 735)	208 408
Other liabilities	-	(80 691)	(16 140)	96 831
Total deferred tax assets (gross)	323 710	(68 628)	(77 105)	469 443
Tax effect of taxable temporary differences				
Revaluation of premises and equipment	(1 333 267)	(1 259 439)	14 729	(88 557)
Premises and equipment and intangible assets	(203 744)	492 049	139 159	(834 952)
Revaluation of securities at fair value	(169 183)	215 485	76 934	(461 602)
Provision for impairment of other assets	(92 168)	(27 604)	12 913	(77 477)
Other requirements	(67 246)	(67 246)	-	-
Due from banks and loans to customers	(58 575)	(58 575)	-	-
Recognized deferred tax liabilities of subsidiary banks	(18 329)	(18 329)	-	-
Total deferred tax liabilities (gross)	(1 942 512)	(723 659)	243 735	(1 462 588)
Total net deferred tax liabilities	(1 618 802)	(792 287)	166 630	(993 145)

Considering the existing structure of the Group, tax losses and current tax assets of certain entities may not be offset against current tax liabilities and taxable profit of other entities and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, the Group does not offset deferred tax assets of one entity against the deferred tax liabilities of another entity.

As at 31 December 2009, the total deferred tax liability in the amount of RUR 966 113 thousand (2008: RUR 1 333 267 thousand) was calculated in respect of loss on revaluation of premises at fair value and recorded within equity in accordance with IAS 16.

26. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares during the year less the average number of ordinary shares bought out by the Group from its shareholders.

The Group has no potentially dilutive ordinary shares. Therefore, diluted earnings per share equal basic earnings per share.

	2009	2008
Net profit attributable to the shareholders of the parent Bank (in thousands of RUR)	711 263	6 762 236
Weighted average number of ordinary shares in issue (in thousands)	147 895	133 227
Basic earnings per share (RUR per share)	4.81	50.76

27. Dividends

	2009	2008
Dividends payable as at 1 January	72	33
Dividends for 2007 declared during the year	-	232 420
Dividends paid during the year	(25)	(232 381)
Dividends payable as at 31 December	47	72
Dividends per share, declared during the year	-	1.79

Dividends declared for the year 2007 include dividends attributable to the shareholders of the parent Bank in the amount of RUR 232 420 thousand.

Dividends attributable to the shareholders of the parent Bank paid for the year 2008 amount to RUR 232 381 thousand.

There are no dividends declared for the year 2008.

28. Acquisitions and Disposals

Acquisition of subsidiary banks

AS Eesti Krediidipank

On 28 February 2009 the Group acquired 0.12% in the share capital of AS Eesti Krediidipank increasing its shareholding to 89.16%.

The fair value of assets and liabilities of AS Eesti Krediidipank and the excess of the Group's share in the net fair value of the identifiable assets and liabilities of AS Eesti Krediidipank over the cost of acquisition are presented in the table below:

	At the date of acquisition 28 February 2009
Cash and cash equivalents	956 027
Due from other banks	6 370 896
Financial assets at fair value through profit or loss	1 337 236
Loans to customers	7 079 038
Financial assets available for sale	44 930
Investments in associates and subsidiaries	1 304
Premises and equipment	448 703
Other assets	202 076
Due to other banks	(1 718 836)
Customer accounts	(12 934 445)
Financial liabilities at fair value through profit or loss	(403 993)
Other liabilities	(310 886)
Total net assets	1 072 050
Acquired share in the net assets	1 286
The excess of the Group's share in the net fair value of the net assets acquired over the cost of acquisition	(386)
Consideration paid (gross)	900

The excess of the Group's share in the net fair values of identifiable assets and liabilities of AS Eesti Krediidipank over the cost of acquisition in the amount of RUR 386 thousand was recorded within net (loss)/gain on acquisition and sale of subsidiaries and associates of the consolidated statement of comprehensive income at the time of acquisition.

Commercial joint stock bank Bezhitsa-bank (OJSC)

On 24 June 2009 the Group acquired 1 820 000 ordinary registered non-documentary shares through payment of additional share issue with the nominal value of RUR 50 or 16.97% in the share capital of commercial joint stock bank Bezhitsa-Bank (OJSC), increasing its shareholding to 76.8%. On 9 October 2009 the Group acquired 4 091 443 ordinary registered non-documentary shares and 634 preference shares through payment of additional share issue with the nominal value of RUR 50.0 and RUR 10.0 per share, accordingly, or 18.38% in the share capital of Bezhitsa-Bank (OJSC), increasing its share in the share capital to 95.15%.

The fair value of assets and liabilities of Bezhitsa-Bank (OJSC) and the excess of the cost of acquisition over the Group's share in the net fair value of the identifiable assets and liabilities of Bezhitsa-Bank (OJSC) are presented in the table below:

	At the date of acquisition	
	9 October 2009	24 June 2009
Cash and cash equivalents	304 288	166 552
Mandatory cash balances with CBR	3 640	1 441
Loans to customers	559 556	589 061
Premises and equipment	14 063	444
Other assets	283	14 453
Due to other banks	160 499	261 052
Customer accounts	(431 710)	(436 185)
Debt securities issued	(22 207)	(21 753)
Other liabilities	(14 389)	(11 160)
Total net assets	574 023	563 905
Acquired share in the net assets	101 746	94 068
Share in net assets increase from additional share issue	-	153 548
The excess of the cost of acquisition over the Group's share in the fair value of the net assets acquired	9 663	9 004
Consideration paid	111 409	256 620

The excess of the cost of acquisition over the Group's share in the fair value of identifiable assets and liabilities of Bezhitsa-Bank (OJSC) in the amount of RUR 18 667 thousand was impaired and recorded within net (loss)/gain on acquisition and sale of subsidiaries and associates of the consolidated statement of comprehensive income at the time of acquisition.

Acquisition of subsidiaries and associates

CJSC Concern Vechernyaya Moskva

On 30 December 2009, the Group acquired a 0.35% shareholding in CJSC Concern Vechernyaya Moskva increasing its share in that company's share capital to 57.35%.

The table below shows the fair value of assets and liabilities of CJSC Concern Vechernyaya Moskva and the excess of the cost of the acquisition over the share in the fair value of the identifiable assets and liabilities:

	At the date of acquisition 30 December 2009
Cash and cash equivalents	4 378
Investments in associates and non-consolidated subsidiaries	8
Other assets	16 145
Premises and equipment and intangible assets	220 703
Debt securities issued	(533 530)
Other liabilities	(8 588)
Tax liabilities	(38 844)
Total net assets	(339 728)
Acquired share in net assets	-
The excess of the cost of acquisition over the Group's share in the fair value of the net assets acquired	3
Recognised gain/loss on acquisition	-
Consideration paid	3

The non-controlling shareholders are not obliged to fund the losses of the subsidiary, and, therefore, the losses are allocated to the Group in full amounts. Thus, the Group does not recognize gain/loss on acquisition of the additional share in the subsidiary.

SIA "LBB IPAŠUMI"

On 17 December 2009 the Group acquired 43.69% in the share capital of SIA "LBB IPAŠUMI" increasing its shareholding to 92.63%.

The table below shows the fair value of assets and liabilities of SIA "LBB IPAŠUMI" and the excess of the cost of the acquisition over the share in the fair value of the identifiable assets and liabilities.

At the date of acquisition
17 December 2009

Cash and cash equivalents	1 028
Premises and equipment and intangible assets	646 214
Other assets	14 213
Due to other banks	(15 065)
Other liabilities	(646 840)
Total net assets	(450)
Acquired share in net assets	-
The excess of the cost of acquisition over the Group's share in the fair value of the net assets acquired	59
Recognised gain/loss on acquisition	-
Consideration paid	59

The non-controlling shareholders are not obliged to fund the losses of the subsidiary, and, therefore, the losses are allocated to the Group in full amounts. Thus, the Group does not recognize gain/loss on acquisition of the additional share in the subsidiary.

Disposal of associates

City Centre for Data Processing (EIRTS), LLC

On 20 May 2009 the Group sold its shareholding of City Centre for Data Processing (EIRTS), LLC (49.5% of share capital). The Group recorded gain on disposal of City Centre for Data Processing (EIRTS), LLC in the amount of RUR 5 thousand within net (loss)/gain on acquisition and sale of subsidiaries and associates.

