

# Annual Report 2009

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*short term has no future*

**DEXIA**

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# Mission and Vision

## Mission

The Bank's mission is to create a commercial bank that serves as a full financial service provider primarily to Turkish-Russian and International business.

## Vision

Dexia Bank Russia envisions becoming the Russian and CIS center of the globally active DFSG/Dexia Group within the triangle formed by Turkey, the EU and Russian Federation, by supporting Turkish and International originated production and trade.

# Financial Highlights

(US\$ thousands)	2009	2008	2007
Cash	804	464	1,066
Due from CBR	8,816	7,074	24,737
Due from banks	38,103	37,294	84,898
Reverse repurchase receivables	-	-	10,381
Securities	25,625	64,501	125,914
Loans to customers	81,406	62,411	91,506
Total assets	158,906	188,939	349,738
Deposits from banks	45,210	56,206	154,876
Subordinated debt	10,514	10,400	10,654
Deposits from customers	58,963	55,693	124,009
Shareholders' equity	42,048	36,883	56,408
Interest income	11,510	19,427	17,265
Interest expense	(2,651)	(8,381)	(8,396)
Net interest income	8,859	11,046	8,869
Operating income	15,341	14,295	10,747
Operating expense	(12,714)	(21,849)	(8,042)
Net profit	1,663	(6,483)	1,898
Capital adequacy ratio (%)	35.4	23.5	14.2
Number of employees	52	71	108

# Dexia Group

## Group Profile

Dexia is a European-based multinational bank, with 35,234 staff members and maintains a presence in 27 countries. Dexia's consolidated asset size of is € 577 billion with a core shareholder equity is € 18.5 billion as of December 31, 2009. The Dexia Group focuses on Retail and Commercial Banking in Europe, mainly Belgium, Luxembourg and Turkey and on Public and Wholesale Banking, providing local public finance operators with comprehensive banking and financial solutions. Asset Management and Services provides asset management, investor and insurance services, to the clients of the other two business lines in particular. The different business lines continuously interact to serve clients better and to support the Group's commercial activities.

## Business Lines

### Retail and Commercial Banking

Dexia offers a wide range of retail, commercial and private banking services to over eight million customers.

Dexia ranks among the three largest banks in Belgium and Luxembourg. In Belgium, it serves four million customers through over 900 branches. The Luxembourg operation is the international wealth management center within the Group; it also covers the country with a nationwide branch network. In Turkey, Dexia maintains a strong position through DenizBank. This fully-fledged bank currently stands in sixth position among privately-held banks and serves its customers through a network of 450 branches throughout the country. In addition, Dexia also has an established presence in Slovakia.

The Group aims at extracting the full potential from its historical franchises in Belgium and Luxembourg while developing its Turkish operations.

### Public and Wholesale Banking

Dexia plays a major role in the financing of local facilities and infrastructure, health and social housing sectors and the social economy; it assists public and semi-public operators in implementing the projects that support their development.

Dexia focuses activities on its previous markets, France and Belgium and is also present in Italy and the Iberian Peninsula. The Group is established in Germany with a platform granting access to the Pfandbriefe market. Dexia is also active in Project Finance in selective sectors such as infrastructure and renewable energy, both in Europe and in North America.

Close to its clients and fully in tune with their requirements, Dexia is constantly developing and broadening its range of products and services. The aim is to go beyond the role of specialist lender by providing the benefit of its experience and offering public and semi-public operators solutions most suited to their needs.

### Asset Management and Services

This business line includes Dexia's activities in the field of Asset Management, Investor Services and Insurance activities. With assets totaling € 82.4 billion under management as of December 31, 2009, Dexia Asset Management serves as the Group's asset management center serving a broad client base in Belgium, France, Luxembourg and Australia.

The business of investor services is conducted by RBC Dexia Investor Services, a joint venture with the Royal Bank of Canada, offering expertise in global custody, fund and pension administration and shareholder services to institutions all around the world. Total assets as of December 31, 2009 under administration amounted to US\$ 2,456 billion.

Dexia's insurance activities are mainly concentrated in the Belgian and Luxembourg markets. The Group offers a complete range of contracts to retail, commercial and private banking customers (for both life and non-life insurance) as well as to Dexia's public and semi-public clients. This is done through both banking-insurance approach and a network of tied agents.

## Long-term ratings as of December 31, 2009

	Dexia Bank Belgium	Dexia Crédit Local	Dexia BIL	Dexia Municipal Agency
Moody's	A1	A1	A1	Aaa
Standard & Poor's	A	A	A	AAA
Fitch	A+	A+	A+	AAA

# CJSC Dexia Bank Russia

Since its establishment, CJSC Dexia Bank Russia has become a well-known commercial bank providing full financial services primarily to Turkish-Russian businesses. The Bank aims to enhance its scope to include multinational European companies active in Russia.

## Background

CJSC Dexia Bank Russia was established through the 100% acquisition of İktisat Bank Moscow shares and registered by the Bank of Russia on June 15, 1998. At the beginning of 2003, the Bank was acquired by DenizBank A.Ş. as part of its strategy to expand into Russia and the CIS. Subsequent to acquisition, the Bank's name was changed to CJSC DenizBank Moscow (the license and name changes were registered by the Central Bank of Russia on October 6, 2003) and its capital was increased from US\$ 1.7 million to US\$ 20.6 million, of which 51% and 49% are owned by DenizBank AG and DenizBank A.Ş., respectively.

Pursuant to the agreement between Zorlu Group and Dexia signed in May 2006, the regulatory approvals were followed. Dexia acquired 75% of DenizBank A.Ş. shares on October 17, 2006. Dexia acquired the remaining shares listed on Istanbul Stock Exchange (ISE) in December, increasing the shares of Dexia Group to 99.74%. Consequently, the name of CJSC DenizBank Moscow was changed to CJSC Dexia Bank Russia and the license and name changes were registered by the Central Bank of Russia on February 7, 2008; CJSC Dexia Bank Russia operates under Dexia Group.

CJSC Dexia Bank Russia is a commercial bank licensed to undertake all banking transactions under the supervision of the Central Bank of the Russian Federation. It is a member of the Russian Federation Deposit Insurance System, the Association of Russian Banks, National Fund Association, SWIFT and the Association of Russian-Turkish Businessmen (RTIB).

In 2009, CJSC Dexia Bank Russia was accepted by Russian Federation Customs and added to their bank list. Out of 1,047 banks operating in Russia, a total of 131 have been accepted by Russian Federation Customs; 23 are multinational banks. CJSC Dexia Bank Russia is able to issue Letters of Guarantee directly to Russian Federation Customs.

