PROMSVYAZBANK

Consolidated financial statements

for the year ended

31 December 2010

Contents

Independent Auditor's Report

To the Shareholders and Board of Directors of OAO "Promsvyazbank":

1 We have audited the accompanying consolidated financial statements of OAO "Promsvyazbank" and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

4 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.

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

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

15 March 2011
Moscow, Russian Federation

ZAO "PricewaterhouseCoopers Audit", White Square Office Center, 10 Butyrsky Val, Moscow, Russia, 125047
Telephone +7 (495) 967 6000, Fax +7 (495) 967 6001, www.pwc.ru

(expressed in thousands of Russian Roubles – refer to note 2)

	Notes	2010	2009
ASSETS			
Cash and cash equivalents	4	45 182 249	108 322 648
Obligatory reserves with central banks	5	3 015 876	3 149 729
Placements with banks and other financial institutions	6	12 122 032	5 075 800
Financial assets at fair value through profit or loss	7	46 004 572	41 751 838
Amounts receivable under reverse repurchase agreements	8	15 949 846	10 080 301
Loans to customers	9	310 947 643	266 421 579
Investments available for sale	10	2 203 213	35 083
Investments held to maturity	11	3 966 911	7 204 938
Assets held for sale	12	5 944 765	2 600 001
Other assets	13	2 513 778	2 100 315
Current income tax prepayments		612 254	660 877
Deferred tax asset	22	1 065 008	600 326
Property and equipment	14	25 598 772	23 207 942
TOTAL ASSETS		**475 126 919**	**471 211 377**
LIABILITIES			
Financial liabilities at fair value through profit or loss	15	1 593 384	1 252 225
Deposits and balances from banks and other financial institutions	16	59 677 877	64 780 390
Amounts payable under repurchase agreements	17	2 790 016	60 697
Current accounts and deposits from customers	18	297 046 845	289 548 839
Own securities issued	19	32 127 497	43 654 712
Other borrowed funds	20	12 802 195	13 819 410
Other liabilities	21	2 439 590	1 800 988
Current income tax payable		948	27 341
Deferred tax liability	22	55 645	313 033
Subordinated borrowings	23	21 817 689	17 748 361
TOTAL LIABILITIES		**430 351 686**	**433 005 996**
EQUITY			
Share capital	24	11 511 052	10 062 544
Share premium		17 303 093	13 319 695
Additional paid-in-capital		81 919	1 056 102
Revaluation reserve for property		2 717 232	2 353 907
Revaluation reserve for investments available for sale		(80 230)	160
Retained earnings		13 242 167	11 147 632
Total equity attributable to owners of the parent		**44 775 233**	**37 940 040**
Non-controlling interest		**-**	**265 341**
TOTAL EQUITY		**44 775 233**	**38 205 381**
TOTAL LIABILITIES AND EQUITY		**475 126 919**	**471 211 377**

Approved by the Management Board on 15 March 2011.

Konstandian A.G
President

Volchenko A.U.
First Vice-president

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Promsvyazbank
Consolidated Income Statement for the year ended 31 December 2010
(expressed in thousands of Russian Roubles – refer to note 2)

	Notes	2010	2009
Interest income		46 321 190	54 599 926
Interest expense		(25 712 013)	(28 870 960)
Net interest income	25	**20 609 177**	**25 728 966**
Fee and commission income	26	7 559 980	7 012 078
Fee and commission expense	27	(1 522 700)	(1 406 846)
Net fee and commission income		**6 037 280**	**5 605 232**
Net (loss)/gain on financial instruments at fair value through profit or loss and (loss)/gain on early redemption of senior loan participation notes	28	(350 153)	1 114 182
Net foreign exchange gain		614 460	375 892
Other income and expense	29	1 309 893	1 006 066
Operating income		**28 220 657**	**33 830 338**
Loan impairment charge	9	(10 335 714)	(20 841 815)
Other impairment charge	30	(82 578)	(93 531)
Net loss on revaluation of property	14	(68 021)	(457 918)
General and administrative expenses	31	(14 854 862)	(13 062 679)
		(25 341 175)	**(34 455 943)**
Profit/(loss) before tax		**2 879 482**	**(625 605)**
Income tax expense	32	(402 333)	(248)
Profit/(loss) after tax		**2 477 149**	**(625 853)**
Profit/(loss) attributable to:			
Owners of the parent		2 477 149	(625 853)

The consolidated income statement is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

(expressed in thousands of Russian Roubles – refer to note 2)

	Notes	2010	2009
Profit/(loss) after tax		**2 477 149**	**(625 853)**
Other comprehensive income			
Revaluation of property	14	454 156	(1 025 030)
Income tax related to revaluation of property		(90 831)	205 006
Revaluation of investments available for sale		(100 488)	83 503
Income tax related to revaluation of investments available for sale		20 098	(16 702)
Other comprehensive income/(loss), net of tax		**282 935**	**(753 223)**
Total comprehensive income/(loss)		**2 760 084**	**(1 379 076)**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		2 760 084	(1 386 139)
Non-controlling interest		-	7 063

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

(expressed in thousands of Russian Roubles – refer to note 2)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		44 144 863	44 473 551
Fees and commission received		7 706 584	6 913 901
Interest paid		(25 630 390)	(29 201 950)
Fee and commission paid		(1 462 494)	(1 479 007)
Net (payments)/ receipts from financial instruments at fair value through profit or loss		(698 628)	386 230
Net payments from foreign exchange transactions		(978 519)	(246 298)
Other income received		1 158 445	1 008 358
General and administrative expenses paid		(13 229 753)	(12 636 205)
		11 010 108	**9 218 580**
Decrease/(Increase) in operating assets			
Obligatory reserves with central banks		133 837	(2 157 588)
Placements with banks and other financial institutions		(8 118 293)	(2 688 024)
Financial assets at fair value through profit or loss		(4 118 300)	(27 635 262)
Amounts receivable under reverse repurchase agreements		(5 869 384)	(5 504 956)
Loans to customers		(54 644 128)	31 858 934
Other assets		(608 466)	(147 960)
Increase/(decrease) in operating liabilities			
Financial liabilities at fair value through profit or loss		1 144 126	358 461
Deposits and balances from banks and other financial institutions		(2 277 723)	(50 920 850)
Amounts payable under repurchase agreements		2 728 643	(792 440)
Current accounts and deposits from customers		9 566 249	57 040 884
Promissory notes and certificates of deposit		(1 006)	8 617 354
Other liabilities		23 162	(58 136)
Net cash (used in)/from operating activities before income taxe		**(51 031 175)**	**17 188 997**
Income tax paid		(1 172 907)	(261 880)
Cash flows/(used in) from operations		**(52 204 082)**	**16 927 117**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of NCI and subsidiaries, net of cash acquired	44	(1 548 666)	(624 038)
Disposal of investments available for sale		63 635	239 086
Purchases of investments available for sale		(2 329 214)	(31 845)
Purchases of investments held to maturity		(1 491 850)	(1 490 779)
Redemption of investments held to maturity		4 785 931	2 951 181
Purchases of property and equipment		(3 308 867)	(4 349 348)
Disposals of property and equipment		238 639	57 974
Purchases of assets held for sale		(3 344 764)	(2 600 001)
Cash flows used in investing activities		**(6 935 156)**	**(5 847 770)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of senior loan participation notes and domestic bonds		7 366 076	10 494 962
Repayment of senior loan participation notes and domestic bonds		(18 214 245)	(15 179 518)
Repayment of other borrowed funds		(10 437 489)	(15 514 855)
Proceeds from other borrowed funds		9 669 025	3 592 575
Repayment of subordinated borrowings		(2 379 696)	(1 217 756)
Proceeds from subordinated borrowings		6 048 840	5 775 020
Proceeds from issuance of share capital		5 431 906	-
Cash flows used in financing activities		**(2 515 583)**	**(12 049 572)**
Net decrease in cash and cash equivalents		**(61 654 821)**	**(970 225)**
Effect of changes in exchange rates on cash and cash equivalents		(1 485 578)	3 569 663
Cash and cash equivalents at the beginning of the year	4	108 322 648	105 723 210
Cash and cash equivalents at the end of the year	4	**45 182 249**	**108 322 648**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

(expressed in thousands of Russian Roubles – refer to note 2)

	Attributable to owners of the parent								
	Share capital	Share premium	Additional paid-in-capital	Revaluation reserve for property	Revaluation reserve for investments available for sale	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2009	**10 062 544**	**13 319 695**	**1 167 515**	**3 192 346**	**(66 641)**	**11 773 411**	**39 448 870**	**525 714**	**39 974 584**
Total comprehensive loss/(income)	-	-	-	(827 087)	66 801	(625 853)	(1 386 139)	7 063	(1 379 076)
Acquisition of subsidiary (note 44)	-	-	-	-	-	(8 253)	(8 253)	-	(8 253)
Purchase of non-controlling interest of subsidiaries	-	-	-	-	-	-	-	(390 792)	(390 792)
Sale of non-controlling interest of subsidiary	-	-	(111 413)	(11 352)	-	8 327	(114 438)	123 356	8 918
Balance at 1 January 2010	**10 062 544**	**13 319 695**	**1 056 102**	**2 353 907**	**160**	**11 147 632**	**37 940 040**	**265 341**	**38 205 381**
Total comprehensive income/(loss)	-	-	-	363 325	(80 390)	2 477 149	2 760 084	-	2 760 084
Share issue	1 448 508	3 983 398	-	-	-	-	5 431 906	-	5 431 906
Purchase of non-controlling interest of subsidiary	-	-	(974 183)	-	-	(382 614)	(1 356 797)	(265 341)	(1 622 138)
Balance at 31 December 2010	**11 511 052**	**17 303 093**	**81 919**	**2 717 232**	**(80 230)**	**13 242 167**	**44 775 233**	**-**	**44 775 233**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

(expressed in thousands of Russian Roubles – refer to note 2)

1 Background

Principal activities

Promsvyazbank Group (the "Group" or "Promsvyazbank") consists of various legal entities formed under the laws of the Russian Federation (the "RF") and other countries (Refer to note 2 for the list of subsidiaries). OAO Promsvyazbank (the "Bank"), which is the parent company of the Group, was initially established in the Russian Federation as a limited liability company converting subsequently to a closed joint-stock company in July 2001 and finally to an open joint-stock company in September 2007. The Bank was granted a banking license for operations in roubles on 12 May 1995. The Bank's operations were expanded to include transactions with all types of foreign currencies and transactions with individuals in foreign currencies on 30 December 1996 and 31 December 1997, respectively.