Disposed assets and liabilities and gain/loss on disposal are as follows:

At the date of disposal
20 May 2009

Receivables	1
Other liabilities	(4)
Total net assets	(3)
Group's share in the net assets	-
The excess of sale proceeds over the share in the fair value of the net assets disposed of	5
Proceeds from sale	5

Private security company Yaroslavna, LLC

On 29 December 2009 the Group sold the 99.83% shareholding in private security company Yaroslavna, LLC. As a result of this transaction the Group recorded a loss from this shareholding in the amount of RUR 13 686 thousand within net (loss)/gain on acquisition and sale of subsidiaries and associates in the consolidated statement of comprehensive income at the moment of sale.

Assets and liabilities and gain/loss on disposal are presented in the table below:

	At the date of disposal 29 December 2009
Cash and cash equivalents	9 509
Investments in subsidiaries	284
Premises and equipment	1 078
Receivables	2 033
Other assets	3 851
Other liabilities	(2 635)
Total net assets	14 120
Group's share in the net assets	14 096
The excess of the share in the fair value of the net assets disposed of over sales proceeds	(13 686)
Net proceeds from sale	410

29. Fiduciary Management Transactions

The Group manages the customers' assets at their request and receives commission for asset management services. The Group is not liable in respect of fixed payments to customers. The assets managed by the Group at the customers' request are not owned by the Group and are not recorded in the consolidated statement of financial position.

The Group had the following assets recorded at cost as at the date of their transfer into fiduciary management:

	2009	2008
Net assets of unit investment funds	6 189 007	3 137 137
Securities in fiduciary management	6 148 948	8 814 516
Due from other banks on current accounts and other assets in fiduciary management	385 099	150 871
Total	12 723 054	12 102 524

As at 31 December 2009 the Bank has 1 771 depositary accounts for resident clients, 106 accounts for non-residents and 17 LORO accounts for other depositories. The Bank provided services as a registrar for 2 407 securities of 123 issuers.

As at 31 December 2008 the Bank has 1 580 depositary accounts for resident clients, 83 accounts for non-residents and 11 LORO accounts for other depositories. The Bank provided services as a registrar for 1 568 securities of 918 issuers.

30. Segment Reporting

The Group uses business segments as its primary format for reporting segment information. Over 95% of the Group's banking business is concentrated on the territory of the Russian Federation at the location of the parent company of the Group - the Bank of Moscow. Based on this, the Group considers unreasonable to segment its business by geographic principle.

The Group's main business segments are as follows:

Treasury business - this business segment includes trading in financial instruments, transactions with securities and derivatives, including REPO deals, foreign currency transactions, raising and origination of loans on interbank loan markets, interest rate arbitrage on SWAP transactions. Besides, the treasury function includes management of the Group's short-term assets and positions in foreign currencies, i.e. currency risk management.

Corporate business - this business segment includes services associated with servicing settlement and current accounts of legal entities, acceptance of deposits from corporate clients, extension of credit lines in the form of overdrafts, issuance of loans and other types of financing, rendering of investment banking services, trade financing of corporate clients, rendering of structured financing, merging and acquisition consulting services.

Retail business - this segment covers rendering of banking services to individuals which comprise opening and maintaining accounts, acceptance of deposits from individuals, fiduciary services, accumulation of investments, servicing debit and credit cards, consumer and mortgage lending.

The Group transactions not included in the above business segments are disclosed separately.

Transactions between business segments are conducted on an arm's length basis. In the ordinary course of business the Group's financial resources are reallocated between business segments. As a result, intersegment allocations are reflected within assets/liabilities of a business segment and the cost of reallocated financial resources is included in the business segment income/expenses.

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Segment information on main business segments of the Group for year ended 31 December 2009 is given in the table below:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non- allocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and cash equivalents	2 570 369	53 553 482	19 802 936	28 973	-	75 955 760
Financial assets at fair value through profit or loss	103 146 556	14 989 302	-	325 814	-	118 461 672
Due from other banks	44 209 469	-	-	308 517	-	44 517 986
Other assets	-	-	159 064	2 134 085	2 946 060	5 239 209
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	149 926 394	68 542 784	19 962 000	2 797 389	2 946 060	244 174 627
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	2 777 710	1 970 728	-	-	4 748 438
Due from other banks	6 185 297	-	-	-	-	6 185 297
Loans to customers	-	460 497 841	73 453 909	537 799	-	534 489 549
Financial assets available for sale	428 911	330 952	-	430 642	12 547 521	13 738 026
Investments held to maturity	-	265 211	-	-	-	265 211
Investments in associates and non-consolidated subsidiaries	-	-	-	3 592 847	227 998	3 820 845
Premises and equipment and intangible assets	-	-	-	5 885 333	11 009 944	16 895 277
Current tax asset	-	-	-	44	750 266	750 310
Deferred tax asset	-	-	-	1 114	74 958	76 072
Total assets maturing in more than 1 month and part of assets with no stated maturity	6 614 208	463 871 714	75 424 637	10 447 779	24 610 687	580 969 025
Total assets	156 540 602	532 414 498	95 386 637	13 245 168	27 556 747	825 143 652

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	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to other banks	18 344 405	-	617 457	-	-	18 961 862
Customer accounts	-	114 293 253	33 345 723	-	-	147 638 976
Financial liabilities at fair value through profit or loss	1 714 518	-	625 771	-	-	2 340 289
Other liabilities	-	-	59 398	1 167 601	-	1 226 999
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	20 058 923	114 293 253	34 648 349	1 167 601	-	170 168 126
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to other banks	10 211 463	185 565 021	10 976 377	-	-	206 752 861
Customer accounts	383 679	135 848 840	144 124 895	32 199	-	280 389 613
Debt securities issued	-	68 817 548	6 868 398	2 412 833	-	78 098 779
Other liabilities	-	-	-	-	1 547 777	1 547 777
Current tax liability	-	-	-	2 027	87 678	89 705
Deferred tax liability	-	-	-	133 496	1 367 260	1 500 756
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	10 595 142	390 231 409	161 969 670	2 580 555	3 002 715	568 379 491
Total liabilities	30 654 065	504 524 662	196 618 019	3 748 156	3 002 715	738 547 617
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity	(129 867 471)	45 750 469	14 686 349	(1 629 788)	(2 946 060)	(74 006 501)
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	129 867 471	(95 219 122)	(34 648 349)	-	-	-
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	3 980 934	(73 640 305)	86 545 033	(7 867 224)	(21 607 972)	(12 589 534)
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	-	66 583 033	(66 583 033)	-	-	-
Equity financing	(3 980 934)	56 525 925	-	9 497 012	24 554 032	86 596 035
Net uncovered deficit/unallocated surplus on financing	-	-	-	-	-	-

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Segment information on main business segments of the Group for year ended 31 December 2008 is given in the table below:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and cash equivalents	1 939 924	109 880 874	21 440 745	7 119	-	133 268 662
Financial assets at fair value through profit or loss	19 960 154	14 106 360	-	1 345 378	-	35 411 892
Due from other banks	67 327 801	-	-	-	-	67 327 801
Other assets	-	-	191 900	1 854 134	3 288 258	5 334 292
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	89 227 879	123 987 234	21 632 645	3 206 631	3 288 258	241 342 647
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	729 700	432 392	-	-	1 162 092
Due from other banks	558 814	6 450 488	-	-	-	7 009 302
Loans to customers	-	411 235 447	105 174 840	153 482	-	516 563 769
Financial assets available for sale	506 113	259 321	-	5 929 437	3 949 669	10 644 540
Investments held to maturity	-	959 716	-	-	-	959 716
Investments in associates and non-consolidated subsidiaries	-	-	-	3 791 599	174 010	3 965 609
Premises and equipment and intangible assets	-	-	-	5 779 054	13 476 563	19 255 617
Current tax asset	-	-	-	12 271	455 250	467 521
Deferred tax asset	-	-	-	-	14 544	14 544
Total assets maturing in more than 1 month and part of assets with no stated maturity	1 064 927	419 634 672	105 607 232	15 665 843	18 070 036	560 042 710
Total assets	90 292 806	543 621 906	127 239 877	18 872 474	21 358 294	801 385 357