Likewise, CJSC Dexia Bank has been accepted by Russian Federation Ministry of Finance as one of 200 banks (34 of which are multinational) out of 1,047 which facilitates importers helping them to gain early receipt of their tax returns via Letters of Guarantee.

## Business Goal

CJSC Dexia Bank Russia is the local banking portal serving Dexia clients from Turkey, Belgium, France and Luxemburg currently conducting business in Russia or interested in pursuing potential business opportunities there. Specifically seeking to increase commercial and investment relationships between Turkey and Russia, CJSC Dexia Bank Russia sees a unique opportunity to become a large commercial bank offering credit, non-credit and trade finance products to entrepreneurs with businesses in Russia.

In addition to its core business of commercial banking, CJSC Dexia Bank Russia has become an active player in the Russian foreign exchange and money markets as well as fixed-income securities trading and investments.

The Bank's operations in Russia are based on the Group's best international practices and a highly qualified local team of professionals. Equipped with these strong features, Dexia Bank is looking toward the future with the goal of becoming a major player in the Russian banking sector.

Since its establishment, CJSC Dexia Bank Russia has become a well-known commercial bank providing full financial services primarily to Turkish-Russian businesses. The Bank aims to enhance its scope to include multinational European companies active in Russia.

### Core business areas

The core business areas of CJSC Dexia Bank Russia are as follows.

#### Services for corporate and commercial customers

- Short and medium-term loans to corporate clients for various purposes
  - Working capital finance
  - Investment & Project finance
  - Credit lines
  - Overdraft accounts
- Issuing letters of credit and letters of guarantee
- Issuing letters of guarantee in favor of Russian Federation Customs, Ministry of Finance.
- Assisting clients with export and import operations, exercising documentary support, opening deal passports and client consultations about currency control regulations
  - Money transfers abroad
  - Opening currency control files
- Foreign exchange purchase and sale operations
- Derivative Products (i.e. Forward and Options)
- Settlement operations
- Trade finance transactions

### Treasury activities in money and capital markets within local and international markets

- Foreign exchange and money market transactions
- Trading
  - Sovereign ruble nominated bonds
  - Corporate ruble nominated bonds
  - Russian Eurobonds

### Co-operation with financial institutions in domestic and international markets

- Correspondent banking services
- Account opening and maintenance in RUR, US\$ and € currencies
- Trade Finance
  - Advising, confirmation and negotiation of L/Cs
  - Trade discounting and refinancing
  - Trade guarantees and Stand-by L/Cs
  - Confirmed reimbursement
  - Reimbursement financing
- Capital market transactions

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# Chairman's Statement

Far below the world average, the Russian economy recorded a -7.9% contraction in 2009. The general projection for 2010 is more optimistic and it is anticipated that the Russian economy will attain 4.3% growth.

In an economic environment focused on recovery, global economies welcomed giant stimulus packages and other necessary measures during 2009. The global financial crisis, which began in the US housing market in 2007 spread to developed and developing economies in 2008, was severely felt in the real economy throughout 2009.

By the beginning of 2009, the crisis had become a global recession. Many developed countries withstood the crisis with individual rescue packages or took collective steps to ease credit and freshen up the liquidity in the markets. In this respect, capital injected to the real economy helped relieve the financial system and proved to be successful. Yet, a full recovery and an environment of trust was not able to be achieved.

The Russian economy was severely affected by the crisis in 2009. Eleven years earlier, it managed to steer clear of another crisis and gained experience in turbulent economic conditions, just like Turkey. Russia, with its vast natural resources of oil and gas, overcame the economic collapse of the late 1990s and once again is able to rely on its key natural resources. While the Russian economy is enjoying the

advantages of being the largest exporter of natural gas and the second largest exporter of oil in the world, it suffers the vulnerability of being openly dependent on oil and natural gas prices. The government has been embarking on an ambitious program to reduce this dependency and for more than two years has focused on other sectors involving high technology commodity products to reduce this risk but still has far to go to attain this goal.

The sharp down turn of oil prices to US\$ 34 per barrel in the first quarter of the year directly affected the Russian stock exchange and ruble/US dollar parity. Through the second half of 2009, oil prices hit US\$ 70 per barrel and the Russian domestic market returned to normal.

Despite measures taken, the world economy ended the year with an overall -0.6% contraction in 2009, due for the most part to the recession in the developed economies, which shrank -3.2% on average during the year. Far below the world average, the Russian economy recorded a -7.9% contraction in 2009. The general projection for 2010 is more optimistic and it is anticipated that the Russian economy will attain 4.3% growth.



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## Chairman's Statement

**The Dexia Group focuses on public and wholesale banking as it provides local public finance players with comprehensive banking and financial solutions.**

During the year, the Russian government took a number of necessary steps, including the injection of US\$ 200 billion to increase the liquidity in the banking sector and aid Russian firms unable to roll over large foreign debt coming due.

With a capital outflow of nearly US\$ 130 billion, the ruble lost 35% through the end of 2008. The ruble started regaining value with the increase in the oil and natural gas prices and the purchase of US dollars by the Russian Central Bank in the second half of the year. National reserves increased to US\$ 450 billion from the low of US\$ 376 billion during the crisis. The economic decline seemed to have bottomed out in the first half of the year and the Russian economy demonstrated an upward trend in the second half of 2009.

Thanks to a strong shareholders' equity, totaling € 18.5 billion as of December 31, 2009, the Dexia Group maintained its position as a major player in public and infrastructure finance, by financing of health and social housing sectors and the social economy regardless of the ongoing global financial crisis. Dexia ranks among the top three major banks in Belgium and Luxembourg. The Dexia

Group focuses on public and wholesale banking as it provides local public finance players with comprehensive banking and financial solutions. It also targets retail and commercial banking in Europe, mainly Belgium, Luxembourg and Turkey. Its strategy in these fields aims at strengthening its range of products and services available to customers.

CJSC Dexia Bank's operations in Russia are based on the best international practices of the Group and a highly qualified local team of professionals. Equipped with these strong features, Dexia Bank is looking toward the future aiming toward becoming a major player in the promising Russian banking sector.

With six years experience in Russia, Dexia Bank is able to provide a large group of corporate and individual clients with a wide range of contemporary financial services, while becoming an active player in the Russian foreign exchange and money markets as well as fixed-income securities trading and investments.