The activities of the Bank are regulated by the Central Bank of the Russian Federation (the "CBR"). The Bank holds a full (general) banking license from the CBR and is also authorised by the CBR to trade in precious metals. In October 2004, the CBR accepted the Bank into the state deposit insurance system. In addition, the Group holds licenses from the Federal Service for Financial Markets (the ''FSFM'') to act as a broker, dealer, custodian and a securities manager in the Russian securities market. The Group also holds a license from the FSFM as a commodities exchange broker to trade futures and options.

The Group's principal activities are currently in commercial banking. These activities consist of corporate, small and medium entities ("SME") and retail banking. Corporate banking includes deposit taking and lending to corporate borrowers, factoring, settlements, cash operations, documentary transactions. Corporate banking services also include trade and project finance. SME banking includes deposit taking and lending to small and medium entities, settlements and cash operations. Retail banking includes deposit taking and retail lending, money transfer and banking card services, foreign exchange and cash operations with individuals, asset management.

The Group also offers investment banking services, including corporate finance, debt and equity capital markets, brokerage, repo transactions and securities trading, foreign exchange, precious metals and banknote operations.

The table below summarises information about the branch network.

	2010	**2009**
Branches	47	49
Full-service sub-branches	130	114
Retail and SME sub-branches	72	72
Representative offices	4	4
Total number of offices	**253**	**239**

As at 31 December 2010 the Bank operated 46 branches (2009: 48 branches) located within the Russian Federation and a branch located in Limassol (Cyprus). As at 31 December 2010 representative offices are located in the Russian Federation, China, India and Ukraine.

The Bank's head office is registered at the following address: 109052, Smirnovskaya 10, Moscow, Russian Federation.

Alexander Levkovskiy resigned his position of President and Chairman of the Management Board of the Group on 3 September 2010. Artem Konstandian, First Vice-president of the Group was appointed as President and Chairman of the Management Board of the Group. Appointment was approved by the Board of Directors and CBR.

(expressed in thousands of Russian Roubles – refer to note 2)

Shareholders as at 31 December 2010 and 2009

	2010	2009
*Promsvyaz Capital B. V.**	72.93%	84.68%
Commerzbank Auslandsbanken Holding AG	15.32%	15.32%
European Bank for Reconstruction and Development	11.75%	-
	100.00%	**100.00%**

***** **-** Promsvyaz Capital B. V. (Netherlands) is owned by Peters International N. V. (Netherlands). Mr D. N. Ananyev and Mr A. N. Ananyev each beneficially own 50% of Peters International N.V.

These consolidated financial statements were authorized for issue on 15 March 2011 by the Management Board. The entity's management have the power to amend the financial statements after issue.

Russian business environment

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The 2008 global financial crisis followed by a considerable decline of global commodity prices has had a severe effect on the Russian economy, but the timely adoption of sufficient stimulus package by the Government helped the economy to return back to growth already in 2009. The steps taken by the Russian Government were aimed at stimulation of internal demand in the economy and helping the systemically important industries to overcome the consequences of the global economic crisis, whilst keeping the currently moderate budget deficit under control. The national reserve fund that's been formed by the excessive oil revenues during the buoyant times and is being replenished now, helps the Russian economy to overcome the difficulties during the crisis times. Albeit Russia remains dependent upon global commodity prices, considerable efforts are being taken by the government to diversify and modernize the economy.

The banking system is still experiencing the effects of the crisis and has not fully recovered. Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. The amount of provision for impaired loans is based on management's appraisals of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Some borrowers of the Group were adversely affected by the financial and economic environment, which in turn has had an impact on their ability to repay the amounts owed. However, improved international raw material prices in 2010 as well as increased demand and purchasing power, and business recovery led to increased sales and consequently increased revenues of the borrowers from certain sectors of the economy.

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

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

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

2 Basis of preparation

Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available for sale investments for which fair value can be reliably measured are stated at fair value, and buildings are revalued periodically.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”). The functional currency for each group company is determined as the currency of the primary economic environment in which the company operates. Management determined the RUB as the functional currency for the Bank, group companies domiciled in the Russian Federation and group companies domiciled outside of the Russian Federation, because it reflects the economic substance of the underlying events and circumstances. The RUB is also the presentation currency for the purpose of these consolidated financial statements.

Financial information presented in RUB is rounded to the nearest thousand.

(expressed in thousands of Russian Roubles – refer to note 2)

Consolidated companies

The consolidated financial statements include the following principal subsidiaries of the Bank:

Name	Country of Incorporation	Main Activity	Consolidated as at 31 December 2010, %	Consolidated as at 31 December 2009, %
PSB Finance S.A.	Luxembourg	Financial Activity	100%	100%
OOO “UK Promsvyaz”	Russian Federation	Financial Activity	100%	100%
OOO “Open Leasing Company”	Russian Federation	Leasing	100%	100%
OOO “Promsvyazfactoring”	Russian Federation	Factoring	100%	100%
OOO “Saint-Petersburg International Banking Conference”	Russian Federation	Services	100%	-
Promsvyaz Finance PLC	Ireland	Financial Activity	-	100%
OAO “Volgoprombank”	Russian Federation	Banking Activity	-	100%
OAO “Nizhny Novgorod Bank”	Russian Federation	Banking Activity	-	100%
OAO “Yarsotsbank”	Russian Federation	Banking Activity	-	61.9%

Promsvyaz Finance PLC and *PSB Finance S.A.* are special purpose entities established to facilitate issues of debt securities (refer to notes 19 and 23). The entities are not owned by the Group and the control arises through the predetermination of the entities’ activities.

OOO “UK Promsvyaz”

The principal activity of OOO “UK Promsvyaz” is asset management. The Group directly controls 100% of this entity.

OOO “Open Leasing Company” was established by the Group in July 2007. The Group controls 100% of OOO “Open Leasing Company”.

OOO “Promsvyazfactoring”

In December 2009 the Group acquired control over OOO “Promsvyazfactoring” (OOO “PSF”) through an option agreement dated 31 December 2009 with its owner which is a related party of the Group’s shareholders. Under the terms of this agreement the Group has the unconditional right to buy 100% of the share capital in OOO “PSF” for cash of RUB 5 500 thousand for a period of 5 years starting from the date of the option agreement (refer to note 44).

OOO “Saint-Petersburg International Banking Conference” was established by the Group in December 2010. The Group controls 100% of OOO “Saint-Petersburg International Banking Conference”.

OAO “Yarsotsbank”

At the end of December 2008 the Group purchased 51.3% of the share capital of OAO “Yarsotsbank” from third parties. The acquisition was made to assist in the stabilization of the banking sector in Russia and to expand the Group’s regional network. During the year ended 31 December 2009 the Group purchased an additional 10.6% of the share capital of OAO “Yarsotsbank” from third parties. During the year ended 31 December 2010 the Group purchased from the third parties 38.1% of the share capital of OAO “Yarsotsbank”. In November 2010 the Group was reorganized and OAO “Yarsotsbank” was merged with OAO “Promsvyazbank”.

OAO “Volgoprombank”

The Group obtained control over OAO “Volgoprombank” on 23 June 2008 through the signing a call option with Promsvyaz Capital B.V. (parent company of the Bank). This call option gave the Bank the right to acquire 95.5% of the share in OAO “Volgoprombank” from 23 June 2008 for a year. Also, from this date more than half of the members of the Board of Directors of OAO “Volgoprombank” were nominated by the Bank. In April 2009 Promsvyaz Capital B.V. sold 9.8% of OAO “Volgoprombank” shares to third parties. The conditions of the option agreement were amended accordingly and furthermore the option period prolonged until the end of 2010. In September 2009 the Group acquired from third parties 14.3% of the share capital in OAO “Volgoprombank” in addition to the 85.7% share held under the option agreement. On 11 February 2010 the Group exercised the option and in May 2010 the Group was reorganized and OAO “Volgoprombank” was merged with OAO “Promsvyazbank”.

OAO “Nizhny Novgorod Bank”

At the end of December 2008 the Group purchased 85.1% of the share capital of OAO “Nizhny Novgorod Bank” from third parties. The acquisition was made to assist in the stabilization of the banking sector in Russia and to expand the Group’s regional network. In June 2009 the Group purchased an additional 14.1% of the share capital of OAO “Nizhny Novgorod Bank” and in August 2009 the Group purchased the remaining 0.8% share. In May 2010 the Group was reorganized and OAO “Nizhny Novgorod Bank” was merged with OAO “Promsvyazbank”.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors, that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments that have the most significant effect on the amounts recognised in these consolidated financial statements include:

- Loan impairment estimates and accrual on recoverable amount - note 9;
- Building revaluation estimates - note 14;
- Deferred tax assets – note 22.

The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realized.

3 Significant accounting policies

The following significant accounting policies are applied in the preparation of the consolidated financial statements. The accounting policies are consistently applied. Changes in accounting policies are described at the end of this note.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Special purpose entities

The Group has established a number of special purpose entities ("SPE") to facilitate the Group's issue of debt securities. The Group does not have any direct or indirect shareholdings in these entities and control arises through the predetermination of the entities' activities.