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	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to other banks	11 872 892	-	599 070	-	-	12 471 962
Customer accounts	-	126 291 525	29 812 259	-	-	156 103 784
Financial liabilities at fair value through profit or loss	10 062 783	-	860 025	-	-	10 922 808
Other liabilities	-	-	194 598	6 556 459	-	6 751 057
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	21 935 675	126 291 525	31 465 952	6 556 459	-	186 249 611
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to other banks	-	190 361 491	12 090 173	-	-	202 451 664
Customer accounts	-	128 884 765	121 395 443	156 970	-	250 437 178
Debt securities issued	-	82 200 900	7 289 318	2 225 012	-	91 715 230
Other liabilities	-	-	-	1 219 897	-	1 219 897
Current tax liability	-	-	-	53	27 960	28 013
Deferred tax liability	-	-	-	141 085	1 492 261	1 633 346
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	-	401 447 156	140 774 934	2 523 120	2 740 118	547 485 328
Total liabilities	21 935 675	527 738 681	172 240 886	9 079 579	2 740 118	733 734 939
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity	(67 292 204)	2 304 291	9 833 307	3 349 828	(3 288 258)	(55 093 036)
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	67 292 204	(35 826 252)	(31 465 952)	-	-	-
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	(1 064 927)	(18 187 516)	35 167 702	(13 142 723)	(15 329 918)	(12 557 382)
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	-	13 535 057	(13 535 057)	-	-	-
Equity financing	1 064 927	38 174 420	-	9 792 895	18 618 176	67 650 418
Net uncovered deficit/unallocated surplus on financing	-	-	-	-	-	-

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The table below shows a breakdown of the consolidated statement of comprehensive income of the Group by business segments for year ended 31 December 2009:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non- allocated	Total
Interest income	8 636 850	60 352 968	12 899 336	375 024	-	82 264 178
Interest expense	(6 563 961)	(31 992 782)	(12 156 830)	(275 166)	-	(50 988 739)
Gains less losses arising from financial assets at fair value through profit or loss	9 468 449	-	-	127 123	-	9 595 572
Gains less losses arising from financial liabilities at fair value through profit or loss	(1 141 514)	-	-	-	-	(1 141 514)
Gains less losses arising from financial assets available for sale	(10 410)	-	-	945 779	-	935 369
Gains less losses from dealing in foreign currency and precious metals and revaluation of foreign currency and precious metals	(680 101)	-	814 835	5 910	-	140 644
Net operating result on banking assets and liabilities	9 709 313	28 360 186	1 557 341	1 178 670	-	40 805 510
Income/(expense) on intersegment re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	(4 565 705)	3 034 670	1 531 035	-	-	-
Income/(expense) on intersegment re-allocation of funds maturing in more than 1 month and with no stated maturity	-	(6 478 282)	6 478 282	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	5 143 608	24 916 574	9 566 658	1 178 670	-	40 805 510
Fee and commission income	121 815	4 323 949	2 402 528	118 119	-	6 966 411
Fee and commission expense	(67 876)	(899 995)	(515 760)	(2 377)	-	(1 486 008)
Provisions for impairment of due from other banks and loans to customers	(1 568)	(23 515 949)	(7 223 120)	(10 837)	-	(30 751 474)
General and administrative expenses	(509 905)	(4 206 268)	(4 671 128)	(440 532)	(4 489 972)	(14 317 805)
Other income/(expense)	-	165 948	541 807	(106 638)	(565 630)	35 487
Profit before taxation	4 686 074	784 259	100 985	736 405	(5 055 602)	1 252 121
Income tax expense	-	-	-	(47 318)	(487 800)	(535 118)
Profit after taxation	4 686 074	784 259	100 985	689 087	(5 543 402)	717 003
Non-controlling interest	-	-	-	-	(5 740)	(5 740)
Net profit	4 686 074	784 259	100 985	689 087	(5 549 142)	711 263

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The table below shows a breakdown of the consolidated statement of comprehensive income of the Group by business segments for year ended 31 December 2008:

	Treasury business	Corporate business	Retail business	Non-banking organisations	Non- allocated	Total
Interest income	8 480 051	38 536 530	14 535 233	45 529	-	61 597 343
Interest expense	(2 511 322)	(22 079 134)	(8 479 319)	(145 824)	-	(33 215 599)
Gains less losses arising from financial assets at fair value through profit or loss	(7 125 322)	-	-	182 002	-	(6 943 320)
Gains less losses arising from financial liabilities at fair value through profit or loss	674 382	-	-	-	-	674 382
Gains less losses arising from financial assets available for sale	(850)	-	107 058	16 432	-	122 640
Gains less losses from dealing in foreign currency and precious metals and revaluation of foreign currency and precious metals	1 563 113	-	842 504	(586)	-	2 405 031
Net operating result on banking assets and liabilities	1 080 052	16 457 396	7 005 476	97 553	-	24 640 477
Income/(expense) on intersegment re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	(1 404 263)	718 519	685 744	-	-	-
Income/(expense) on intersegment re-allocation of funds maturing in more than 1 month and with no stated maturity	-	(1 316 085)	1 316 085	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	(324 211)	15 859 830	9 007 305	97 553	-	24 640 477
Fee and commission income	221 073	4 186 394	2 734 957	150 430	-	7 292 854
Fee and commission expense	(52 335)	(963 478)	(498 436)	(782)	-	(1 515 031)
Provisions for impairment of due from other banks and loans to customers	24 353	(3 922 446)	(5 048 124)	(20 598)	-	(8 966 815)
General and administrative expenses	(566 817)	(4 676 702)	(5 194 271)	(290 409)	(4 263 353)	(14 991 552)
Other income/(expense)	-	107 313	210 466	1 534 995	(63 592)	1 789 182
Profit before taxation	(697 937)	10 590 911	1 211 897	1 471 189	(4 326 945)	8 249 115
Income tax expense	-	-	-	(43 060)	(1 228 125)	(1 271 185)
Profit after taxation	(697 937)	10 590 911	1 211 897	1 428 129	(5 555 070)	6 977 930
Non-controlling interest	-	-	-	-	(215 694)	(215 694)
Net profit	(697 937)	10 590 911	1 211 897	1 428 129	(5 770 764)	6 762 236

31. Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational and legal risks.

The main risk management activity is to identify, measure and control the above-mentioned risks, take management decisions to avoid or minimise risks (hedging, reallocation, diversification, etc.).

The Group implemented a three-level risk management system. At the first level, business units exercise preliminary and operational control over the established limits in the course of transactions. At the second level, the back office controls compliance of business units with the established limits. At the third level, preliminary and subsequent risk control is exercised independently by specialised divisions, which are charged with risk control functions.

The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

In accordance with strategic tasks a comprehensive system for management of all types of risks is functioning and developing within the Group. Further efforts will be aimed at development of the existing risk management methods and instruments, as well as systematisation and integration of risk assessment and management methods with regard for international standards.

Credit risk. Credit risk is the risk of financial losses caused by the inability of the Group's borrower or counterparty to meet their liabilities.

The following methods of control and management are applied to manage credit risk.

Risk assessment. The risk by each credit product is assessed on the basis of internal bank ratings. The level of risk for individual borrowers is assessed with the use of scoring methods. At the same time, stress-testing of the loan portfolios is carried out on a regular basis to evaluate stability in the conditions of maximum financial losses relating to loan portfolios under extreme scenarios. To evaluate the risks relating to credit products provided to legal entities the Group uses the instruments below.

Limits on transactions for provision of credit products. The limiting system comprises:

- scope limits, which limit credit risk concentration by division, type of products, region, industry, etc.;
- scope limits for separate counterparties;
- limits by each credit product, calculated in accordance with the internal methods of credit risk assessment;
- risk limits, which set up maximum admissible risk of separate divisions' portfolios;
- maturity limits depending on risk level by product, type and other terms of lending;
- limits of personified lending authority.

Limit values are updated on a regular basis in accordance with current level of credit risk and macro- and microeconomic situation. Compliance of authorised persons and management bodies with set limits is monitored daily.

Monitoring of credit risk of operating products is conducted regularly and is aimed at detection of risk-increasing factors in order to further neutralise them and reduce concentration.

The Group developed the policy and procedures related to credit risk management, including requirements for setting and complying with the limits on loan portfolio concentration and establishment of the Credit Committee to monitor credit risk exposure of the Group.

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

The Group's maximum exposure to credit risk is primarily reflected in the carrying value of financial assets in the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For loan guarantees and commitments, the maximum exposure to credit risk is equal to total liabilities (Note 32).

The Group performs the loan maturity analysis and subsequent monitoring of overdue balances. Therefore, the management provides information on overdue maturities and other information on credit risk, as described in Notes 6, 7, 8, 9 and 10.