Even with the negative impact of the global crisis, Russia, with its high potential for business expansion, continues to be an attractive and promising market for Dexia. Increasing commercial and investment relationships aided by the new bilateral ruble trade agreement between Turkey and Russia are providing a unique opportunity for CJSC Dexia Bank Russia to become a large commercial bank able to offer credit, non-credit and trade finance products to entrepreneurs conducting business in Russia. The agreement to lift visa requirements between the two countries in the first half of 2010 will be fruitful for the trade volume, which is anticipated to reach US\$ 100 billion over the next five years.

In 2009, CJSC Dexia Bank Russia was added to the bank list of Russian Federation Customs. In Russia, 131 banks out of a total 1,047 operating banks are accepted by Russian Federation Customs, 23 out of which are multinational banks. CJSC

Dexia Bank Russia can now issue Letter of Guarantee directly to Russian Federation Customs with competitive commissions. Moreover, CJSC Dexia Bank Russia was also accepted by the Russian Federation Ministry of Finance as one of 200 banks (34 of which are multinational) out of 1,047, which enables importers to benefit from early receipt of their tax returns by providing a Letter of Guarantee from the Bank.

Above all else, we owe our Bank's successful results to our employees. On behalf of the Board of Directors, I would like to thank them all with whom we will carry Dexia Bank's success forward into the future.

I would also like to thank our esteemed shareholders for their trust in our vision and our business partners, stakeholders and customers for sharing our objectives with long-lasting cooperation.



**Hakan Ates**  
Chairman

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# President's Statement

**In 2009, CJSC Dexia Bank Russia attained its predetermined goals, thanks to the synergy created within Dexia Group and its strong equity base with capital adequacy ratio reaching 35.4%.**

Leaving behind another challenging year, CJSC Dexia Bank Russia successfully sustained its place in the sector through the robust structure of Dexia Group and the successful business model formed after six years of operation.

Directly dependent on the trade volume between Russia and Turkey, our Bank's mission is to "offer support to Turkish-originated production and trade." The growing trade volume between the two countries is the harvest of longstanding effort. The Bank continues to manage its operations in an effort to re-position itself in this rapidly growing market.

Despite the negative outlook of Russian economy in the first half of 2009, our Bank delivered an outstanding performance. In 2009, CJSC Dexia Bank Russia attained its predetermined goals, thanks to the synergy created within Dexia Group and its strong equity base with capital adequacy ratio reaching 35.4%.

In just six years, we accomplished many of our objectives within the Turkish niche market. Our Corporate Banking Business Line maintained its strong market position during 2009, targeting primarily four major industries: construction, manufacturing,

trade&services and tourism. We offer a full-range of cash and settlement services in these fields, along with documentary business, trade finance, financial advisory services and long-term lending facilities in addition to our traditional short-term corporate lending products at favorable terms.

CJSC Dexia Bank Russia's customer base is composed of 443 active accounts as of December 31, 2009. Our aim is to establish long-term, mutually beneficial relationships with our corporate customers, with the capability of providing all major financial services under one roof and successfully creating loyal and satisfied clientele.

The agreement signed between the Russian Federation and Turkey ensured the improvement of mutual relationships to the level of strategic partnership at the beginning of 2009. The bilateral trade volume target between the two countries for the short-term is being constantly updated. The trade volume, already set at US\$ 60 billion for 2011, was recently being enounced as US\$ 100 billion for the medium-term. On the road to the strategic partnership, our Bank aims to maximize its share of the trade and business volume and position itself to follow the path of growth.



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## President's Statement

**In Russia where there are 1,047 operating banks, our Bank became one of 23 multinational banks accepted by Russian Federation Customs.**

Approval for the use of the ruble as a convertible currency in trade between the two countries both encouraged entrepreneurs and implied forthcoming diplomatic developments. In line with this development, the Bank successfully updated its infrastructure and took a significant part in the ruble cash flow between Russia and Turkey during the year.

Following the Bank's ongoing efforts to expand correspondent relationships with Russian and foreign financial institutions, CJSC Dexia Bank Russia was accepted by Russian Federation Customs and was added to their bank list in 2009. In Russia where there are 1,047 operating banks, our Bank became one of 23 multinational banks accepted by Russian Federation Customs. CJSC Dexia Bank Russia is now able to issue Letters of Guarantee, with competitive commissions or alone, directly to Russian Federation Customs; the Bank was also accepted by the Russian Federation Ministry of Finance in 2009 as one of 200 banks (34 of which are multinational) out of 1,047. Especially importers will benefit from early receipt of their tax returns by providing a Letter of Guarantee from the Bank.

Moreover, the agreement on the lifting of visas between the two countries, signed in the first quarter of 2010, heralded a more intense commercial relationship between Russia and Turkey. Our Bank aims to expand corporate and commercial business volume by attracting new clients and increasing its market share in the existing client portfolio in 2010.

By the end of 2009, CJSC Dexia Bank Russia had 75 correspondent banks, 42 domestic and 33 from other countries. Such a vast correspondent network allows the Bank to diversify its credit risk and continue operating on a solid base. Focusing on business relationships with only the strongest and most reputable counterparties, our Bank established and created a correspondent network in line with customer demands.

CJSC Dexia Bank Russia enjoys the great advantage of being under the umbrella of the Dexia Group. The wide branch network and the presence of the Dexia Group in different regions of the world allow the Bank to provide low-cost services, reduce the time for international money transfers, widen the spectrum of documentary transactions and introduce new services based on customer needs.

At the end of 2009, credit lines available for banks totaling to € 130 million; € 63 million of that sum is for Russian state-owned banks and € 67 million is for Russian subsidiaries of foreign banks. In the forthcoming period, our Bank will continue its hard work to increase existing limits and establish new limits from other banks.

In terms of treasury operations, CJSC Dexia Bank Russia is a successful participant in the Russian money and capital markets due to the international experience of its staff coupled with their flexibility and competence. In addition, synergy with the Dexia Group in terms of shared experience and market access provides it with a significant competitive advantage. Focusing on optimization and reduction of operating expenses, the Bank achieved an increased profitability as of the end of the year.

Our Bank aims to become a commercial bank providing full financial services primarily to Turkish-Russian and international businesses in the short, medium and long-term. The Bank is capable of delivering a wide range of contemporary financial services to corporate and individual clients utilizing high business ethics, an adequate capital base and diversified risk adjusted assets.