Acquisitions and disposals of subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquire is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

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

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

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

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of profit or loss on the date of disposal.

For a business combination involving an entity or business under common control, all assets and liabilities of the subsidiary are measured at the carrying values recorded in the stand-alone financial statements of the subsidiary. The difference between the carrying value of the acquired share in net assets of the subsidiary and the cost of acquisition are recorded directly in equity attributable to the owners of the parent.

These consolidated financial statements were prepared using the predecessor accounting method in case the transaction is executed with related party. Under this method, the comparative balances of the Group as at 31 December 2010 and 2009 were prepared by adding assets and liabilities of consolidated companies (refer to note 2) to the assets and liabilities of the Bank and eliminating the intercompany balances. Comparatives in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement on cash flows of the Group were prepared based on balances reported by the Bank in its financial statements as at 31 December 2010 and 2009 prepared in accordance with IFRS, by adding amounts reported in the income statement, statement of comprehensive income, after elimination of intercompany balances. Any difference between the carrying amount of net assets and the consideration for acquisition is accounted for in these consolidated financial statements as an adjustment to retained earnings within equity. The consolidation of consolidated companies basically affected the amount of the premises and equipment recorded on the consolidated statement of the financial position.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained. Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

(expressed in thousands of Russian Roubles – refer to note 2)

Non-controlling interest

Non-controlling interest is that part of the profit or loss and net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent company.

Non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to owners of the parent company. Non-controlling interest in the profit or loss is separately disclosed in the consolidated income statement.

Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in profit or loss.

	31 December 2010	**31 December 2009**
RUB / 1 USD	30.4769	30.2442
RUB / 1 EUR	40.3331	43.3883

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation have been made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Group considers cash and nostro accounts with the CBR, as well as nostro accounts and placements with banks and other financial institutions with an original maturity less than one month to be cash and cash equivalents. The minimum reserve deposits with central banks are not considered to be a cash equivalent due to restrictions on their withdrawability.

Financial instruments

Classification

Financial instruments at fair value through profit or loss held for trading are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

- a derivative (except for a derivative that is a designated and effective hedging instrument); or,

- upon initial recognition, designated by the entity as at fair value through the profit or loss.

The Group also designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Group intends to sell immediately or in the near term;

- the Group upon initial recognition designates as at fair value through profit or loss;

- the Group upon initial recognition designates as available for sale; or

- the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Held to maturity investments are 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, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss;

- the Group designates as available for sale; or

- meet the definition of loans and receivables.

Available for sale assets are those financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

The Group analyzes financial instruments by designation of rating agency. If major rating agencies have different ratings for the same issuer, the securities of the issuer are reported using the lower rating. The following table presents rating classification based on international long-term credit ratings:

Classification	Standard & Poor's	Moody's	Fitch
Rated AAA	AAA	Aaa1	AAA
Rated from AA- to AA+	AA+	Aa1	AA+
Rated from AA- to AA+	AA	Aa2	AA
Rated from AA- to AA+	AA-	Aa3	AA-
Rated A- to A+	A+	A1	A+
Rated A- to A+	A	A2	A
Rated A- to A+	A-	A3	A-
Rated from BBB- to BBB+	BBB+	Baa1	BBB+
Rated from BBB- to BBB+	BBB	Baa2	BBB
Rated from BBB- to BBB+	BBB-	Baa3	BBB-
Rated from BB- to BB+	BB+	Ba1	BB+
Rated from BB- to BB+	BB	Ba2	BB
Rated from BB- to BB+	BB-	Ba3	BB-
Rated from B- to B+	B+	B1	B+
Rated from B- to B+	B	B2	B
Rated from B- to B+	B-	B3	B-
Rated below B-	CCC+	Caa1	CCC+
Rated below B-	CCC	Caa2	CCC
Rated below B-	CCC-	Caa3	CCC-
Rated below B-	CC	Ca	CC
Rated below B-	C	C	C
Rated below B-	SD	-	SD
Rated below B-	D	-	D

Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

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

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;

- held to maturity investments which are measured at amortised cost using the effective interest method; and

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;

- a gain or loss on an available for sale financial asset is recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest income on available for sale debt securities is recognised as earned in profit or loss and calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortization process.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Spot and derivative financial instruments

Derivative financial instruments include swaps, forward transactions in foreign exchange and precious metals.

Spot and derivative financial instruments are initially recognised at fair value on the date on which a spot or derivative contract is entered into and are subsequently remeasured at fair value. All spot and derivative financial instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of spot and derivative financial instruments are recognised immediately in profit or loss.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Offsetting

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

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings and land which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Revaluation

Buildings and land are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the buildings and land being revalued. A revaluation increase on a building and land is recognised directly in consolidated statement of comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on an item of buildings and land is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised directly in consolidated statement of comprehensive income, in which case it is recognised directly in consolidated statement of comprehensive income.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Fixtures and fittings	7 years
Office equipment	6 years
Vehicles	5 years
Leasehold improvements	5 years
Computers	4 years
Other	5 years

Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group’s accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment

Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans, other receivables, unquoted promissory notes, placements with banks and other financial institutions, amounts receivable under reverse repurchase agreements and investments held to maturity (“loans and receivables”). The Group reviews its financial assets carried at amortised cost to assess impairment on a regular basis. Financial assets carried at amortised cost are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of financial assets carried at amortised cost and that event (or events) has had an impact on the estimated future cash flows of the asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

In 2010 the Group stopped accruing of the interest income on loans overdue for more than 365 days due to the low probability of those loans recoverability. In 2009 the Group accrued interest income on loans overdue for more than 365 days. The Group continues accruing interest income on loans overdue for more than 180 days but less than 365 days as the Group believes that the recoverability of such loans is probable.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitments are included within other liabilities.

Share capital

Share premium

Share premium represents the excess of consideration received for an issue of the Bank's shares over the nominal value of shares issued.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss, respectively.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Amendments to standards adopted before their effective date

(a) The Group adopted the amendment to IFRS 7, Financial instruments: Disclosures, which was issued in May 2010 as part of the Annual Improvements to International Financial Reporting Standards. The amendment clarifies certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period. Refer to note 9.

New standards and interpretations effective for annual periods on or after 1 January 2010

The following new standards and interpretations became effective for the Group from 1 January 2010:

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

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010.

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

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the Annual Improvements to International Financial Reporting Standards, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The amendments did not have a material impact on these consolidated financial statements.

The following new standards and interpretations became effective for annual periods beginning on or after 1 January 2010 which did not have any impact on the financial statements of the Group:

- ***IFRIC 17, Distributions of Non-Cash Assets to Owners*** (effective for annual periods beginning on or after 1 July 2009),
- ***IFRIC 18, Transfers of Assets from Customers*** (effective for annual periods beginning on or after 1 July 2009).
- ***Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment*** (effective for annual periods beginning on or after 1 January 2010).
- ***Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement*** (effective with retrospective application for annual periods beginning on or after 1 July 2009).
- ***IFRS 1, First-time Adoption of International Financial Reporting Standards*** (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009).
- ***Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS*** (effective for annual periods beginning on or after 1 January 2010).

New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2011 or later and which the Group has not early adopted.

Classification of Rights Issues - Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

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

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

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

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

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

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

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment is not expected to have material impact on the Group's consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity (this amendment was early adopted by the Group); IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its consolidated financial statements, except the amendment to IFRS 7 which was early adopted by the Group.

Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The Group does not expect the amendments to have material effect on its consolidated financial statements.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position.

The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes.

The Group does not expect the amendments to have any effect on its consolidated financial statements.

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

(expressed in thousands of Russian Roubles – refer to note 2)

4 Cash and cash equivalents

	2010	**2009**
Cash	12 653 525	9 735 375
Due from the Central Bank of the RF – nostro accounts	12 009 806	27 121 926
Deposits with the Central Bank of the RF	900 074	10 000 000
Placements with banks and other financial institutions with an original maturity less than one month:		
Rated AAA	-	1 814 663
Rated from AA- to AA+	705 151	19 565 699
Rated A- to A+	10 804 942	34 165 625
Rated BBB	2 720 412	1 670 158
Rated from BB- to BB+	154 955	-
Rated from B- to B+	1 354 964	114 072
Not rated	3 878 420	4 135 130
Total cash and cash equivalents	**45 182 249**	**108 322 648**

Maturity, currency and interest rate analyses of cash and cash equivalents are disclosed in notes 34 and 42. Fair value of cash and cash equivalents is disclosed in note 41.

As at 31 December 2010 and 2009 cash equivalents are neither past due nor impaired.

5 Obligatory reserves with central banks

	2010	**2009**
Minimum reserve deposit with the Central Bank of the RF	2 567 026	2 671 991
Minimum reserve deposit with the Central Bank of Cyprus	448 850	477 738
Total obligatory reserves with central banks	**3 015 876**	**3 149 729**

The minimum reserve deposit with the CBR is a mandatory non-interest bearing deposit.

Maturity, currency and interest rate analyses of obligatory reserves with central banks are disclosed in notes 34 and 42. Fair value of obligatory reserves with central banks is disclosed in note 41.

(expressed in thousands of Russian Roubles – refer to note 2)

6 Placements with banks and other financial institutions

	2010	2009
Rated BBB	9 340	1 524
Rated from B- to B+	12 001 028	5 059 987
Not rated	111 664	14 289
Total placements with banks and other financial institutions	**12 122 032**	**5 075 800**

Maturity, currency and interest rate analyses of placements with banks are disclosed in notes 34 and 42. Fair value of placements with banks and other financial institutions is disclosed in note 41.

Concentration of placements with banks and other financial institutions

As at 31 December 2010 and 2009, placements with banks, which individually comprised more than 10% of total placements with banks, are as follows:

	2010	2009
Bank 1	4 436 641	-
Bank 2	3 186 062	4 782 787
Bank 3	2 730 818	-
Bank 4	1 580 153	-
	11 933 674	**4 782 787**

As at 31 December 2010 and 2009 placements with banks and other financial institutions are neither past due nor impaired.