In the conditions of the global deterioration of macroeconomic indicators in the second half of 2008 and the relating increase of the credit risk for the banking sector as a whole, the Bank of Moscow implemented a package of measures aimed at raising the quality of the loan portfolio and minimization of possible losses on asset-related transactions. These measures include:

- signing with the CBR of an agreement on compensation of part of possible losses from transactions on the interbank market subject to Article 3 of Federal Law No. 173-FZ "On additional measures to support the financial system of the Russian Federation" of 13 October 2008;
- tightened approach to borrower risk assessment due to a heightened possibility of defaults in the corporate lending sector in accordance with the applicable methods, for instance, expansion of a list of categories of the borrower's payments taken into account in calculating the risk limit and introduction of a new factor describing the public credit history of the customer;
- changes in procedures used to monitor the borrower's financial position allowing a pro-active response to any deterioration in the situation;
- revision of approaches to evaluation of the counterparty's credit quality;
- more rigid requirements to liquidity and reliability of collateral;
- development and implementation of a comprehensive program of restructuring the Bank's retail loans for bona fide borrowers experiencing temporary difficulties with servicing current loans;
- upward revision of provisions for possible losses;
- suspension of lending authority for the number of divisions and all authorized representatives of the Bank of Moscow.

Under the risk management system set up in 2006 the Bank of Moscow divisions have in place an effective risk management system enabling to monitor credit and operational risks. Besides, the Bank is involved in transition started in 2007 to the uniform standards of banking risks management in subsidiary banks.

A restructuring program was put in place to manage retail credit risks enabling the customers to ease the debt burden through the selection of the most optimal restructuring option. The program applies to force-majeure circumstances suffered by the customers as a result of crisis in the economy or other events. Besides, each force-majeure event should be supported by documentary evidence thereby eliminating any unfair customers.

The Bank has implemented the retail loan portfolio quality control system. The control is exercised on the basis of permanent monitoring of key performance indicators. The KPI allow to identify negative trends at all stages of the loan production process (from visual customer assessment to loan repayment) as well as credit products that may cause potential problems. Based on the detected changes, preventive measures are elaborated to mitigate the negative trends. The KPI control is maintained in the SAS environment implemented in 2008 and includes daily, weekly and monthly monitoring of the entire KPI range. Control is exercised in points of sales on the basis of the developed SAS regulations and is also performed from one centre by a specialized unit.

In 2008 the Bank of Moscow proceeded with creation of a centralized service of underwriting and verification of retail credit products. This service will allow to remove prejudiced decision-making on lending in the Bank's divisions and mitigate the level of credit risks accepted.

Credit risk on off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in managing contingent liabilities as it does for financial instruments recorded in the consolidated statement of financial position based on procedures of authorisation of deals, risk control limits and monitoring of the financial position of counterparty.

The policy of the credit risk management is reviewed and approved by the Board of the Bank.

Market risks. Market risks are the risks of potential losses due to decreases in the value of securities portfolio and other traded assets as a result of adverse movements in market parameters (prices, interest and currency exchange rates). The following methods of control and management are applied to market risks.

Market risk assessment is performed using two main methods: statistical probability method and method of historical modelling. These methods allow to calculate the amount of potential gains or losses of the portfolio over a specified time horizon and level of reliability.

The market risk *limiting system* is similar to the credit risk limiting system, but it has a number of peculiarities consisting in the use of special limits applicable only to this type of risk (stop-loss limits, etc.).

Market risk *monitoring* encompasses revaluing all open positions at market prices in order to identify present value of portfolios and changes in estimates of expected potential losses.

Hedging implies additional transactions with financial instruments with similar characteristics for guaranteed limitation of losses.

Market risks may be reduced without decrease in the expected yield by means of portfolio *diversification*, mainly, diversification into different market instruments and segments.

The Group manages market risks by increasing or decreasing its position within the limits set by the Group management. These limits mitigate possible effect of changes in the market financial indicators on the Group's income and value of sensitive assets and liabilities.

The procedures of market risk management, as well as the tariff policy of the Group, are reviewed and approved by the Financial Committee.

Interest rate risk is determined by the impact of changes in interest rates on interest margin and net interest income. Interest margins may increase or decrease as a result of such changes, depending on the extent of difference in the structure of interest-bearing assets and liabilities.

In practice, interest rates are generally fixed on a short-term basis. Also, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The management of the Group sets limits on the level of acceptable mismatch of interest rate re-pricing terms, which are monitored daily. In the absence of any available hedging instruments, the Group normally seeks to match its interest rate positions.

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity/ Non-interest bearing	Total
Assets						
Cash and cash equivalents	16 681 659	-	-	-	59 274 101	75 955 760
Mandatory cash balances with central banks	-	-	-	-	4 748 438	4 748 438
Financial assets at fair value through profit or loss	6 587 934	550 454	3 883 859	102 430 239	5 009 186	118 461 672
Due from other banks	43 846 532	6 224 493	22 079	610 179	-	50 703 283
Loans to customers	66 163 936	121 214 073	122 507 013	205 550 343	19 054 184	534 489 549
Financial assets available for sale	2 099	3 173	4 949	755 069	12 972 736	13 738 026
Investments held to maturity	20 755	-	-	244 456	-	265 211
Investments in associates and non-consolidated subsidiaries	-	-	-	-	3 820 845	3 820 845
Premises and equipment and intangible assets	-	-	-	-	16 895 277	16 895 277
Other assets	-	-	-	-	5 239 209	5 239 209
Current tax asset	-	-	-	-	750 310	750 310
Deferred tax asset	-	-	-	-	76 072	76 072
Total assets	133 302 915	127 992 193	126 417 900	309 590 286	127 840 358	825 143 652
Liabilities						
Due to other banks	88 949 205	71 122 518	45 073 699	20 569 301	-	225 714 723
Customer accounts	82 470 712	110 618 479	106 325 622	95 719 982	32 893 794	428 028 589
Financial liabilities at fair value through profit or loss	2 340 289	-	-	-	-	2 340 289
Debt securities issued	2 570 256	4 981 459	18 116 546	52 430 518	-	78 098 779
Other liabilities	-	-	-	-	2 774 776	2 774 776
Current tax liability	-	-	-	-	89 705	89 705
Deferred tax liability	-	-	-	-	1 500 756	1 500 756
Total liabilities	176 330 462	186 722 456	169 515 867	168 719 801	37 259 031	738 547 617
Net interest rate gap as at 31 December 2009	(43 027 547)	(58 730 263)	(43 097 967)	140 870 485	90 581 327	86 596 035
Cumulative interest rate gap as at 31 December 2009	(43 027 547)	(101 757 810)	(144 855 777)	(3 985 292)	86 596 035	-

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General analysis of interest rate risk of the Group for the year ended 31 December 2008 is provided below.

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	No stated maturity/ Non-interest bearing	Total
Assets							
Cash and cash equivalents	46 800 817	-	-	-	-	86 467 845	133 268 662
Mandatory cash balances with central banks	-	-	-	-	-	1 162 092	1 162 092
Financial assets at fair value through profit or loss	13 417 705	1 524 964	701 626	18 168 620	1 598 977	-	35 411 892
Due from other banks	73 365 778	641 396	21 417	308 512	-	-	74 337 103
Loans to customers	17 382 580	124 356 056	162 405 022	212 420 111	-	-	516 563 769
Financial assets available for sale	75 828	550 121	105 500	30 105	9 882 986	-	10 644 540
Investments held to maturity	188 609	101 082	212 368	457 657	-	-	959 716
Investments in associates and non-consolidated subsidiaries	-	-	-	-	3 965 609	-	3 965 609
Premises and equipment and intangible assets	-	-	-	-	19 255 617	-	19 255 617
Other assets	-	-	-	-	5 334 292	-	5 334 292
Current tax asset	-	-	-	-	467 521	-	467 521
Deferred tax asset	-	-	-	-	14 544	-	14 544
Total assets	151 231 317	127 173 619	163 445 933	231 385 005	128 149 483	801 385 357	
Liabilities							
Due to other banks	89 668 931	111 586 018	2 903 273	10 765 404	-	-	214 923 626
Customer accounts	109 888 412	91 101 893	98 146 672	54 467 835	52 936 150	-	406 540 962
Financial liabilities at fair value through profit or loss	10 922 808	-	-	-	-	-	10 922 808
Debt securities issued	4 868 796	632 025	13 350 381	72 864 028	-	-	91 715 230
Other liabilities	-	-	-	-	7 970 954	-	7 970 954
Current tax liability	-	-	-	-	28 013	-	28 013
Deferred tax liability	-	-	-	-	1 633 346	-	1 633 346
Total liabilities	215 348 947	203 319 936	114 400 326	138 097 267	62 568 463	733 734 939	
Net interest rate gap as at 31 December 2008	(64 117 630)	(76 146 317)	49 045 607	93 287 738	65 581 020	67 650 418	
Cumulative interest rate gap as at 31 December 2008	(64 117 630)	(140 263 947)	(91 218 340)	2 069 398	67 650 418	-	

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If as at 31 December 2009, the interest rates had been by 50 basis points lower, provided all other conditions remained unchanged, the profit for the year would have been by RUR 559 352 thousand (2008: by RUR 895 767 thousand) higher as a result of lower interest expense on customer accounts.