Looking toward the future with confidence, as CJSC Dexia Bank Russia management, we believe that our Bank will ensure its penetration into the Russian market and will increase its recognition among a wider customer base as a result of the solid steps it has taken. The medium and long-term strategy of the Bank is to become one of the most reputable, well-known financial institutions in Russia with a solid and sustainable growth perspective.

I would like to take this opportunity to extend my thanks to our shareholders and the Board of Directors for their trust. I am also grateful to my colleagues in all levels of the organization for their dedication and to our business partners and clients for their support, confidence and cooperation.



**Ahmet Mesut Ersoy**  
President & CEO

# Board of Directors



Hakan Ateş  
Chairman



Derya Kumru  
Member



Hasan Hüseyin Uyar  
Member



Oguz Vecdi Öncü  
Member



Martin van Mancius Jeroen  
Member

# Executive Management



**Ahmet Mesut Ersoy**  
President & CEO



**Savas Citak**  
Portfolio Manager



**Oguz Yalcin**  
Portfolio Manager



**Svetlana Barabanova**  
Head of Operations Department



**Dmitry Koloskov**  
Chief Accountant



**Makar Gavrilov**  
Head of Financial Control  
Department



**Vladislav Chumachenko**  
Head of IT Department



**Victor Ogustsov**  
Head of Risk Management  
Department



**Nadezhda Dudinova**  
Head of Legal Department



**Ksenia Mayrova**  
Head of Treasury



**Erika Gorovaya**  
Head of FI Department



**Svetlana Lipskaya**  
Head of Internal Audit

# Business Lines

Dexia Bank serves as a portal for the DenizBank Financial Services Group in Russia with a full range of products and services.

## CORPORATE BANKING

The Russian Federation and CIS countries are considered the third point of the triangle formed by Turkey, the EU and the Russian Federation & CIS countries. Since there are preeminent political and economical relationships between Turkey and Russia, the Group considers the region as a potential business area.

The Bank's business strategy in Russia is:

- to attract and initiate business dealings with Turkish-originated and international companies in Russia.
- to channel new customers and new business to other Dexia Group members and contribute to the overall growth of the Group.
- to have a commercial bank in Russia functioning as a financial banking platform under the umbrella of the Dexia Group at the disposal of existing and prospective clients operating in Turkey and in Euroland and having business ties with Russia.
- to add a competitive edge with this niche product to the Dexia Group and DenizBank Financial Services Group (DFSG) among other commercial banks in Turkey and Euroland.

Dexia Bank serves as a portal for the DenizBank Financial Services Group in Russia with a full range of products and services. Functioning as an arm of the DFSG commercial franchise, Dexia Bank has an organic link with its parent bank. Local know-how has been acquired in Russia and Dexia Bank is in compliance with the local environment and with Group policies. Dexia Bank has been fully integrated in credit allocation, risk management and reporting at the Group level.

Dexia Bank is a stand-alone bank in the Turkish niche market. By attracting new Turkish clients and managing relationships with existing ones, the Bank generates new business locally and has attained sustainable and profitable stand-alone growth. Moreover, the Bank aims to expand its scope to European companies operating in Russia.

## Contribution to DFSG

Dexia Bank's contribution to DFSG reveals itself in many aspects; it serves as the first checkpoint and service provider to Russia for the existing and potential clients of DFSG in Turkey and the EU; it introduces the Turkish niche market business environment and new customers to all DFSG affiliates and enables DFSG to create new business from clients in Russia. The Bank serves as the initiator of cash flow from the Turkish niche market in Russia to DFSG. In addition to stand-alone corporate banking activities, the Bank assigns major deals to DFSG and is an important risk monitoring agent by conducting periodic project visits, evaluation reports and by monitoring the cash flow of involved projects. It also provides market intelligence on the counterparts of DFSG and provides advice about local legislation.

## Corporate Banking Activities

Since establishment, Dexia Bank achieved much in the Turkish niche market and has become the first choice within the Russian niche market. The Corporate Banking Business Line of the Bank maintained its strong market position in the Turkish niche market even during the crisis; the Bank continued its support to its client base without delay.

The Bank primarily targets four major industries where the Turkish niche market is concentrated: construction, manufacturing, trade&services and tourism. In 2009, the Bank focused more on tourism and opened oper-cassa cash collection units. The Bank aims to increase its penetration in this sector in 2010 as well.

At the end of 2009, the number of active accounts at Dexia Bank reached to 443, a 10% increase as compared to the previous year. Aiming for long-term, mutually beneficial relationships with corporate customers, the Bank has successfully created a following of loyal clientele.

#### Corporate Banking Products and Services

Dexia Bank's primary goal is to deliver top-notch financial products and services to its clients globally. The Bank aims to serve the financial needs of its clients by capitalizing on the synergy created with other members of the DenizBank Financial Services Group and Dexia Group.

The sophisticated banking requirements of customers have been met with tailor-made products. In addition to stand-alone products and services in Russia, Dexia Bank serves as the source for its customers to benefit from the product and services network of DFSG and Dexia Group at large.

In addition to traditional short-term corporate lending products, Dexia Bank offers a full-range of cash and settlement services, documentary business, trade finance, financial advisory services and long-term lending facilities at favorable terms. The Bank is able to provide all major financial services under one roof, to serve as the clients' sole banking partner. Dexia Bank provides a special card-based payment system for Russian Federation Customs duty payments allowing customs duties to be paid from within customs premises simply by using a chip-based plastic card, greatly streamlining customs operations.

#### Cash Loans:

- Short-term working capital financing
- Bridge financing
- Long-term investment loans
- Participation to syndication loans
- Credit Lines available in tranches
- Overdraft facilities

#### Bank Guarantees:

- For construction projects
- Payments
- To official bodies (customs office, ministry of finance, etc)
- For real estate rentals

#### Letter of Credit:

- Issuance of L/Cs and stand by L/Cs
- Advising, confirmation and negotiation
- Trade discounting and refinancing

#### Foreign Trade Transactions:

- Consultancy about local legislation
- Consultancy for international payments
- Money transfers abroad (dividends, loan re-payments, trade payables, etc.)
- Opening international payment files
- Currency-control according to Russian legislation
- FX purchase and sale operations
- FX settlement operations

#### Domestic Settlements:

- Electronic Banking System "Bank-Client"
  - Secured line
  - Same day domestic and FX payments
  - Real time and historical account data
  - Integration with accounting systems
- Customs card (Customs payments card)
- Cash collection & disbursement

#### Custody Services (bonds, promissory notes):

Utilizing a customer-oriented approach, Dexia Bank's Corporate Banking is well known for its excellent management of customer relations, innovative and flexible perspective, highly qualified human resources, ability to produce tailor-made services and an extensive product-line including products on demand. Customer relationship managers at Dexia Bank are fluent in Russian, English, Turkish and German.