(expressed in thousands of Russian Roubles – refer to note 2)

7 Financial assets at fair value through profit or loss

The following tables present an analysis by rating agency designation of securities. If major rating agencies have different ratings for the same issuer, the securities of the issuer are reported using the lower rating:

	Rated from BBB- to BBB+	Rated from BB- to BB+	Rated from B- to B+	Not rated	Total at 31 December 2010
Unpledged					
Financial assets held for trading					
Debt and other fixed-income instruments					
Corporate bonds	3 180 526	2 913 825	2 567 893	3 051 595	11 713 839
Russian Government Federal bonds (OFZ)	10 812 845	-	-	-	10 812 845
Corporate Eurobonds	4 359 359	1 623 791	899 987	-	6 883 137
Central Bank of the Russian Federation bonds (OBR)	4 717 356	-	-	-	4 717 356
Promissory notes	2 303 991	439 379	1 752 785	89 644	4 585 799
Russian municipal and regional bonds	1 661 500	187 885	407 321	-	2 256 706
Russian municipal and regional Eurobonds	1 363 588	-	-	-	1 363 588
Equity investments					
Corporate shares	-	-	-	9	9
Spot and derivative financial instruments					
Foreign currency and precious metals contracts	-	-	-	122 258	122 258
Designated at fair value through profit or loss					
Corporate shares - listed	-	-	-	262 887	262 887
Total unpledged financial assets at fair value through profit or loss	**28 399 165**	**5 164 880**	**5 627 986**	**3 526 393**	**42 718 424**
Pledged under sale and repurchase agreements					
Financial assets held for trading					
Corporate bonds - listed	1 499 349	-	21	-	1 499 370
Corporate Eurobonds	1 410 237	-	-	-	1 410 237
Russian municipal and regional bonds	376 541	-	-	-	376 541
Total financial assets at fair value through profit or loss pledged under sale and repurchase agreements	**3 286 127**	**-**	**21**	**-**	**3 286 148**
Total financial assets at fair value through profit or loss	**31 685 292**	**5 164 880**	**5 628 007**	**3 526 393**	**46 004 572**

(expressed in thousands of Russian Roubles – refer to note 2)

	Rated from BBB- to BBB+	Rated from BB- to BB+	Rated from B- to B+	Not rated	Total at 31 December 2009
Unpledged					
Financial assets held for trading					
Debt and other fixed-income instruments					
Corporate bonds	5 467 006	1 893 508	2 072 488	3 291 859	12 724 861
Corporate Eurobonds	8 357 960	1 307 899	1 929 214	-	11 595 073
Promissory notes	4 536 007	854 982	1 189 392	4	6 580 385
Russian Government Federal bonds (OFZ)	5 239 011	-	-	-	5 239 011
Russian municipal and regional bonds	3 128 997	98 448	394 056	-	3 621 501
Central Bank of the Russian Federation bonds (OBR)	1 701 823	-	-	-	1 701 823
Russian Federation Eurobonds	6 289	-	-	-	6 289
Equity investments					
Corporate shares	-	-	-	6	6
Spot and derivative financial instruments					
Foreign currency and precious metals contracts	-	-	-	75 288	75 288
Designated at fair value through profit or loss					
Corporate shares - listed	-	-	-	143 796	143 796
Total unpledged financial assets at fair value through profit or loss	**28 437 093**	**4 154 837**	**5 585 150**	**3 510 953**	**41 688 033**
Pledged under sale and repurchase agreements					
Financial assets held for trading					
Corporate bonds - listed	47 835	14 002	-	-	61 837
Russian Government Federal bonds (OFZ)	1 968	-	-	-	1 968
Total financial assets at fair value through profit or loss pledged under sale and repurchase agreements	**49 803**	**14 002**	**-**	**-**	**63 805**
Total financial assets at fair value through profit or loss	**28 486 896**	**4 168 839**	**5 585 150**	**3 510 953**	**41 751 838**

(expressed in thousands of Russian Roubles – refer to note 2)

As at 31 December 2010 and 2009 financial assets at fair value through profit or loss are neither past due nor impaired.

Corporate bonds are securities issued by medium and large Russian companies and banks denominated in Russian Roubles.

Corporate Eurobonds are interest-bearing securities denominated in U.S. Dollars and Euros and issued primarily by large Russian companies.

Promissory notes represent debt securities denominated in Russian Roubles issued by Russian banks and companies.

Russian Government Federal bonds (OFZ) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation.

Russian municipal and regional bonds are interest-bearing securities issued by Russian municipal and regional authorities denominated in Russian Roubles.

Central Bank of the Russian Federation bonds (OBR) are Russian Rouble denominated securities issued by the Central Bank of the Russian Federation.

The following table provides details of debt trading securities as at 31 December 2010:

	Maturity		**Coupon rate per annum**		**Yield to maturity per annum**	
	Earliest	**Latest**	**Mini-mum**	**Maxi-mum**	**Mini-mum**	**Maxi-mum**
Corporate bonds	April 2011	October 2017	6.47%	19.00%	3.89%	53.76%
Corporate Eurobonds	February 2011	November 2025	2.63%	12.00%	1.5%	10.62%
Promissory notes	January 2011	January 2012	-*	-*	5.71%	9.75%
Russian Government Federal bonds (OFZ)	January 2011	February 2036	4.59 %	11.9%	1.69%	8.01%
Russian municipal and regional bonds	June 2011	June 2022	7.00%	15.00%	5.89%	8.52%
Central Bank of the Russian Federation bonds (OBR)	March 2011	March 2011	-*	-*	3.82%	3.82%
Russian municipal and regional eurobonds	October 2011	October 2011	6.45%	6.45%	2.18%	2.18%

* - discount-bearing securities

(expressed in thousands of Russian Roubles – refer to note 2)

The following table provides details of debt trading securities as at 31 December 2009:

	Maturity		Coupon rate per annum		Yield to maturity per annum	
	Earliest	**Latest**	**Mini-mum**	**Maxi-mum**	**Mini-mum**	**Maxi-mum**
Corporate bonds	January 2010	November 2019	7.10%	19.00%	1.60%	17.41%
Corporate Eurobonds	January 2010	June 2035	1.18%	13.50%	1.47%	130.48%
Promissory notes	January 2010	December 2010	-*	-*	0%	38.58%
Russian Government Federal bonds (OFZ)	January 2010	February 2036	5.80 %	12.00%	3.67%	9.16%
Russian municipal and regional bonds	March 2010	September 2016	7.00%	16.00%	6.09%	10.07%
Central Bank of the Russian Federation bonds (OBR)	March 2010	March 2010	-*	-*	7.70%	7.70%
Russian Federation Eurobonds	March 2030	March 2030	7.50%	7.50%	6.47%	6.47%

* - discount-bearing securities

Equity instruments represent ordinary shares issued primarily by large Russian companies.

For information on spot and derivative financial instruments refer to note 36.

Maturity, currency and interest rate analyses of financial assets at fair value through profit or loss are disclosed in notes 34 and 42. The information on related party balances is disclosed in note 43.

8 Amounts receivable under reverse repurchase agreements

The Group purchases financial instruments under agreements to resell them at future dates. The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchase agreements are entered into as a facility to provide funds to banks and customers. As at 31 December 2010 and 2009, amounts lent to banks and customers were as follows:

	2010	**2009**
Amounts receivable from banks and other financial institutions		
Rated BBB	165 330	-
Rated from BB- to BB+	46 622	500 057
Rated from B- to B+	4 156 076	971 488
Not rated	5 739 943	5 293 888
Total amounts receivable from banks and other financial institutions	**10 107 971**	**6 765 433**
Amounts receivable from customers		
Rated from BB- to BB+	329 752	-
Rated from B- to B+	336 333	299 099
Not rated	5 175 790	3 015 769
Total amounts receivable from customers	**5 841 875**	**3 314 868**
Total amounts receivable under reverse repurchase agreements	**15 949 846**	**10 080 301**

As at 31 December 2010 and 2009 amounts receivable under reverse repurchase agreements are neither past due nor impaired.

(expressed in thousands of Russian Roubles – refer to note 2)

Repurchase and reverse repurchase agreements has no terms which limit sale and purchase of the securities pledged as collateral.

Maturity, currency and interest rate analyses of amounts receivable under reverse repurchase agreements are disclosed in notes 34 and 42. Fair value of amounts receivable under reverse repurchase agreements is disclosed in note 41.

Collateral

As of 31 December 2010 and 2009, amounts receivable under reverse repurchase agreements are collateralised by the following securities:

	Fair value 2010	**Fair value 2009**
Russian corporate bonds	7 219 485	5 249 210
Russian Government Federal bonds (OFZ)	3 862 878	2 980 383
Promissory notes issued by Russian banks	3 043 874	805 375
Russian corporate shares	1 864 858	320 760
Russian municipal and regional bonds	1 105 454	1 732 058
Promissory notes issued by Russian companies	418 605	-
	17 515 154	**11 087 786**

9 Loans to customers

	2010	**2009**
Commercial loans		
Loans to corporate clients not involved in international business	223 967 823	183 376 169
Loans to corporate clients involved in international business	36 309 270	31 944 501
Factoring loans	29 102 961	26 845 661
Loans to small and medium enterprises	26 704 789	22 533 997
Total commercial loans	**316 084 843**	**264 700 328**
Loans to individuals		
Consumer loans	18 658 332	22 752 208
Auto loans	8 318 508	11 320 973
Credit cards	2 254 720	3 564 941
Mortgage loans	1 963 008	1 982 384
Loans to VIP clients	1 205 372	253 044
Express-loans	135 393	693 504
Total loans to individuals	**32 535 333**	**40 567 054**
Gross loans to customers	**348 620 176**	**305 267 382**
Impairment allowance	(37 672 533)	(38 845 803)
Net loans to customers	**310 947 643**	**266 421 579**

(expressed in thousands of Russian Roubles – refer to note 2)

Movements in the loan impairment allowance for the years ended 31 December 2010 and 2009 were as follows:

	2010	**2009**
Balance at the beginning of the year	38 845 803	18 510 140
Net charge for the year	10 335 714	20 841 815
Reclassification from promissory notes	277 865	-
Acquisition of subsidiaries	-	117 745
Sale of loans	(8 710 053)	(147 080)
Write-offs	(3 076 796)	(476 817)
Balance at the end of the year	**37 672 533**	**38 845 803**

As at 31 December 2010 interest accrued on impaired loans net of impairment allowance amounts to RUB 6 163 975 thousand (2009: RUB 3 281 712 thousand).