If as at 31 December 2009, the interest rates had been by 50 basis points higher, provided all other conditions remained unchanged, the profit for the year would have been by RUR 559 352 thousand (2008: by RUR 895 767 thousand) lower as a result higher interest expense on customer accounts.

The table below shows analysis of average effective interest rates by major currency for main monetary financial instruments. The analysis was prepared on the basis of the weighted average effective interest rates as at the end of the year.

	USD		EUR		RUR	
	2009	2008	2009	2008	2009	2008
Assets						
Due from other banks	5.76%	5.43%	0.62%	2.24%	14.00%	17.05%
Loans to customers	9.19%	10.46%	6.67%	9.79%	12.09%	14.44%
Financial assets at fair value through profit or loss	7.04%	8.40%	5.33%	5.26%	11.24%	8.50%
Financial assets available for sale	-	9.75%	-	-	10.13%	10.89%
Investments held to maturity	9.10%	7.50%	5.63%	5.63%	6.51%	9.97%
Liabilities						
Due to other banks	2.14%	5.16%	1.96%	4.97%	8.59%	11.09%
Customer accounts	5.17%	7.52%	4.27%	7.33%	6.55%	6.56%
Financial liabilities at fair value through profit or loss	-	5.21%	-	5.14%	-	8.00%
Debt securities issued	6.93%	7.26%	4.42%	6.97%	9.64%	8.19%

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Geographical concentration of the Group's assets and liabilities as at 31 December 2009 is set out below:

	Russia	OECD*	Other	Total
Assets				
Cash and cash equivalents	55 880 285	10 594 571	9 480 904	75 955 760
Mandatory cash balances with central banks	4 409 152	-	339 286	4 748 438
Financial assets at fair value through profit or loss	116 208 764	1 208 732	1 044 176	118 461 672
Due from other banks	2 026 124	43 525 551	5 151 608	50 703 283
Loans to customers	448 904 759	666 942	86 917 848	534 489 549
Financial assets available for sale	13 302 859	-	435 167	13 738 026
Investments held to maturity	65 960	-	199 251	265 211
Investments in associates and non-consolidated subsidiaries	3 820 845	-	-	3 820 845
Premises and equipment and intangible assets	14 963 860	-	1 931 417	16 895 277
Other assets	4 508 950	15 617	714 642	5 239 209
Current tax asset	740 435	-	9 875	750 310
Deferred tax asset	8 549	-	67 523	76 072
Total assets	662 840 542	56 011 413	106 291 697	825 143 652
Liabilities				
Due to other banks	37 488 104	120 046 351	68 180 268	225 714 723
Customer accounts	392 698 703	67 002	35 262 884	428 028 589
Financial liabilities at fair value through profit or loss	761 973	1 524 680	53 636	2 340 289
Debt securities issued	25 043 557	51 978 409	1 076 813	78 098 779
Other liabilities	2 208 358	16 432	549 986	2 774 776
Current tax liability	49 742	-	39 963	89 705
Deferred tax liability	1 472 192	-	28 564	1 500 756
Total liabilities	459 722 629	173 632 874	105 192 114	738 547 617
Net balance sheet position as at 31 December 2009	203 117 913	(117 621 461)	1 099 583	86 596 035

* OECD - Organisation for economic cooperation and development.

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

	Russia	OECD	Other	Total
Assets				
Cash and cash equivalents	90 098 900	37 767 938	5 401 824	133 268 662
Mandatory cash balances with central banks	844 557	-	317 535	1 162 092
Financial assets at fair value through profit or loss	33 930 690	1 336 070	145 132	35 411 892
Due from other banks	16 887 122	53 389 046	4 060 935	74 337 103
Loans to customers	441 455 965	269 776	74 838 028	516 563 769
Financial assets available for sale	9 869 850	29 908	744 782	10 644 540
Investments held to maturity	785 936	29 674	144 106	959 716
Investments in associates and non-consolidated subsidiaries	3 964 318	-	1 291	3 965 609
Premises and equipment and intangible assets	17 501 356	-	1 754 261	19 255 617
Other assets	4 625 952	336 791	371 549	5 334 292
Current tax asset	421 954	-	45 567	467 521
Deferred tax asset	10 521	-	4 023	14 544
Total assets	620 397 121	93 159 203	87 829 033	801 385 357
Liabilities				
Due to other banks	82 399 592	50 840 140	81 683 894	214 923 626
Customer accounts	381 768 620	1 575 545	23 196 797	406 540 962
Financial liabilities at fair value through profit or loss	4 828 710	6 080 854	13 244	10 922 808
Debt securities issued	27 735 055	63 952 625	27 550	91 715 230
Other liabilities	7 277 478	883	692 593	7 970 954
Current tax liability	107	-	27 906	28 013
Deferred tax liability	1 615 017	-	18 329	1 633 346
Total liabilities	505 624 579	122 450 047	105 660 313	733 734 939
Net balance sheet position as at 31 December 2008	114 772 542	(29 290 844)	(17 831 280)	67 650 418

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Currency risk. The Group takes on exposure to effects of foreign currency exchange rates volatility on its financial position and cash flows. The Financial Committee 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 as at 31 December 2009 is presented. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency.

	RUR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	49 802 892	7 607 188	12 754 628	5 791 052	75 955 760
Mandatory cash balances with central banks	4 409 152	-	49 797	289 489	4 748 438
Financial assets at fair value through profit or loss	82 380 767	31 868 383	2 563 275	1 649 247	118 461 672
Due from other banks	1 096 508	2 618 677	44 857 908	2 130 190	50 703 283
Loans to customers	356 747 744	137 516 788	19 229 514	20 995 503	534 489 549
Financial assets available for sale	13 302 320	1	2 237	433 468	13 738 026
Investments held to maturity	65 960	148 033	21 359	29 859	265 211
Investments in associates and non-consolidated subsidiaries	3 820 845	-	-	-	3 820 845
Premises and equipment and intangible assets	14 963 860	-	-	1 931 417	16 895 277
Other assets	4 556 821	158 574	50 644	473 170	5 239 209
Current tax asset	740 435	-	-	9 875	750 310
Deferred tax asset	8 549	-	-	67 523	76 072
Total assets	531 895 853	179 917 644	79 529 362	33 800 793	825 143 652
Liabilities					
Due to other banks	97 148 703	43 683 046	79 214 268	5 668 706	225 714 723
Customer accounts	296 847 225	76 572 539	44 504 512	10 104 313	428 028 589
Financial liabilities at fair value through profit or loss	9 086	58 864	1 646 049	626 290	2 340 289
Debt securities issued	23 007 655	47 049 616	96 297	7 945 211	78 098 779
Other liabilities	1 872 972	370 210	280 259	251 335	2 774 776
Current tax liability	49 742	-	-	39 963	89 705
Deferred tax liability	1 472 192	-	-	28 564	1 500 756
Total liabilities	420 407 575	167 734 275	125 741 385	24 664 382	738 547 617
Net balance sheet position as at 31 December 2009	111 488 278	12 183 369	(46 212 023)	9 136 411	86 596 035
Off-balance sheet position	(22 368 680)	(10 096 789)	35 779 985	(5 184 072)	(1 869 556)
Net balance and off-balance sheet position as at 31 December 2009	89 119 598	2 086 580	(10 432 038)	3 952 339	84 726 479

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As at 31 December 2008, the Group had the following positions in currency:

	RUR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	57 466 308	11 740 997	47 236 989	16 824 368	133 268 662
Mandatory cash balances with central banks	844 557	-	106	317 429	1 162 092
Financial assets at fair value through profit or loss	31 970 127	1 686 478	1 501 346	253 941	35 411 892
Due from other banks	8 675 626	11 043 740	51 224 224	3 393 513	74 337 103
Loans to customers	335 667 601	145 887 337	16 197 420	18 811 411	516 563 769
Financial assets available for sale	9 872 279	30 368	703	741 190	10 644 540
Investments held to maturity	527 168	378 553	20 159	33 836	959 716
Investments in associates and non-consolidated subsidiaries	3 964 318	-	-	1 291	3 965 609
Premises and equipment and intangible assets	17 511 480	-	-	1 744 137	19 255 617
Other assets	4 408 447	394 548	179 374	351 923	5 334 292
Current tax asset	425 977	-	-	41 544	467 521
Deferred tax asset	10 521	-	-	4 023	14 544
Total assets	471 344 409	171 162 021	116 360 321	42 518 606	801 385 357
Liabilities					
Due to other banks	81 232 141	51 381 411	67 859 099	14 450 975	214 923 626
Customer accounts	287 922 931	60 776 197	46 324 278	11 517 556	406 540 962
Financial liabilities at fair value through profit or loss	634 079	9 217 361	313 653	757 715	10 922 808
Debt securities issued	30 420 222	53 735 217	242 923	7 316 868	91 715 230
Other liabilities	7 273 278	231 313	21 960	444 403	7 970 954
Current tax liability	107	-	-	27 906	28 013
Deferred tax liability	1 615 017	-	-	18 329	1 633 346
Total liabilities	409 097 775	175 341 499	114 761 913	34 533 752	733 734 939
Net balance sheet position as at 31 December 2008	62 246 634	(4 179 478)	1 598 408	7 984 854	67 650 418
Off-balance sheet position	5 890 183	(872 580)	(376 153)	(5 062 294)	(420 844)
Net balance and off-balance sheet position as at 31 December 2008	68 136 817	(5 052 058)	1 222 255	2 922 560	67 229 574

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

The table below shows the change in the financial result and equity as a result of possible fluctuations of exchange rates used as at the reporting date if all other conditions remain unchanged:

	2009	
	Effect on profit before taxation	Effect on equity
USD appreciation by 6%	731 002	584 802
USD depreciation by 6%	(731 002)	(584 802)
EUR appreciation by 7%	(3 234 842)	(2 587 874)
EUR depreciation by 7%	3 234 842	2 587 874
Appreciation of other currencies by 5%	456 821	365 457
Depreciation of other currencies by 5%	(456 821)	(365 457)
	2008	
	Effect on profit before taxation	Effect on equity
USD appreciation by 7%	(292 563)	(222 348)
USD depreciation by 7%	292 563	222 348
EUR appreciation by 18%	287 713	218 662
EUR depreciation by 18%	(287 713)	(218 662)
Appreciation of other currencies by 5%	399 243	303 425
Depreciation of other currencies by 5%	(399 243)	(303 425)

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

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to risk via daily calls from customers on its available cash resources from current accounts, maturing deposits, loan draw downs, guarantees and other calls on cash settled derivatives. The Group does not accumulate cash resources to meet calls on all liabilities mentioned above, as based on the existing practice, it is possible to forecast with a sufficient degree of certainty the required level of cash funds necessary to meet the above obligations.

The Group developed liquidity management tools with the objective of maintaining the availability of funds to meet its liabilities as they come due. The liquidity management policy of the Group is reviewed and approved by the Financial Committee.

Liquidity is managed based on the following main principles:

- *substantiated assessment and forecasting of liquidity crisis,*
- *pro-active approach to prevention/successful overcoming of possible crisis,*
- *methods of effective liquidity management,*
- *methods of effective control over functioning of the liquidity management system and preparation of internal and external reports.*

To maintain objective reflection of the actual situation the Group implemented a system of mandatory segregation of authority and responsibilities between the bodies constituting the liquidity management system, which:

- take strategic decisions;
- manage liquidity;
- analyse and control the process.

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

- Quick liquidity ratio (H2) calculated as a ratio of highly liquid assets and liabilities on demand. As at 31 December 2009, this ratio was 61.3% (2008: 76.0%).
- Current liquidity ratio (H3) calculated as a ratio of liquid assets and liabilities maturing within 30 calendar days. As at 31 December 2009, this ratio was 97.6% (2008: 93.6%).

- Long-term liquidity ratio (H4) calculated as a ratio of assets maturing in more than 1 year to equity and liabilities maturing in more than 1 year. As at 31 December 2009, this ratio was 109.8% (2008: 106.8%).

The basic technique of management and control of the Group's liquidity is a gap management and duration matching of the Group's assets and liabilities (GAP analysis). This technique allows assessing the Group's position in the short, medium and long term with regard for planned changes in cash accounting and write-off.

To manage *quick liquidity* the Group applies the principle of anticipatory receipt and use in its calculations of the information about its calendar transactions, customer deposits/write-offs on the basis of forecast and insider information. Quick liquidity is monitored and managed using the automated payment accounting system.

To manage *current and medium-term liquidity* the Group uses cash-flow calendar which helps to assess liquidity and impact on liquidity of large transactions and arrangements carried out to obtain the desirable values.

The scenario analysis performed by the Group represents different options of modelling payment flows with regard for planned, probable and strategic indicators of the Group performance.

Within the framework of each scenario, significant positive and negative fluctuations of liquidity are considered over the entire projected period. The information on the market condition and demand is also taken into account.

Based on the scenario analysis, the Bank's liquidity indicators are assessed and tested for compliance with the internal and external standard requirements.

Static analysis of quick, current and long-term liquidity is carried out by calculating economic ratios set by the Central Bank of Russia. In case of significant (over 20%) changes in ratios for the last 3 months, especially for the last month of the period, the analysis of reasons (or movements in assets and liabilities) for such material changes in these ratios is performed.

The Group envisaged measures to be taken in case of insufficient liquidity and inability to cover the gap using traditional sources. Depending on complexity of the situation and general condition of the financial system the Group can act as follows:

- sell part of assets with declining liquidity;
- enter into REPO transactions with the Central Bank of Russia;
- restrict growth of assets in certain types of business;
- change rates and tariffs;
- work purposefully with major clients and counterparties to make long-term placements.

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

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

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Due to other banks	15 989 672	117 720 972	53 038 442	58 796 706	245 545 792
Customer accounts	66 261 474	125 204 789	94 143 259	146 376 923	431 986 445
Debt securities issued	4 151 693	8 869 832	11 739 218	75 716 851	100 477 594
Financial liabilities at fair value through profit or loss	2 340 289	-	-	-	2 340 289
Total potential future payments under financial liabilities	88 743 128	251 795 593	158 920 919	280 890 480	780 350 120

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Due to other banks	73 130 994	101 748 844	10 476 274	39 241 106	224 597 218
Customer accounts	74 259 325	92 173 440	102 068 897	143 332 408	411 834 070
Debt securities issued	4 521 799	3 801 060	16 519 416	92 602 214	117 444 489
Financial liabilities at fair value through profit or loss	10 922 808	-	-	-	10 922 808
Total potential future payments under financial liabilities	162 834 926	197 723 344	129 064 587	275 175 728	764 798 585

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

The Group does not use the above undiscounted amounts in the maturity analysis to monitor the liquidity profile. Instead, the Group monitors the expected maturity limits taking into account the actual change in the balances for the last 12 months.

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The table below shows the expected maturity analysis of assets and liabilities as at 31 December 2009:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	75 955 760	-	-	-	-	75 955 760
Mandatory cash balances with central banks	-	-	-	-	4 748 438	4 748 438
Financial assets at fair value through profit or loss	118 461 672	-	-	-	-	118 461 672
Due from other banks	43 733 384	6 214 992	144 660	610 247	-	50 703 283
Loans to customers	28 838 555	102 181 480	134 078 338	269 391 176	-	534 489 549
Financial assets available for sale	2 099	3 173	4 949	755 069	12 972 736	13 738 026
Investments held to maturity	20 755	-	-	244 456	-	265 211
Investments in associates and non-consolidated subsidiaries	-	-	-	-	3 820 845	3 820 845
Premises and equipment and intangible assets	-	-	-	-	16 895 277	16 895 277
Other assets	5 129 582	29 891	39 281	26 767	13 688	5 239 209
Current tax asset	-	750 310	-	-	-	750 310
Deferred tax asset	-	-	-	-	76 072	76 072
Total assets	272 141 807	109 179 846	134 267 228	271 027 715	38 527 056	825 143 652
Liabilities						
Due to other banks	14 902 808	113 823 910	49 959 287	47 028 718	-	225 714 723
Customer accounts	64 131 310	124 393 335	93 377 622	146 126 322	-	428 028 589
Financial liabilities at fair value through profit or loss	2 340 289	-	-	-	-	2 340 289
Debt securities issued	2 390 282	4 978 458	9 204 140	61 525 899	-	78 098 779
Other liabilities	2 613 472	6 786	16 835	15 147	122 536	2 774 776
Current tax liability	-	89 705	-	-	-	89 705
Deferred tax liability	-	-	-	-	1 500 756	1 500 756
Total liabilities	86 378 161	243 292 194	152 557 884	254 696 086	1 623 292	738 547 617
Net liquidity gap as at 31 December 2009	185 763 646	(134 112 348)	(18 290 656)	16 331 629	36 903 764	86 596 035
Cumulative liquidity gap as at 31 December 2009	185 763 646	51 651 298	33 360 642	49 692 271	86 596 035	-

Mandatory cash balances with central banks are included within the no stated maturity category as the Group is unable to use them for operational management of its liquidity position.