## Business Lines

**During 2008, Dexia Bank continued to expand its correspondent relationships with Russian and foreign financial institutions by taking into account the risks resulting from the world financial crisis.**

### Loan Portfolio

Dexia Bank has never ceased to support to its client base even during the crisis; it continues its strong and healthy growth. As a result, Dexia Bank increased its cash loan book by the end of 2009 and reached an estimated US\$ 81 million; a 30% increase as compared to 2008 figures. In 2010, Dexia Bank expects to increase its asset size by at least 25%.

Dexia Bank's loans are extended to companies from various industries including construction, energy, glass, consumer durables, food&beverage, retail and tourism. These companies vary from medium to large-scale industrial corporations.

Cash loans are extended for different terms to meet working capital requirements, investment needs for machinery and equipment, capacity increases and new business launches and prepayments to hotel and airline companies. Additionally, project finance facilities are provided for green-field investments and/or expansion programs.

As for non-cash loans, the main product is the Bank Guarantee. The majority of the existing Bank Guarantees are extended to construction companies in the form of Advance or Performance Bonds. Additionally, the Bank is involved in the Bank Guarantees for Customs. In 2009, the Bank was accepted by the Russian Federation Customs and Tax Body and is able to directly issue Customs LG with competitive commissions.

Letters of Credit are issued for imports of commercial goods, machinery and equipment, mainly from the EU and Turkey.

As of year-end 2009, shares of cash and non-cash loans in the Bank's loan portfolio were 71% and 29%, respectively.

Thanks to prudent risk management, the quality of the loan portfolio was pretty fine in 2009 as verified by its Non-Performing Loan (NPL) ratio of only 1.2% at the end of 2009 and are secured by strong collaterals (mortgages). Through the realization of these collaterals, the Bank will lower its NPL ratio during the course of 2010.

### Looking Forward

In 2010, CJSC Dexia Bank will expand its corporate and commercial business volume portfolio by attracting new clients and increasing its market share in its existing client portfolio. In order to do so, the Bank targets business chains of its existing client base which will result in increases to both the profitability and the loyalty of its existing client base.

Following the signing of many political and economical agreements after successive visits by the leaders of both countries in 2009, the level of economic partnership between the Russian Federation and Turkey has shifted to a Strategic Partnership. Total trade between the two countries is targeted to reach US\$ 100 billion by the end of 2013; it was US\$ 22.9 billion in 2009.

The Bank prepared the necessary infrastructure and took all the steps to make ruble the convertible currency between the two countries.

Dexia Bank intends to maximize its share of the bilateral trade and business ties between these two countries.

## FINANCIAL INSTITUTIONS

During 2008, Dexia Bank continued to expand its correspondent relationships with Russian and foreign financial institutions by taking into account the risks resulting from the world financial crisis. The correspondent network established by Dexia Bank evolved in line with customer demand and trade geography. The Bank is focused on business relationships with strong and reputable counterparties.

The wide branch network and the presence of Dexia Group in different regions of the world allows Dexia Bank to provide low-cost services, reduce the time for international money transfers, widen the spectrum of documentary transactions and introduce new services to meet customers' needs.

Dexia Bank conducts documentary transactions including cash collection and opening letters of credit and provisions for bank guarantees. The Bank is ready to provide its clients with all the necessary advice regarding which type of transaction they need and to assist in drafting the payment conditions of a contract to ensure the best possible protection of the clients' interests.

Banking is one of the very few industries where competitors can be a counterpart as well as a customer. Dexia Bank offers services to Russian banks, ranging from traditional interbank products (money market and foreign exchange) to more structured ones, like co-operation in the field of trade financing.

Expanding their activities to the Russian market, foreign banks show an increased interest to hold ruble accounts; four banks from the Dexia Group have opened correspondent accounts with Dexia Bank.

Dexia Bank is an active player in the Russian and international interbank money and foreign exchange markets. The Bank participates in raising and placing funds in Russian ruble and foreign currency, as interbank deposits or under bilateral loan agreements. Dexia Bank cooperates with large and medium-size Russian banks and leading banks in the countries where Dexia Bank's shareholder banks have business interests.

Enormous international experience and distinguished brand name of Dexia Group will allow Dexia Bank to strengthen its positions in international financial markets as well as significantly expand its client and counterparty base in Russian and foreign financial markets.

Trade finance activities and money transfers are the main directions in international transactions offered by Dexia Bank. Currency Control Department offers information and advice that enable clients to complete all domestic and international foreign exchange transfers swiftly and accurately in full compliance with the laws and regulations of the Russian Federation.

### Correspondent Network

Dexia Bank has 75 correspondent banks; 42 are domestic and 33 are from other countries. Such a wide correspondent network allows the Bank to diversify its credit risk and is very cautious when it comes to choosing its correspondent banks. This prudent approach was emphasized after the mid-2007 financial turbulence; Dexia Bank continues to follow this policy.

The Bank's potential correspondents should meet all requirements regarding financial condition, AML (Anti-Money-Laundering) procedures and reputation.

In line with growing activity and number of customers, Dexia Bank plans to expand its correspondent bank network along with the volume of trade finance transactions in the coming years.

### Credit Partners and Credit Limits

At the end of 2009, Dexia Bank credit lines to Russian banks worth € 130 million; € 63 million of that sum is for Russian state-owned banks and € 67 million is for Russian subsidiaries of foreign banks. Dexia Bank continually strives to increase existing limits and establish new limits for other banks.

## TREASURY

Dexia Bank's qualified staff possesses international experience, flexibility and competence with regard to treasury dealings. This has made the Bank a successful participant in the Russian money and capital markets.

The synergy, in terms of shared experience and market access with the Dexia Group regarding treasury activities, has given the Bank a significant competitive advantage. The Bank's highly qualified Treasury Department is able to provide the wide range of products; however, the demand is largest for FX/MM/Fixed Income instruments.

Dexia Bank's Treasury Department consists of;

- Fixed Income and Sales Desk (FISD): buy/sell deals on primary and secondary markets, repo transactions,
- Trading Desk (TD): FX/MM deals on local and international markets,
- Assets and Liabilities Management Desk (ALMD): short, medium and long-term liquidity management of the Bank.