Non-performing loans comprise loans with principal or/and interest overdue by more than 90 days (except for loans to individuals and SME for which partial repayment of overdue principal or/and interest took place during last quarter of the year ended 31 December 2010) and loans restructured as a result of the borrowers' inability to repay. The analysis of non-performing loans as at 31 December by loan groups is presented below:

	2010	**2009**
Loans to corporate clients	20 303 056	23 249 326
Loans to small and medium enterprises	3 704 520	3 028 160
Loans to individuals	8 076 613	11 278 485
Total non-performing loans	**32 084 189**	**37 555 971**

(expressed in thousands of Russian Roubles – refer to note 2)

Credit quality of commercial loan portfolio

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2010:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to corporate clients not involved in international business				
Total loans for which no impairment has been identified	**163 930 593**	**(1 110 656)**	**162 819 937**	**0.68%**
Impaired loans:				
- Impaired, but not overdue	44 757 163	(6 978 401)	37 778 762	15.59%
- Overdue less than 30 days	1 497 096	(1 004 957)	492 139	67.13%
- Overdue 30-89 days	384 186	(58 509)	325 677	15.23%
- Overdue 90-179 days	2 478 067	(1 024 840)	1 453 227	41.36%
- Overdue 180-360 days	1 771 066	(1 070 334)	700 732	60.43%
- Overdue more than 360 days	9 149 652	(6 214 544)	2 935 108	67.92%
Total impaired loans	**60 037 230**	**(16 351 585)**	**43 685 645**	**27.24%**
Total loans to corporate clients not involved in international business	**223 967 823**	**(17 462 241)**	**206 505 582**	**7.80%**
Loans to corporate clients involved in international business				
Total loans for which no impairment has been identified	**30 067 743**	**(206 141)**	**29 861 602**	**0.69%**
Impaired loans:				
- Impaired, but not overdue	4 417 572	(635 427)	3 782 145	14.38%
- Overdue less than 30 days	47 987	(7 414)	40 573	15.45%
- Overdue less than 30-89 days	20 172	(3 026)	17 146	15.00%
- Overdue 90-179 days	587 516	(108 499)	479 017	18.47%
- Overdue 180-360 days	4 468	(652)	3 816	14.59%
- Overdue more than 360 days	1 163 812	(397 292)	766 520	34.14%
Total impaired loans	**6 241 527**	**(1 152 310)**	**5 089 217**	**18.46%**
Total loans to corporate clients involved in international business	**36 309 270**	**(1 358 451)**	**34 950 819**	**3.74%**
Factoring loans				
Total loans for which no impairment has been identified	**22 730 688**	**(133 187)**	**22 597 501**	**0.59%**
Impaired loans:				
- Impaired, but not overdue	1 011 001	(311 277)	699 724	30.79%
- Overdue less than 30 days	115 305	(36 705)	78 600	31.83%
- Overdue 30-89 days	97 492	(37 971)	59 521	38.95%
- Overdue 90-179 days	241 496	(73 101)	168 395	30.27%
- Overdue 180-360 days	1 458 651	(478 082)	980 569	32.78%
- Overdue more than 360 days	3 448 328	(2 974 136)	474 192	86.25%
Total impaired loans	**6 372 273**	**(3 911 272)**	**2 461 001**	**61.38%**
Total factoring loans	**29 102 961**	**(4 044 459)**	**25 058 502**	**13.90%**
Loans to small and medium enterprises				
Total loans for which no impairment has been identified	**21 150 040**	**(47 871)**	**21 102 169**	**0.23%**
Impaired loans:				
- Overdue less than 30 days	306 130	(50 962)	255 168	16.65%
- Overdue 30-89 days	183 099	(123 496)	59 603	67.45%
- Overdue 90-179 days	308 988	(253 500)	55 488	82.04%
- Overdue 180-360 days	698 725	(568 049)	130 676	81.30%
- Overdue more than 360 days	4 057 807	(3 231 152)	826 655	79.63%
Total impaired loans	**5 554 749**	**(4 227 159)**	**1 327 590**	**76.10%**
Total loans to small and medium enterprises	**26 704 789**	**(4 275 030)**	**22 429 759**	**16.01%**
Total commercial loans	**316 084 843**	**(27 140 181)**	**288 944 662**	**8.59%**

(expressed in thousands of Russian Roubles – refer to note 2)

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2009:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to corporate clients not involved in international business				
Total loans for which no impairment has been identified	**137 013 979**	**(2 872 388)**	**134 141 591**	**2.10%**
Impaired loans:				
- Impaired, but not overdue	27 101 631	(2 955 689)	24 145 942	10.91%
- Overdue less than 30 days	2 520 984	(427 913)	2 093 071	16.97%
- Overdue 30-89 days	1 709 995	(750 137)	959 858	43.87%
- Overdue 90-179 days	5 311 534	(2 387 213)	2 924 321	44.94%
- Overdue 180-360 days	3 953 221	(2 660 406)	1 292 815	67.30%
- Overdue more than 360 days	5 764 825	(4 041 577)	1 723 248	70.11%
Total impaired loans	**46 362 190**	**(13 222 935)**	**33 139 255**	**28.52%**
Total loans to corporate clients not involved in international business	**183 376 169**	**(16 095 323)**	**167 280 846**	**8.78%**
Loans to corporate clients involved in international business				
Total loans for which no impairment has been identified	**25 608 857**	**(561 859)**	**25 046 998**	**2.19%**
Impaired loans:				
- Impaired, but not overdue	4 059 891	(410 267)	3 649 624	10.11%
- Overdue less than 30 days	52 870	(5 181)	47 689	9.80%
- Overdue less than 30-89 days	112 869	(43 509)	69 360	38.55%
- Overdue 90-179 days	1 502 227	(582 254)	919 973	38.76%
- Overdue 180-360 days	231 689	(28 750)	202 939	12.41%
- Overdue more than 360 days	376 098	(329 252)	46 846	87.54%
Total impaired loans	**6 335 644**	**(1 399 213)**	**4 936 431**	**22.08%**
Total loans to corporate clients involved in international business	**31 944 501**	**(1 961 072)**	**29 983 429**	**6.14%**
Factoring loans				
Total loans for which no impairment has been identified	**19 081 324**	**(986 309)**	**18 095 015**	**5.17%**
Impaired loans:				
- Impaired, but not overdue	2 105 490	(269 231)	1 836 259	12.79%
- Overdue less than 30 days	136 584	(55 078)	81 506	40.33%
- Overdue 30-89 days	268 711	(87 016)	181 695	32.38%
- Overdue 90-179 days	637 575	(410 110)	227 465	64.32%
- Overdue 180-360 days	2 187 967	(1 812 662)	375 305	82.85%
- Overdue more than 360 days	2 428 010	(2 039 068)	388 942	83.98%
Total impaired loans	**7 764 337**	**(4 673 165)**	**3 091 172**	**60.19%**
Total factoring loans	**26 845 661**	**(5 659 474)**	**21 186 187**	**21.08%**
Loans to small and medium enterprises				
Total loans for which no impairment has been identified	**18 069 355**	**(313 541)**	**17 755 814**	**1.74%**
Impaired loans:				
- Overdue less than 30 days	163 905	(31 416)	132 489	19.17%
- Overdue 30-89 days	444 958	(316 546)	128 412	71.14%
- Overdue 90-179 days	860 091	(774 073)	86 018	90.00%
- Overdue 180-360 days	1 643 872	(1 459 717)	184 155	88.80%
- Overdue more than 360 days	1 351 816	(1 183 781)	168 035	87.57%
Total impaired loans	**4 464 642**	**(3 765 533)**	**699 109**	**84.34%**
Total loans to small and medium enterprises	**22 533 997**	**(4 079 074)**	**18 454 923**	**18.10%**
Total commercial loans	**264 700 328**	**(27 794 943)**	**236 905 385**	**10.50%**

(expressed in thousands of Russian Roubles – refer to note 2)

As at 31 December 2010 and 2009 there are no loans to customers which are past due but not impaired.

The credit quality of loans for which no impairment has been identified is not homogeneous due to the variety of industry risks and financial conditions associated with the borrowers.

The Group estimates loan impairment for the commercial loan portfolio for which no individual impairment triggers has been identified based on the past loss experience and factoring in the current economic conditions.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows the Group would receive on loans granted differs by plus/minus one percent, the loan impairment on corporate loans as of 31 December 2010 would be RUB 2 889 447 thousand lower/higher (2009: RUB 2 367 691 thousand).

Analysis of collateral

There is a special Collateral Department which is responsible for managing all types of collateral accepted by the Group for the commercial loan portfolio. The policies and procedures for valuing and managing collateral comprise two stages.

The first stage is related to the decision-making process about the granting of a loan or acquisition of a financial asset, which are subject to credit risk. At this stage, the Collateral Department performs an examination of proposed collateral, which includes preparation of a package of documents related to collateral, physical inspection of collateral, verification of any encumbrances, assessment of fair value of collateral and forecasting of possible changes in the fair value of collateral.