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

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The table below shows the expected maturity analysis of assets and liabilities as at 31 December 2008:

	On demand and less than 1 month					From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets										
Cash and cash equivalents	133 268 662	-	-	-	-	-	-	-	-	133 268 662
Mandatory cash balances with central banks	-	-	-	-	-	-	-	1 162 092	-	1 162 092
Financial assets at fair value through profit or loss	35 411 892	-	-	-	-	-	-	-	-	35 411 892
Due from other banks	73 387 195	22 317	619 079	308 512	-	-	-	-	-	74 337 103
Loans to customers	17 353 349	120 921 836	162 319 472	215 969 112	-	-	-	-	-	516 563 769
Financial assets available for sale	75 828	550 121	105 500	30 105	-	-	-	9 882 986	-	10 644 540
Investments held to maturity	188 609	101 082	212 368	457 657	-	-	-	-	-	959 716
Investments in associates and non-consolidated subsidiaries	-	-	-	-	-	-	-	3 965 609	-	3 965 609
Premises and equipment and intangible assets	-	-	-	-	-	-	-	19 255 617	-	19 255 617
Other assets	5 193 460	35 799	16 879	63 155	-	-	-	24 999	-	5 334 292
Current tax asset	-	-	-	-	-	-	-	467 521	-	467 521
Deferred tax asset	-	-	-	-	-	-	-	14 544	-	14 544
Total assets	264 878 995	121 631 155	163 273 298	216 828 541	34 773 368	801 385 357				
Liabilities										
Due to other banks	71 867 467	97 498 839	9 366 961	36 190 359	-	-	-	-	-	214 923 626
Customer accounts	73 774 689	91 101 893	98 146 672	143 517 708	-	-	-	-	-	406 540 962
Financial liabilities at fair value through profit or loss	10 922 808	-	-	-	-	-	-	-	-	10 922 808
Debt securities issued	4 868 796	632 025	13 350 381	72 864 028	-	-	-	-	-	91 715 230
Other liabilities	7 628 566	101 645	41 183	2 066	-	-	-	197 494	-	7 970 954
Current tax liability	-	-	-	-	-	-	-	28 013	-	28 013
Deferred tax liability	-	-	-	-	-	-	-	1 633 346	-	1 633 346
Total liabilities	169 062 326	189 334 402	120 905 197	252 574 161	1 858 853	733 734 939				
Net liquidity gap as at 31 December 2008	95 816 669	(67 703 247)	42 368 101	(35 745 620)	32 914 515	67 650 418				
Cumulative liquidity gap as at 31 December 2008	95 816 669	28 113 422	70 481 523	34 735 903	67 650 418	-				

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

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

Operational risk. The Group implemented fundamental measures for operational risk management, which imply regulation of performed transactions and business processes and availability of the internal control system. These measures are supported by the respective risk assessment methodology based on world experience. The methodology of operational risk assessment was developed and approved. For information support of risk assessment the Bank operates special software and maintains database of losses resulted from realisation of operational risks. The following management methods and instruments are applied to operational risks:

Standardisation and development of technologies. Clear and unambiguous description of transaction technologies and decision-making procedures in the internal reference database and its timely update is one of the main factors for reducing the level of operational risk. It also forms the basis for timely detection and effective control of risks. Operational risks are also mitigated by implementing the information technologies allowing to decrease the volume of manual transactions.

Limitation of authority. The Group implemented a multilevel system of limits on authorities of responsible persons and collective bodies, identified responsibility and interchangeability of employees in all segments of work.

Operational risk assessment. In accordance with the existing methodology of assessing the Bank's operational risks the quantitative analysis of operational risk implies modelling of the Bank's losses based on historical data.

The qualitative assessment of operational risk is aimed at ranking the Bank's operations depending on the level of the operational risk based on the data provided by experts from the Bank divisions. In addition, the Bank divisions use self-assessment techniques to assess operational risks.

Control. There is a system of procedures aimed at prevention or detection of departures from laws, regulations and standards of professional activities, settlement of conflict of interests, provision of adequate level of reliability relevant to the nature and scope of transactions performed.

Risk insurance. Certain types of loss arising from realisation of operational risks are covered by insurance, thus transferring possible loss to insurance organisations.

Provisions by main types of risk are made to form sources to cover possible loss. Provision rates and procedures are defined on the basis of the approved regulations.

Based on the results of regular risk analysis the Group prepares management reports for its management. These reports not only provide assessment of the risk level but also offer arrangements to limit and diversify risks.

Capital Management

The Group's capital management has the following objectives: to observe the capital requirements established by the Central Bank of the Russian Federation; to ensure the Group's ability to operate as a going concern and maintain capital base at the level required to sustain the capital adequacy ratio at 8% recommended by the Basle Accord.

The control over the Bank's compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is exercised daily based on the calculation of the amount of its equity and risk weighted assets. The calculation of the Bank's mandatory economic norms and ratios is submitted to the Central Bank of the Russian Federation every month.

The Group's compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is controlled on the basis of quarterly reports that are verified and signed by the Bank's management.

In accordance with the current capital requirements set by the CBR, the banks should maintain the ratio of capital to risk weighted assets (capital adequacy ratio) above the prescribed minimum level which equals 10%. As at 31 December 2009, the Bank's capital adequacy ratio was 16.0% (2008: 11.9%).

The Group and the Bank are also obliged to comply with minimum capital requirements stipulated in loan agreements, including capital adequacy ratio, calculated on the basis of the Basle Capital Accord, as defined in "International Convergence of Capital Management and Capital Standards" (revised in April 1998) usually called Basle I and in the Supplement to the Basle Capital Accord which introduced consideration of market risks (revised in November 2005).

During 2008 and 2009 the Group and the Bank complied with all external capital requirements.

The structure of the Group's capital calculated in accordance with the Basle Capital Accord is given below:

	2009	2008
Core capital (Tier 1 capital)	82 513 113	61 801 851
Secondary capital (Tier 2 capital)	39 081 598	29 111 279
Total equity (capital)	121 594 711	90 913 130
Risk-weighted assets	643 161 747	653 621 043
Capital adequacy ratio	18,9%	13.9%
Core capital adequacy ratio	12,8%	9.5%
Minimum capital adequacy ratio	8,0%	8.0%

32. Contingent Liabilities

Insurance. The insurance market in the Russian Federation is still in the phase of development, so many forms of insurance protection applied in other countries are not available in the Russian Federation yet. The Group has not obtained full insurance coverage for premises and equipment, against discontinuance of operations or third party liability with respect to property or ecological damage arising due to malfunction of banking equipment or in connection with the main operations of the Group.

However, the Group has obtained insurance coverage for the most significant assets, including premises, motor vehicles, ATM and other items against damage due to accidents and unlawful actions of third parties.

Legal issues. In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation legislation. The tax system of the Russian Federation is characterised by a large number of taxes and frequently changed regulations that may have the retroactive effect and often contain ambiguous and contradictory statements open for interpretation. Often, differing opinions exist among various regulatory bodies in respect of the same regulation. Accuracy of tax computations is subject to review and investigation by fiscal authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in the Russian Federation, which are substantially more significant than typically found in other countries.

As at 31 December 2009, the management believes that the Group's interpretation of the respective legislation is appropriate, and the Group's tax, currency and customs positions will be sustained.

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

	2009	2008
Later than 1 year	1 010 061	705 481
From 1 to 5 years	293 320	201 424
More than 5 years	9 425	48 308
Total operating lease commitments	1 312 806	955 213

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

Commitments to make loans at a specific rate of interest during a fixed period of time are accounted for as derivative financial instruments unless these commitments do not extend beyond the period expected to be needed for loan origination.

Credit related commitments of the Group are as follows:

	2009	2008
Guarantees issued	53 662 681	48 105 954
Commitments to extend credit	31 387 205	23 737 226
Letters of credit	8 826 958	8 840 935
Total credit related commitments	93 876 844	80 684 115

Commitments to extend credit represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

The Group management estimates possibility of losses in connection with credit related commitments as immaterial. As at 31 December 2009 and 31 December 2008, the Group did not set up provisions for the respective liabilities.