Dexia Bank offers FX/RUB, FX/FX deposits transactions under Treasury products. Dexia Bank has conservative, prudent and cautious trading strategies. Almost all client transactions are covered by a counter-deal that enables the Treasury Department to quote more competitive prices to customers.

## Business Lines

### Our strategy is to become an active player in the Russian market.

In 2010, Dexia Bank will focus more on the following areas:

- Support of commercial banking activities that require the Treasury Department to be more concentrated on ALM activity to support the growth of the Bank in corporate and commercial banking and to hedge liquidity and interest rate risk;
- Development of trading business with bonds and foreign currencies with purpose of getting trading profit;
- Implementation of wide range of treasury products for corporate and private customers, development of derivative products for our clients;
- To further develop ALM short-term operations such as MM transactions, repo/reversed repo and SWAP/NDF operations.

Our strategy is to become an active player in the Russian market. Within the next three to five years existing treasury activities of the Bank will grow significantly and new instruments will be offered to our clients.

Together with other global economies, the Russian financial market was also affected by the turmoil in 2009. At the beginning of the year the ruble was devalued against the US dollar and against the euro. Stock market indexes (RTS, MICEX) reached their lowest levels since 2003. Oil, the main source of budget funds, went down to US\$ 38.6 per barrel from US\$ 140.

During the height of the crisis, Russian authorities immediately and thoroughly intervened to support financial institutions and the critical industries. Policy makers and monetary authority together established timely and adequate interventions and declared support packages. The support proved to be effective and the economic and financial outlook started to show signs of improvement.

Since early 2009, the world economy has started to recover. The ending of the recession was marked by the growth of commodity markets, as well as investor interest in emerging markets including Russia. Oil prices rebounded to US\$ 70-80 per barrel and stabilized within this range. This price level provides a steady inflow of foreign exchange earnings in Russia and allows the Central Bank to build up foreign exchange reserves; the world's third largest after China and Japan. By the end of 2009, reserve totals rose to US\$ 439.5 billion, an increase of 3.1%.

Russian and foreign investors regained confidence in the national currency and assets denominated in rubles. By the end of 2009, the ruble had appreciated 17.4% against the US dollar and 7.8% against the euro and 12.15% against a basket of US dollar & euro currencies.

Declining inflation and signs of improvement in the economy allowed the Central Bank to reduce the refinancing rate from 13% to 8.75% by end of the year. Recovery of the interbank money market and repo enabled the Central Bank to reduce the volume of credit resources to support the banking system from US\$ 90.3 to US\$ 19.7 billion. Turnover in the stock market and interbank market reached the pre-crisis levels with the RTS Index, the main barometer of the Russian stock market, increasing by 131%. Yields of corporate bonds fell from 20% to 10-11%.

During 2009 and under such volatile market conditions, the Treasury monitored all key indicators and data from the financial market in a timely manner before taking any action. In this regard, the Bank promptly and fully executed and performed all its obligations to customers and partners; it continues to provide high quality banking services and products.

# Human Resources

**By the end of 2009, Dexia Bank had a total of 52 employees at the Head Office. The average age of the staff is 35 and 73% of the employees are female; 47 out of 52, hold undergraduate degrees.**

Dexia Bank maintains a staff with excellent educational backgrounds and experience in banking and financial services. The pleasant working environment at the Bank allows the staff to exhibit their creativity, which is in turn reflected in the Bank's service quality. Moreover, participation in the management of the Bank through weekly meetings motivates employees at all levels. Thanks to its human resources approach, the Bank has a loyal, customer-oriented and professionally qualified staff.

In an environment of constant improvement, participation by any employee in management decisions regardless of status or rank, professional development, and English language classes organized by the bank can be considered competitive advantages at Dexia Bank Russia.

The Bank's recruitment policy is based on the principle of hiring the right person for the right job. Since the Bank has chosen the strategy of working with the most reliable and loyal customers, vacant positions are filled with internal sources or by recommended candidates. New staff is required only for replacements and business expansion. In this case, the

employees are hired from outside the organization, including other banks and financial institutions. Creating a common corporate culture is the goal of the in-house training programs administered to new recruits in addition to technical-oriented training sessions.

By the end of 2009, Dexia Bank had a total of 52 employees at the Head Office. The average age of the staff is 35 and 73% of the employees are female; 47 out of 52, hold undergraduate degrees. A total of 22 employees are fluent in one foreign language and 12 are fluent in two foreign languages.

From the total number of employees, 34 have worked at the Bank for more than two years. A low turnover rate is an indicator that the Bank provides the employees with the necessary conditions for personal development and satisfaction.

Improvement of the performance appraisal system, work out retention tools and the development of new internal training programs are among the primary goals of the Human Resources Department of the Bank during 2010.

Dexia Bank Employee Profile		
Number of Staff and Branches	2009	2008
Staff at the Head Office	49	71
Staff at the branches	3	0
Total staff	52	71
Number of branches	1	0
Demographic Profile	2009	2008
Male	14	30
Female	38	41
Average age	35	33
Educational Profile	2009	2008
PhD and MBA	2	1
Undergraduate	46	68
High school	4	2
Primary school	0	0
Number of staff fluent in one foreign language	22	41
Number of staff fluent in two foreign languages	12	6

# Information Technology

In 2009, a number of investments were made for IT that are able to provide the Bank with both cost efficiency and fast transaction response.

Dexia Bank IT Department provides all types of IT services and support to existing business lines of Dexia Russia; it reports directly to the CEO of the Bank.

The Department brings IT solutions to the business lines, paralleling Bank strategies.

In this respect, as the business services provider for the Bank, the IT Department possesses the following strengths:

- Best people in the primary workforce
- High quality support and instant delivery
- Measurable value creation in a volatile marketplace

In order to enhance the business performance of the Bank, the IT Department delivers multiple services:

- Supporting business goals by providing high value services
- Offering high quality solutions in systems integration and technology services
- Focusing on value creation and business outcomes
- Creation of a culture of collaboration and team work

Dexia Bank has powerful HP servers and a high-tech network infrastructure. This infrastructure hosts its servers, user PCs, LANs and secure SSL/VPN tunnels.

Providing the highest quality solutions for the Bank's operations, the IT Department is staffed with well educated, highly skilled personnel possessing excellent backgrounds in technology and banking support.

To enhance the availability of business services, the IT Department has signed several hardware and software maintenance agreements with providers so as to maintain outstanding banking services.