The second stage is related to monitoring and managing of collateral that has already been accepted by the Group. This stage includes regular monitoring of the collateral and reassessment of its fair value.

The table below summarizes the amount of impaired commercial loans analysed by type of collateral, rather than the fair value of the collateral itself:

	2010	**2009**
Loans collateralized by pledge of real estate	17 720 859	20 949 250
Loans collateralized by pledge of inventories	455 402	769 554
Loans collateralized by pledge of equipment	1 812 746	2 393 275
Loans collateralized by cash or promissory notes of the Group	5 425	30 500
Unsecured loans and loans collateralized by guarantees	58 211 347	40 785 875
	78 205 779	64 928 454
Less: allowance for impairment losses	(25 642 326)	(23 060 846)
Total impaired commercial loans	**52 563 453**	**41 867 608**

As at 31 December 2010 the amount of allowance for impairment losses for commercial loans if collateral was not taken into account would have been higher by RUB 3 346 935 thousand.

(expressed in thousands of Russian Roubles – refer to note 2)

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2010 are as follows:

	Loans to corporate clients not involved in international business	Loans to corporate clients involved in international business	Factoring loans	Loans to small and medium enterprises	Total
Loan impairment allowance as at 1 January	**16 095 323**	**1 961 072**	**5 659 474**	**4 079 074**	**27 794 943**
Loan impairment charge	5 971 331	(602 621)	193 999	368 532	5 931 241
Reclassification of bonds	277 865	-	-	-	277 865
Sale of loans	(3 663 487)	-	(58 404)	(85 526)	(3 807 417)
Loans written off as uncollectible	(1 218 791)	-	(1 750 610)	(87 050)	(3 056 451)
Loan impairment allowance as at 31 December	**17 462 241**	**1 358 451**	**4 044 459**	**4 275 030**	**27 140 181**

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2009 are as follows:

	Loans to corporate clients not involved in international business	Loans to corporate clients involved in international business	Factoring loans	Loans to small and medium enterprises	Total
Loan impairment allowance as at 1 January	**7 146 722**	**1 675 497**	**2 096 005**	**1 383 214**	**12 301 438**
Loan impairment charge	9 267 600	510 157	3 460 526	2 760 987	15 999 270
Acquisition of subsidiaries	-	-	117 745	-	117 745
Sale of loans	(252 235)	(224 582)	-	-	(476 817)
Loans written off as uncollectible	(66 764)	-	(14 802)	(65 127)	(146 693)
Loan impairment allowance as at 31 December	**16 095 323**	**1 961 072**	**5 659 474**	**4 079 074**	**27 794 943**

(expressed in thousands of Russian Roubles – refer to note 2)

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2010:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Consumer loans				
- Not past due	10 728 543	(13 072)	10 715 471	0.12%
- Overdue less than 30 days	391 568	(13 048)	378 520	3.33%
- Overdue 30-89 days	365 838	(40 397)	325 441	11.04%
- Overdue 90-179 days	577 818	(113 542)	464 276	19.65%
- Overdue 180-360 days	980 764	(479 502)	501 262	48.89%
- Overdue more than 360 days	5 613 801	(5 508 817)	104 984	98.13%
Total consumer loans	**18 658 332**	**(6 168 378)**	**12 489 954**	**33.06%**
Auto loans				
- Not past due	3 682 752	(3 046)	3 679 706	0.08%
- Overdue less than 30 days	229 513	(4 571)	224 942	1.99%
- Overdue 30-89 days	203 320	(13 370)	189 950	6.58%
- Overdue 90-179 days	343 464	(48 249)	295 215	14.05%
- Overdue 180-360 days	387 658	(160 212)	227 446	41.33%
- Overdue more than 360 days	3 471 801	(3 419 940)	51 861	98.51%
Total auto loans	**8 318 508**	**(3 649 388)**	**4 669 120**	**43.87%**
Credit cards				
- Not past due	1 529 517	(5 965)	1 523 552	0.39%
- Overdue less than 30 days	65 065	(3 771)	61 294	5.80%
- Overdue 30-89 days	42 656	(9 744)	32 912	22.84%
- Overdue 90-179 days	46 485	(15 269)	31 216	32.85%
- Overdue 180-360 days	140 506	(89 208)	51 298	63.49%
- Overdue more than 360 days	430 491	(415 537)	14 954	96.53%
Total credit cards	**2 254 720**	**(539 494)**	**1 715 226**	**23.93%**
Mortgage loans				
- Not past due	1 495 068	(141)	1 494 927	0.01%
- Overdue less than 30 days	46 549	(156)	46 393	0.34%
- Overdue 30-89 days	41 751	(1 196)	40 555	2.86%
- Overdue 90-179 days	19 925	(1 249)	18 676	6.27%
- Overdue 180-360 days	44 057	(3 165)	40 892	7.18%
- Overdue more than 360 days	315 658	(43 024)	272 634	13.63%
Total mortgage loans	**1 963 008**	**(48 931)**	**1 914 077**	**2.49%**
Express-loans				
- Not past due	8 031	(11)	8 020	0.14%
- Overdue less than 30 days	1 160	(25)	1 135	2.16%
- Overdue 30-89 days	1 310	(67)	1 243	5.11%
- Overdue 90-179 days	1 386	(277)	1 109	19.99%
- Overdue 180-360 days	4 591	(3 219)	1 372	70.12%
- Overdue more than 360 days	118 915	(117 304)	1 611	98.65%
Total express-loans	**135 393**	**(120 903)**	**14 490**	**89.30%**
Loans to VIP clients				
- Not past due	1 199 555	(1 476)	1 198 079	0.12%
- Overdue less than 30 days	938	(39)	899	4.16%
- Overdue 30-89 days	31	(9)	22	29.03%
- Overdue 90-179 days	1 808	(836)	972	46.24%
- Overdue 180 - 360 days	2 881	(2 740)	141	95.11%
- Overdue more than 360 days	159	(158)	1	99.37%
		-		
Total loans to VIP clients	**1 205 372**	**(5 258)**	**1 200 114**	**0.44%**
Total loans to individuals	32 535 333	(10 532 352)	22 002 981	32.37%

(expressed in thousands of Russian Roubles – refer to note 2)

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2009:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Consumer loans				
- Not past due	13 885 294	(56 555)	13 828 739	0.41%
- Overdue less than 30 days	474 187	(41 601)	432 586	8.77%
- Overdue 30-89 days	649 214	(179 929)	469 285	27.21%
- Overdue 90-179 days	767 246	(410 438)	356 808	53.49%
- Overdue 180-360 days	2 075 014	(1 627 019)	447 995	78.41%
- Overdue more than 360 days	4 901 253	(4 714 150)	187 103	96.18%
Total consumer loans	**22 752 208**	**(7 029 692)**	**15 722 516**	**30.90%**
Auto loans				
- Not past due	7 113 148	(11 240)	7 101 908	0.16%
- Overdue less than 30 days	201 471	(7 195)	194 276	3.57%
- Overdue 30-89 days	255 019	(33 969)	221 050	13.32%
- Overdue 90-179 days	378 809	(100 985)	277 824	26.66%
- Overdue 180-360 days	1 124 027	(539 844)	584 183	48.03%
- Overdue more than 360 days	2 248 499	(1 457 421)	791 078	64.82%
Total auto loans	**11 320 973**	**(2 150 654)**	**9 170 319**	**19.00%**
Credit cards				
- Not past due	1 865 001	(15 548)	1 849 453	0.83%
- Overdue less than 30 days	200 794	(24 683)	176 111	12.29%
- Overdue 30-89 days	179 199	(63 937)	115 262	35.68%
- Overdue 90-179 days	174 631	(107 957)	66 674	61.82%
- Overdue 180-360 days	386 027	(352 615)	33 412	91.34%
- Overdue more than 360 days	759 289	(752 064)	7 225	99.05%
Total credit cards	**3 564 941**	**(1 316 804)**	**2 248 137**	**36.94%**
Mortgage loans				
- Not past due	1 499 778	(14)	1 499 764	0.00%
- Overdue less than 30 days	41 266	(23)	41 243	0.06%
- Overdue 30-89 days	68 511	(102)	68 409	0.15%
- Overdue 90-179 days	64 248	(238)	64 010	0.37%
- Overdue 180-360 days	146 168	(5 271)	140 897	3.61%
- Overdue more than 360 days	162 413	(21 511)	140 902	13.24%
Total mortgage loans	**1 982 384**	**(27 159)**	**1 955 225**	**1.37%**
Express-loans				
- Not past due	125 237	(1 363)	123 874	1.09%
- Overdue less than 30 days	5 352	(816)	4 536	15.25%
- Overdue 30-89 days	8 840	(3 911)	4 929	44.24%
- Overdue 90-179 days	14 449	(9 905)	4 544	68.55%
- Overdue 180-360 days	112 061	(99 096)	12 965	88.43%
- Overdue more than 360 days	427 565	(411 460)	16 105	96.23%
Total express-loans	**693 504**	**(526 551)**	**166 953**	**75.93%**
Loans to VIP clients				
- Not past due	253 044	-	253 044	0.00%
Total loans to VIP clients	**253 044**	**-**	**253 044**	**0.00%**
Total loans to individuals	**40 567 054**	**(11 050 860)**	**29 516 194**	**27.24%**

(expressed in thousands of Russian Roubles – refer to note 2)

The Group estimates loan impairment based on its past historical loss experience on these types of loans. Management estimates losses based on historic loss migration pattern for the past 18 months and adjusts such statistics to reflect the current market environment.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows the Group would receive on loans granted differs by plus/minus one percent, the loan impairment on retail loans as of 31 December 2010 would be RUB 220 030 thousand lower/higher (2009: RUB 296 525 thousand).