33. Fair Value of Financial Instruments

The fair value is defined as the amount at which the instrument could be exchanged in a current transaction between independent knowledgeable willing parties on arm's length conditions, other than in forced or liquidation sale. Quoted financial instruments in active markets provide the best evidence of fair value. As no readily available market exists for major part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument. Herein presented estimates are not necessarily indicative amounts that the Group could earn in a market realisation of fully owned instrument.

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

	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	75 955 760	75 955 760	133 268 662	133 268 662
Financial assets at fair value through profit or loss	118 461 672	118 461 672	35 411 892	35 411 892
Due from other banks	50 703 283	50 703 283	74 337 103	74 337 103
Loans to customers	534 489 549	534 489 549	516 563 769	516 563 769
Financial assets available for sale	13 738 026	13 738 026	10 644 540	10 644 540
Investments held to maturity	265 211	167 625	959 716	834 518
Financial liabilities				
Due to other banks	225 714 723	225 714 723	214 923 626	214 923 626
Customer accounts	428 028 589	428 028 589	406 540 962	406 540 962
Financial liabilities at fair value through profit or loss	2 340 289	2 340 289	10 922 808	10 922 808
Debt securities issued	78 098 779	79 896 650	91 715 230	70 820 496

Financial instruments carried at fair value. Cash and cash equivalents, financial assets at fair value through profit or loss and financial assets available for sale are carried in the consolidated statement of financial position at their fair value (Notes 5, 6, 9). Some financial assets available for sale have no independent market quotations. The fair value of these assets was determined by the Group based on the results of recent sale of equity interests in the investees to unrelated third parties, analysis of other information, such as discounted cash flows and financial information about investees, as well as using other valuation methods.

Due from other banks. The fair value of floating rate instruments is their carrying amount. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. In the opinion of the Group, the fair values of due from other banks as at 31 December 2009 and 31 December 2008 do not materially differ from respective carrying amounts (Note 7). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Loans to customers. Loans to customers are reported net of impairment provisions. The estimated fair value of loans to customers represent the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. The Group believes that fair values of loans to customers as at 31 December 2009 and 31 December 2008 do not materially differ from respective carrying amounts (Note 8). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Investments held to maturity. The fair value of investments held to maturity is based on the market quotations.

Borrowings. The estimated fair value of borrowings with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The Group believes that fair values of borrowings as at 31 December 2009 and 31 December 2008 do not materially differ from respective carrying amounts (Note 14, 15). This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Debt securities issued. The fair value of debt securities issued is based on market quotations. The fair value of securities without quoted market prices is determined using the discounted cash flows model, which is based on the current yield curve for the remaining maturity (Note 16).

34. Related Party Transactions

In the normal course of business the Company enters into transactions with its main shareholders, directors and related parties. For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. These transactions include settlements, issuance of loans, deposit taking, guarantees, trade finance and foreign currency transactions. According to the Group's policy, the terms of related party transactions are equivalent to those that prevail in arm's length transactions.

The outstanding balances at the year end, asset-related transactions with related parties for 2009 and 2008 are as follows:

	Shareholders		Directors and key management personnel		Associates and other related parties	
	2009	2008	2009	2008	2009	2008
Financial assets at fair value through profit or loss						
Financial assets at fair value through profit or loss as at 1 January	262 363	812 205	-	-	4 784 408	4 105 819
Financial assets at fair value through profit or loss acquired during the year	-	43 356 896	-	-	191 807 327	16 428 356
Financial assets at fair value through profit or loss sold and repaid during the year	(262 363)	(43 906 738)	-	-	(185 019 867)	(15 749 767)
Financial assets at fair value through profit or loss as at 31 December	-	262 363	-	-	11 571 868	4 784 408
Due from other banks						
Due from other banks as at 1 January (Gross)	-	-	-	-	500 000	633 717
Due from other banks placed during the year	-	-	-	-	2 900 626	13 984 574
Due from other banks repaid during the year	-	-	-	-	(3 400 626)	(14 118 291)
Due from other banks as at 31 December (Gross)	-	-	-	-	-	500 000
Provisions for impairment of due from other banks						
Provision for impairment of due from other banks as at 1 January	-	-	-	-	-	5 000
Recovery of provision for impairment of due from other banks during the year	-	-	-	-	-	(5 000)
Provision for impairment of due from other banks as at 31 December	-	-	-	-	-	-
Due from other banks as at 1 January (less provision for impairment)	-	-	-	-	-	628 717
Due from other banks as at 31 December (less provision for impairment)	-	-	-	-	-	500 000
Loans to customers						
Loans to customers as at 1 January (gross)	-	-	312 246	440 770	7 644 086	4 138 342
Loans to customers issued during the year	10 539 491	-	797 129	399 547	24 417 549	26 345 693
Loans to customers repaid during the year	(3 287 288)	-	(718 132)	(528 071)	(25 543 714)	(22 839 949)
Loans to customers as at 31 December (gross)	7 252 203	-	391 243	312 246	6 517 921	7 644 086

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	Shareholders		Directors and key management personnel		Associates and other related parties	
	2009	2008	2009	2008	2009	2008
Provisions for impairment of loans to customers						
Provision for impairment of loans to customers as at 1 January	-	-	3 123	4 408	92 584	85 117
Provision for impairment of loans to customers during the year	56 768	-	(692)	-	4 100 345	7 467
Recovery of provision for impairment of loans to customers during the year	(46 175)	-	1 482	(1 285)	(2 269 574)	-
Provision for impairment of loans to customers as at 31 December	10 593	-	3 913	3 123	1 923 355	92 584
Loans to customers as at 1 January less provision for impairment	-	-	309 123	436 362	7 551 502	4 053 225
Loans to customers as at 31 December less provision for impairment	7 241 610	-	387 330	309 123	4 594 566	7 551 502
Interest received on loans to customers and due from other banks	422 886	-	29 560	37 687	1 395 158	597 258

Group of Joint Stock Commercial Bank - Bank of Moscow (Open Joint Stock Company)
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(in thousands of Russian Roubles)

The outstanding balances at the year end, liability-related transactions with related parties for 2009 and 2008 are as follows:

	Shareholders		Directors and key management personnel		Associates and other related parties	
	2009	2008	2009	2008	2009	2008
Due to other banks						
Due to other banks as at 1 January	-	-	-	-	51 101	23 759
Due to other banks received during the year	-	-	-	-	24 241 127	12 611 453
Due to other banks repaid during the year	-	-	-	-	(24 138 110)	(12 584 111)
Due to other banks as at 31 December	-	-	-	-	154 118	51 101
Customer accounts						
Customer accounts as at 1 January	91 722 002	91 869 476	522 599	442 178	18 041 503	20 845 817
Amounts deposited during the year	506 448 031	411 409 661	3 499 186	7 540 559	828 642 283	707 704 066
Amounts withdrawn during the year	(535 364 561)	(411 557 135)	(3 046 626)	(7 460 138)	(813 329 692)	(710 508 380)
Customer accounts as at 31 December	62 805 472	91 722 002	975 159	522 599	33 354 094	18 041 503
Interest expense on deposits	10 548 681	9 614 123	75 691	67 557	202 388	2 190 340
Fee and commission income for the year	20 826	4 759	-	-	480 286	493 943
Guarantees issued by the Group as at the end of the year	24 399	1 924 416	-	-	347	133 659
Guarantees received by the Group as at the end of the year	-	-	-	-	3 878 208	28 221 696
Import letters of credit as at the end of the year	-	-	-	-	23 598	114 159

Operations with the structural divisions of the Moscow Government account for a substantial share of related party transactions.

Remuneration to members of the Board for 2009 amounted to RUR 503 635 thousand (2008: RUR 430 760 thousand).

35. Subsequent Events

On 25 February 2010, the CBR registered an additional issue of the Bank of Moscow shares in the amount of 21 632,017 thousand securities with the nominal value of RUR 100 each offered through an open subscription. The offering price (including the offering price for the persons with pre-emptive rights) is RUR 1 003 per share. Share capital of the Bank will be increased by 13.7%, when the placement of additional issue will be fully completed.

On 11 March 2010 the Bank of Moscow finalized the eurobond issue in the amount of USD 750 million with the coupon rate of 6.699% per annum and maturity in 2015 under the LPN program.

In January 2010 the Group's share in the share capital of Bezhitsa-Bank (OJSC) was increased to 100%.

On 19 March 2010 the company SIA Radicals Trests was founded by the Group, share in the share capital is 89,16%, country of registration - Latvia, share capital - LVL 2 thousand.