In 2009, a number of investments were made for IT that are able to provide the Bank with both cost efficiency and fast transaction response. Major investments include:

- The Diasoft 5NT banking system version was upgraded from 6.7 to 6.8.4.21, which gave the Bank an opportunity to support new functionalities of the system.
- Regulatory adaptation to FSB requirements in terms of information cryptography was completed in October 2009.
- The Diasoft 5NT banking system was integrated with SWIFT, Internet, Reuters, 1C (HR, payrolls) and Bank-Client.
- Internal network speed was increased from 10 to 100 MBit/sec.

Aiming to enhance the business performance of Dexia Bank, the IT Department delivers multiple services. To facilitate the extension of EFT services, the Bank will join the RTGS CBR system (online RUB payment system) at the beginning of the third quarter of 2010 as a participant of the initial user group - a pioneer in Russia. RTGS CBR system will be as an addendum to the existing shift-based EFT system for enhancing the current payment service and enabling real time RUB currency transfer ability.

The Bank utilizes the following operating systems and software products:

- Operating systems -Microsoft Windows 2003 Server, Unix, Linux
- Banking Platform - Diasoft

# Operations

The staff of the Corporate Operations Department has extensive knowledge on the peculiarities of banking legislation and stands ready to provide consultation service for the clients.

Dexia Bank's Operations Department is composed of distinguished professionals, highly motivated and with vast experience in their area of expertise. They willingly work as a team and share their experience. Most of the people in this Department come from different backgrounds which creates an unprecedented opportunity to gather the best parts of their previous experience to obtain targets within the framework of the Bank's strategy.

Dexia Group's worldwide presence offers a chance to share the best practices among Dexia entities. Dexia Bank employees enjoy the benefits of sharing information, experience and knowledge with other Dexia Group banks on a regular basis.

The Operations Department consists of four divisions:

- The Customer Operations Division handles all types of domestic payments, individual deposits, cash transactions, account opening and account maintenance services are undertaken by the Customer Operations Desk and the Cash Desk. Cash discipline of the clients and CBR reporting are other duties of the Division.
- The Currency Control Division is generally responsible for currency control operations such as transaction passports and all functions of the currency control agent; CBR, Customs Authorities, Tax and other authorities reporting and correspondence, consulting for the clients, etc.) including FX accounts maintenance for legal entities and FX transfers.
- Treasury Back Office Division handles all treasury transactions including securities operations and custody through Securities Desk and the MM, FX, Derivatives Desk. Correspondent account reconciliations and investigations are also carried out by the Treasury Back Office Division.
- Loan Administration Division handles both cash and non-cash loans (cash loans, LGs, LCs) through the Cash Loans Desk and the Documentary Credits Desk. Time deposit accounts and P/Ns for legal entities are handled in this division.

The staff of the Operations Department carries out all operations and procedures quickly and in a timely manner utilizing a customer-oriented approach and provides tailor-made solutions to match customer needs. Dexia Bank understands that its corporate clients expect the highest service quality therefore it has been enhancing and diversifying the range of its additional services. The staff of the Corporate Operations Department has extensive knowledge on the peculiarities of banking legislation and stands ready to provide consultation service for the clients.

# Financial Control and Risk Management

Strictly adhering to the requirements set forth by the Central Bank of Russia and other state regulatory bodies, the Bank's risk management system is comprised of full control over market, credit, liquidity and operational risk.

Dexia Bank is cognizant that a successful banking operation cannot be sustained without due attention given to financial control and risk management principles.

Thus, since the Bank's inception, the Financial Control Department has developed a financial control system for Corporate and Commercial Banking modeled after shareholder banks. The main tasks of the Financial Control Department consist of producing external and internal MIS reports, including the IFRS statements, reporting to the local authorities and parent banks, internal budgeting and budget realization. The Bank reports to three different countries, Austria, Belgium and Turkey, two banking supervision agencies, the Central Bank of Russian Federation (CBR) and the Banking Regulation and Supervision Agency (BRSA) of Turkey.

Strictly adhering to the requirements set forth by the Central Bank of Russia and other state regulatory bodies, the Bank's risk management system is comprised of full control over market, credit, liquidity and operational risk. Following the Basel II guidelines, the Central Bank of Russia issued interpretations of Basel II principles for banks with regard to legal, operational and reputation loss risk management. Nevertheless, other Basel II principles have yet to be made compulsory for banks. Not only led by Central Bank regulations but also following its shareholder banks with regard to achieving full compliance with Basel II, Dexia Bank has taken solid steps to apply these principles well into the future. Their prudent guidelines ensure predictability and sustainability of profit and a more stable capital base over the long-term.

Dexia Bank allocates reserves according to Russian Central Bank regulations that also comply with international standards. Loan loss provision methodology, fully compliant with Russian regulations as well, was also created based on international standards. The Bank follows a diligent and conservative provisioning policy.

The reserve requirement is assessed on a monthly basis; in case of any NPL, the Bank set aside 100% reserve at least one month after the default date.

Dexia Bank witnessed growth in its business volume and the spectrum of banking services it offers. This growth inevitably led to new sources of risk as well as an increase in risk related to the Bank's traditional activities. The Bank is bound to take proactive measures to ensure that risk is at acceptable levels and consistent with return targets.

Continuously upgrading its control and risk management systems, the Bank strives to create a universal and pervasive system that allows managers to monitor and act upon all aspects of financial activity. The main objective of Dexia Bank financial control and risk management is to make the financial control mechanism adequate, reliable, informative and as automated as possible. Experienced human resources and reliable IT infrastructure are the primary strengths of Dexia Bank's Financial Control Department and Risk Management Department; they enable the Bank to conduct minimum manual interference over transactions within the context of financial control and risk management procedures.

# Corporate Governance

The first and foremost aim of adopting internationally accepted principles of corporate governance is to protect all stakeholders and instill them with confidence in the Bank.

The Corporate Governance Statement sets forth the Bank's commitments concerning the arrangement of relationships with shareholders and stakeholders. In addition, it establishes the duties and responsibilities of the Board of Directors and lower management levels through corporate governance principles of transparency, equality, responsibility and accountability.

The Basel II Risk management principles have been adopted under the Bank's understanding of Corporate Governance; they are the guiding principles to mitigate banking risk.