Analysis of collateral

Mortgage loans are secured by underlying housing real estate. Auto loans are secured by the underlying car. Credit cards and express loans are not secured.

Management believes that at inception total fair value of collateral received from individuals is higher than amount of loans to individuals portfolios.

As at 31 December 2010 the amount of allowance for impairment losses for loans to individuals if collateral was not taken into account would have been higher by RUB 310 550 thousand.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2010 are as follows:

	Consumer loans	**Auto loans**	**Credit cards**	**Mortgage loans**	**Express-loans**	**Loans to VIP clients**	**Total**
Loan impairment allowance as at 1 January	**7 029 692**	**2 150 654**	**1 316 804**	**27 159**	**526 551**	**-**	**11 050 860**
Loan impairment charge	2 031 426	1 498 734	371 619	21 772	475 664	5 258	4 404 473
Sale of loans	(2 872 395)	-	(1 148 929)	-	(881 312)	-	(4 902 636)
Loans written off as uncollectible	(20 345)	-	-	-	-	-	(20 345)
Loan impairment allowance as at 31 December	**6 168 378**	**3 649 388**	**539 494**	**48 931**	**120 903**	**5 258**	**10 532 352**

(expressed in thousands of Russian Roubles – refer to note 2)

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2009 are as follows:

	Consumer loans	Auto loans	Credit cards	Mortgage loans	Express-loans	Loans to VIP clients	Total
Loan impairment allowance as at 1 January	**3 764 163**	**1 676 876**	**436 634**	**18 852**	**311 427**	**750**	**6 208 702**
Loan impairment charge	3 265 916	473 778	880 170	8 307	215 124	(750)	4 842 545
Loans written off as uncollectible	(387)	-	-	-	-	-	(387)
Loan impairment allowance as at 31 December	**7 029 692**	**2 150 654**	**1 316 804**	**27 159**	**526 551**	**-**	**11 050 860**

(expressed in thousands of Russian Roubles – refer to note 2)

Industry and geographical analysis of the loan portfolio

Loans to customers as at 31 December are issued to customers operating in the following economic sectors:

	2010		2009	
Loans to individuals	32 535 333	9.33%	40 703 314	13.29%
Commercial loans				
Food production and food trade	41 839 408	12.00%	31 520 679	10.33%
Durables trade	29 828 249	8.56%	29 135 308	9.54%
Real estate management	25 268 664	7.25%	21 851 138	7.16%
Other non-food trade	24 625 054	7.06%	16 467 046	5.39%
Metallurgy	17 547 390	5.03%	6 372 755	2.09%
Wood processing	17 003 255	4.88%	14 908 613	4.88%
Finance, leasing and insurance	14 856 701	4.26%	15 246 935	4.99%
Residential real estate construction	14 393 654	4.13%	12 299 301	4.03%
Construction materials	13 636 347	3.91%	10 413 349	3.41%
Transport	11 102 278	3.18%	10 693 542	3.50%
Industrial real estate construction	10 271 321	2.95%	1 532 678	0.50%
Commercial real estate construction	9 848 081	2.82%	11 657 174	3.82%
Car trade	8 873 737	2.55%	7 166 243	2.35%
Services	8 656 766	2.48%	9 485 255	3.11%
Agriculture	7 399 895	2.12%	11 637 177	3.81%
Chemical production	7 209 486	2.07%	6 971 046	2.28%
Information technology	5 765 990	1.65%	9 633 912	3.16%
Pharmaceutical	5 155 879	1.48%	4 176 671	1.37%
Energy	4 810 261	1.38%	1 949 423	0.64%
Machinery	4 660 964	1.34%	7 929 351	2.60%
Luxury industry	3 895 770	1.12%	1 887 922	0.62%
Oil industry	3 494 014	1.00%	1 980 883	0.65%
Telecommunications	3 309 792	0.95%	5 258 964	1.72%
Defence industry	2 913 027	0.84%	1 123 297	0.37%
Media	2 534 753	0.73%	2 341 338	0.77%
State and Local Authorities	2 321 202	0.67%	2 205 077	0.72%
Other	14 862 905	4.26%	8 718 991	2.90%
	348 620 176	**100.00%**	**305 267 382**	**100.00%**
Provision for impairment	(37 672 533)		(38 845 803)	
Total loans to customers	**310 947 643**		**266 421 579**	

(expressed in thousands of Russian Roubles – refer to note 2)

Loans as at 31 December are granted to customers in the following geographical areas:

	2010	2009
Russian Federation		
Moscow and Moscow region	196 671 696	165 554 801
Siberia	44 428 624	41 613 796
Central Chernozem and Central region	31 184 508	30 654 427
Volgo-Viatskiy and Volga region	22 973 265	20 259 448
North-Western and North region	18 687 213	15 958 471
South region	17 715 101	19 889 554
Urals	9 978 456	5 367 093
Far East	6 981 313	5 969 792
	348 620 176	**305 267 382**
Impairment allowance	(37 672 533)	(38 845 803)
Total loans to customers	**310 947 643**	**266 421 579**

Significant credit exposures

As at 31 December 2010 and 2009 the Group had 9 borrowers or groups of related borrowers, whose loan balances exceed 10% of equity. The gross value of exposures as of 31 December 2010 and 2009 are RUB 55 050 227 thousand and RUB 49 360 423 thousand, respectively, or 15.8% and 16.2% of gross loans to customers.

Loan maturities

The maturity of the loan portfolio is presented in note 34, which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans, it is likely that many of the loans to customers will be prolonged on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

Maturity, currency and interest rate analyses of loans to customers are disclosed in notes 34 and 42. The information on related party balances is disclosed in note 43. Fair value of loans to customers is disclosed in note 41.

Net investment in leases

Included within loans to customers as of 31 December 2010 and 2009 are net investment in leases. As of 31 December 2010 and 2009, the gross investment in leases and the related unearned finance income and impairment allowance are as follows:

	2010	2009
Gross investment in leases	1 936 809	1 102 693
Unearned finance income	(512 082)	(443 266)
Net investment in leases	**1 424 727**	**659 427**
Impairment allowance	(24 012)	(27 478)
Net investment in leases less impairment allowance	**1 400 715**	**631 949**

(expressed in thousands of Russian Roubles – refer to note 2)

An analysis of net investment in lease by type of assets is presented below:

	2010	2009
Equipment	823 509	400 130
Transport	598 283	257 174
Other	2 935	2 123
Net investment in leases	**1 424 727**	**659 427**
Impairment allowance	(24 012)	(27 478)
Net investment in leases less impairment allowance	**1 400 715**	**631 949**

The contractual maturity of the net investment in leases as of 31 December 2010 is as follows:

	Gross lease receivable	Unearned income	Impairment allowance	Net investment in leases
Less than one year	1 041 398	(245 543)	(20 431)	775 424
One year to five years	895 411	(266 539)	(3 581)	625 291
	1 936 809	**(512 082)**	**(24 012)**	**1 400 715**

The contractual maturity of the net investment in leases as of 31 December 2009 is as follows:

	Gross lease receivable	Unearned income	Impairment allowance	Net investment in leases
Less than one year	505 447	(223 111)	(9 146)	273 190
One year to five years	597 246	(220 155)	(18 332)	358 759
	1 102 693	**(443 266)**	**(27 478)**	**631 949**

10 Investments available for sale

	2010	2009
Closed unit investment funds		
Land, St.-Petersburg (ownership – 49%)	1 337 700	-
Land and building, Yaroslavl (ownership – 49%)	611 232	-
Corporate bonds of Russian companies (ownership – 48%)	-	29 140
	1 948 932	29 140
Equity investments		
Corporate shares	254 281	5 943
Total investments available for sale	**2 203 213**	**35 083**

At 31 December 2010 closed unit investment fund mainly invests in buildings and other property.

At 31 December 2009 closed unit investment fund mainly invests in corporate bonds that are securities issued by Russian companies denominated in Russian Roubles.

Maturity and currency analyses of investments available for sale are disclosed in note 34. The information on related party balances is disclosed in note 43.

(expressed in thousands of Russian Roubles – refer to note 2)

11 Investments held to maturity

The following table presents an analysis by rating agency designation of debt investments held to maturity as at 31 December. If major rating agencies have different ratings for the same issuer, the securities of the issuer are reported using the lower rating.

	Rated from BBB- to BBB+	Rated from BB- to BB+	Not rated	Impaired	Total at 31 December 2010
Investments held to maturity					
Russian Government Federal bonds (OFZ)	3 516 870	-	-	-	3 516 870
Corporate bonds	-	54 556	272 675	30 108	357 339
Corporate Eurobonds	14 597	42 761	-	35 344	92 702
Total investments held to maturity	**3 531 467**	**97 317**	**272 675**	**65 452**	**3 966 911**

	Rated from BBB- to BBB+	Rated from BB- to BB+	Rated from B- to B+	Not rated	Impaired	Total at 31 December 2009
Investments held to maturity						
Russian Government Federal bonds (OFZ)	5 992 075	-	-	-	-	5 992 075
Corporate bonds	-	108 295	673 691	151 186	145 770	1 078 942
Corporate Eurobonds	28 819	42 401	-	-	62 701	133 921
Total investments held to maturity	**6 020 894**	**150 696**	**673 691**	151 186	**208 471**	**7 204 938**

As at 31 December 2010 and 2009 the Group individually evaluated assets held to maturity for impairment and found that financial instruments with carrying value of RUB 65 453 thousand and RUB 208 471 thousand, respectively, are impaired either due to the significant deterioration in financial position of the issuers indicating their potential inability to fulfill obligation on repayment of principal falling due on the following year. The debt securities are not collateralised.

Movements in the allowance for impairment losses for the years ended 31 December 2010 and 2009 are disclosed in note 30.