The first and foremost aim of adopting internationally accepted principles of corporate governance is to protect all stakeholders and instill them with confidence in the Bank. Extreme care has been taken to develop and implement mechanisms that conform to

- Corporate Governance Principles and Develop a management philosophy that creates responsibility, add-value and minimizes risk through effective control mechanisms,

- Build confidence with existing and potential shareholders, customers, employees and domestic and international markets in general,
- Continuously increase the Bank's market value through contributions by the Board of Directors and the Executive Committee,
- Maintain high employee motivation to provide services that increase customer satisfaction,
- Enable the Board of Directors to monitor the Bank's activities effectively through the internal and external audit systems in line with the aforementioned principles,
- Promote the formation of all kinds of information platforms that enlighten stakeholders about the Bank's position and performance,
- Take the utmost care to enable stakeholders to use and protect their contractual and statutory rights.

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# Financial Statements and Auditors' Report CJSC Dexia Bank 31 December 2009

# Auditors' Report



To the Shareholders of  
CJSC Dexia Bank  
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## Аудиторы, Консультанты по налоговому и юридическим вопросам

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We have audited the accompanying statement of financial position of CJSC Dexia Bank ("the Bank") as of 31 December 2009 and the related statement of comprehensive income, statement of movements in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

### *Opinion*

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

GRANT THORNTON ZAO

Moscow, Russian Federation  
21 January 2010

# Statement of Comprehensive Income

	Notes	2009 USD' 000	2008 USD' 000
Interest income	5	11,510	19,427
Interest expense	5	(2,651)	(8,381)
<b>Net interest income</b>		<b>8,859</b>	<b>11,046</b>
Provision for loan impairment	10	(1,240)	(211)
<b>Net interest income after provision for loan impairment</b>		<b>7,619</b>	<b>10,835</b>
Fee and commission income	6	1,479	2,178
Fee and commission expense	6	(456)	(512)
Net gains / (losses) on financial instruments at fair value through profit or loss	7	1,646	(509)
(Net losses) / gains on available-for-sale financial assets		(111)	32
Net foreign exchange result		3,650	2,372
Net other operating income / (expense)	8	1,514	(101)
<b>Operating income</b>		<b>15,341</b>	<b>14,295</b>
General administrative expense	9	(12,714)	(21,849)
<b>Profit / (loss) before taxation</b>		<b>2,627</b>	<b>(7,554)</b>
(Income tax expense) / recovery	11	(964)	1,071
<b>Net profit / (loss)</b>		<b>1,663</b>	<b>(6,483)</b>
<b>Other comprehensive income:</b>			
Unrealised gains / (losses) on financial assets available-for-sale, net of tax		4,610	(4,717)
Effect of translation		(1,108)	(8,325)
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<b>3,502</b>	<b>(13,042)</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>5,165</b>	<b>(19,525)</b>

The financial statements were approved by the Board of Management of the Bank on 21 January 2010.

President & CEO



Ahmet Mesut Ersoy

Chief Accountant



Dmitry Koloskov

See accompanying notes to the financial statements.

# Statement of Financial Position

	Notes	31 December 2009 USD' 000	31 December 2008 USD' 000
<b>ASSETS</b>			
Cash		804	464
Due from the Central Bank of Russia	12	8,816	7,074
Placements with banks and other financial institutions	13	38,103	37,294
Loans to customers	14	81,406	62,411
Financial assets available-for-sale	15		
- Unpledged		25,625	32,216
- Pledged under repurchase agreements		-	32,285
Other assets	16	274	2,141
Property and equipment	17	422	8,087
Intangibles assets	18	2,515	3,865
Current tax assets		433	555
Deferred tax assets	19	508	2,547
<b>Total Assets</b>		<b>158,906</b>	<b>188,939</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
Derivative financial instruments	20	-	85
Amount payables under repurchase agreements	21	-	26,432
Deposits and balances from banks and other financial institutions	22	45,210	56,206
Current accounts and deposits from customers	23	58,963	55,693
Debt securities issued	24	1,276	2,765
Subordinated debt	25	10,514	10,400
Other liabilities	26	895	475
<b>Total Liabilities</b>		<b>116,858</b>	<b>152,056</b>
<b>Shareholders' Equity</b>			
Share capital	27	49,269	49,269
Share premium		683	683
Revaluation reserve for financial assets available-for sale		(107)	(4,717)
Translation reserve		(5,290)	(4,182)
Accumulated losses		(2,507)	(4,170)
<b>Total Shareholder's Equity</b>		<b>42,048</b>	<b>36,883</b>
Commitments and Contingent liabilities	29-31	-	-
<b>Total Liabilities and Shareholders' Equity</b>		<b>158,906</b>	<b>188,939</b>

See accompanying notes to the financial statements.

# Statement of Cash Flows

	Note	2009 USD' 000	2008 USD' 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit / (loss)		1,663	(6,483)
<b>Adjustments for non-cash items</b>			
Depreciation		1,498	1,573
Interest income		(356)	170
Interest expense		(586)	(529)
Recovery of impairment losses		1,240	211
Result on disposal of assets		(1,497)	101
Income tax expense		964	(1,072)
Foreign exchange		(793)	(1,053)
Other non-cash items		810	599
		2,943	(6,483)
<b>(Increase) / decrease in operating assets</b>			
Placements with banks and other financial institutions		-	6,258
Financial instruments at fair value through profit or loss		-	55,313
Receivables under reverse-repurchase agreements		-	10
Derivative financial instruments		-	72
Loans to customers		(19,265)	40,170
Other assets		1,823	408
<b>Increase / (decrease) in operating liabilities</b>			
Payables under repurchase agreements		(26,425)	26,432
Derivative financial instruments		(85)	-
Deposits and balances from banks and other financial institutions		(10,386)	(110,576)
Current accounts and deposits from customers		3,271	(71,853)
Debt securities issued		(1,491)	(807)
Other liabilities		(386)	(455)
		(50,001)	(61,511)
Net cash provided from operating activities before income taxes paid		(50,001)	(61,511)
Income taxes paid		(42)	362
		(50,043)	(61,149)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of financial assets available-for-sale, net		43,830	-
Purchases of property & equipment, net		8,734	(3,494)
Purchases of intangible assets, net		(55)	(3,243)
		52,509	(6,737)
Cash flows from / (used in) investing activities		52,509	(6,737)

# Statement of Cash Flows

	Note	2009 USD' 000	2008 USD' 000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash flows from financing activities		-	-
Effect of translation to presentation currency		(465)	(7,500)
Effect of changes in exchange rates in cash and cash equivalents		908	5,288
Net increase / (decrease) in cash and cash equivalents		2,909	(70,098)
Cash and cash equivalents at beginning of year		44,796	114,894
Cash and cash equivalents at end of year	34	47,705	44,796

See accompanying notes to the financial statements.





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