(expressed in thousands of Russian Roubles – refer to note 2)

The following table provides details of debt investments held to maturity as at 31 December 2010:

	Maturity		Coupon rate per annum		Yield to maturity per annum	
	Earliest	**Latest**	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Russian Government Federal bonds (OFZ)	May 2011	July 2013	5.80%	6.10%	6.15%	10.93%
Corporate bonds	September 2011	July 2013	8.05%	14.00%	9.04%	14.59%
Corporate Eurobonds	June 2011	March 2017	4.25%	9.25%	(1.71%)	12.6%

The following table provides details of debt investments held to maturity as at 31 December 2009:

	Maturity		Coupon rate per annum		Yield to maturity per annum	
	Earliest	**Latest**	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Russian Government Federal bonds (OFZ)	January 2010	July 2013	5.80%	10.00%	5.52%	10.93%
Corporate bonds	January 2010	June 2012	7.55%	18.00%	9.04%	16.57%
Corporate Eurobonds	March 2010	March 2012	6.13%	13.75%	9.55%	14.14%

Included in investment held to maturity as at 31 December 2010 and 2009 are debt investments with carrying value of RUB 2 339 449 thousand and RUB 5 405 149 thousand, respectively, which were reclassified into this category in July 2008 following amendments to IAS 39.

As at 31 December 2010 and 2009 investments held to maturity are not past due.

Maturity, currency and interest rate analyses of investments held to maturity are disclosed in notes 34 and 42. Fair value of investments held to maturity is disclosed in note 41.

12 Assets held for sale

	2010	**2009**
Office building, Moscow	2 322 717	-
Land, St.-Petersburg region	1 500 000	1 500 000
Office building, Moscow	1 100 001	1 100 001
Land, St.-Petersburg	1 022 047	-
Total assets held for sale	**5 944 765**	**2 600 001**

(expressed in thousands of Russian Roubles – refer to note 2)

During January-February 2011 the Group has signed final agreements with third parties to sell certain items of property acquired in December 2009. The following table shows these item's sale prices according to sale agreement together with their carrying value as of 31 December 2010:

	Carrying value	**Sale Price**
Land, St.-Petersburg region	1 500 000	1 698 740
Office building, Moscow	1 100 001	1 201 120

Assets held for sale are measured at the lower of cost or fair value less costs to sell.

Assets held for sale are included in the International business, investments and financial markets operating segment.

Maturity and currency analyses of assets held for sale are disclosed in note 34. Fair value of assets held for sale is disclosed in note 41.

13 Other assets

	2010	**2009**
Other financial assets:		
Securities lending operations	564 554	429 359
Accrued commission income	145 029	144 048
Commissions on guarantees	33 173	43 509
Plastic card receivables	5 276	38 818
	748 032	**655 734**
Other non-financial assets:		
Advances and prepayments	979 392	619 583
Equipment purchased for leases	285 474	409 476
Lease equipment for sale	259 254	50 255
Value added tax (VAT)	223 613	188 185
Deferred expenses	197 293	160 458
Other	34	16 624
Impairment allowance	(179 314)	-
	1 765 746	**1 444 581**
Total other assets	**2 513 778**	**2 100 315**

Maturity and currency analyses of other financial assets are disclosed in note 34. The information on related party balances is disclosed in note 43. Fair value of other financial assets is disclosed in note 41.

As at 31 December 2010 and 2009 other financial assets are not past due nor impaired.

Movements in the allowance for impairment losses for the years ended 31 December 2010 and 2009 are disclosed in note 30.

(expressed in thousands of Russian Roubles – refer to note 2)

14 Property and equipment

	Buildings and land	Computers and software	Office equipment	Vehicles	Furniture fixtures and fittings	Leasehold improvements	Other	Construction in progress	Total
Cost/Revalued amount									
At 1 January 2010	11 423 166	1 712 235	1 897 308	303 845	311 084	811 343	6 828	9 140 095	25 605 904
Additions and transfers	246 773	261 849	180 259	27 391	27 148	30 989	1 052	3 087 197	3 862 658
Disposals and transfers	(158 198)	(20 511)	(46 224)	(18 404)	(13 347)	(4 564)	(621)	(553 791)	(815 660)
Elimination of accumulated depreciation of revalued assets	(248 829)	-	-	-	-	-	-	-	(248 829)
Revaluation recognized in other comprehensive income	454 156	-	-	-	-	-	-	-	454 156
Revaluation recognized in profit or loss	(68 021)	-	-	-	-	-	-	-	(68 021)
At 31 December 2010	**11 649 047**	**1 953 573**	**2 031 343**	**312 832**	**324 885**	**837 768**	**7 259**	**11 673 501**	**28 790 208**
Depreciation and amortisation									
At 1 January 2010	-	754 262	823 512	165 428	124 412	526 373	3 975	-	2 397 962
Depreciation charge (note 31)	249 691	368 912	295 378	53 330	40 459	110 661	1 190	-	1 119 621
Disposals	(862)	(14 090)	(33 193)	(16 582)	(9 583)	(2 715)	(293)	-	(77 318)
Elimination of accumulated depreciation of revalued assets	(248 829)	-	-	-	-	-	-	-	(248 829)
At 31 December 2010	**-**	**1 109 084**	**1 085 697**	**202 176**	**155 288**	**634 319**	**4 872**	**-**	**3 191 436**
Carrying value at 31 December 2010	**11 649 047**	**844 489**	**945 646**	**110 656**	**169 597**	**203 449**	**2 387**	**11 673 501**	**25 598 772**

(expressed in thousands of Russian Roubles – refer to note 2)

	Buildings and land	Computers and software	Office equipment	Vehicles	Furniture fixtures and fittings	Leasehold improvements	Other	Construction in progress	Total
Cost/Revalued amount									
At 1 January 2009	12 751 260	1 031 295	1 583 180	308 242	273 926	762 172	7 795	6 443 053	23 160 923
Additions and transfers	443 502	702 198	364 189	13 662	49 200	79 276	278	2 897 664	4 549 969
Disposals and transfers	(6 751)	(21 258)	(50 061)	(18 059)	(12 042)	(30 105)	(1 245)	(200 622)	(340 143)
Elimination of accumulated depreciation of revalued assets	(281 897)	-	-	-	-	-	-	-	(281 897)
Revaluation recognized in other comprehensive income	(1 025 030)	-	-	-	-	-	-	-	(1 025 030)
Revaluation recognized in profit or loss	(457 918)	-	-	-	-	-	-	-	(457 918)
At 31 December 2009	**11 423 166**	**1 712 235**	**1 897 308**	**303 845**	**311 084**	**811 343**	**6 828**	**9 140 095**	**25 605 904**
Depreciation and amortisation									
At 1 January 2009	-	520 857	601 014	123 128	94 128	405 136	3 441	-	1 747 704
Depreciation charge (note 31)	282 022	253 495	259 662	57 087	37 912	127 933	1 260	-	1 019 371
Disposals	(125)	(20 090)	(37 164)	(14 787)	(7 628)	(6 696)	(726)	-	(87 216)
Elimination of accumulated depreciation of revalued assets	(281 897)	-	-	-	-	-	-	-	(281 897)
At 31 December 2009	**-**	**754 262**	**823 512**	**165 428**	**124 412**	**526 373**	**3 975**	**-**	**2 397 962**
Carrying value at 31 December 2009	**11 423 166**	**957 973**	**1 073 796**	**138 417**	**186 672**	**284 970**	**2 853**	**9 140 095**	**23 207 942**

(expressed in thousands of Russian Roubles – refer to note 2)

During 2008 and 2010 the Group acquired the investment rights for 29 530 square meters of an office building under construction by a Russian developer. The total amount invested in the construction as at 31 December 2010 is RUB 10 615 690 thousand (2009: RUB 8 244 504 thousand) and the Group has capital commitments in respect of this construction in the amount of USD 8 million (RUB 239 640 thousand) payable in 2011.

At 31 December 2010 and 2009 the following equipment held under finance leases:

	Computers and software	Office equipment	Vehicles	Total
Carrying amount at 31 December 2010	57 546	104 008	73 221	234 775
Carrying amount at 31 December 2009	29 210	78 105	48 937	156 252

Finance lease liabilities are disclosed in note 18.

Revalued assets

Buildings and land were independently valued at 31 December 2010. The valuation was carried out by the independent firm of appraisers. Centr nezavisimoy expertizi OOO “Invest Proect”, which hold recognised and relevant professional qualifications and which have recent experience in valuation of assets of similar location and category.

The appraisals were performed using the market approach, based upon an analysis of the results of comparable sales and/or offer of similar buildings.

The appraisers apply various adjustment factors to market prices of similar buildings to make them comparable with the Groups’ buildings and land. These adjustments could effect the value of the buildings and land. For example, to the extent that adjustments differs by plus/minus ten percent, the building valuation as of 31 December 2010 would be RUB 1 164 905 thousand (2009: RUB 1 142 317 thousand) higher/lower.

The carrying value of land and buildings as of 31 December 2010, if the buildings would not have been revalued, would be RUB 9 315 779 thousand (2009: RUB 9 436 013 thousand).

15 Financial liabilities at fair value through profit or loss

	2010	2009
Trading liabilities	1 502 587	358 461
Spot and derivative financial instruments	90 797	893 764
Total financial liabilities at fair value through profit or loss	**1 593 384**	**1 252 225**

For information on the spot and derivative financial instruments refer to note 36.

Trading liabilities represent short position on Russian Federation Eurobonds.

Maturity and currency analyses of financial liabilities at fair value through profit or loss are disclosed in note 34.

(expressed in thousands of Russian Roubles – refer to note 2)

16 Deposits and balances from banks and other financial institutions

	2010	2009
Term deposits from local banks	17 570 624	1 402 234
Trade finance	16 767 032	13 114 615
Long-term finance	11 085 493	14 768 138
Vostro accounts	7 663 852	8 339 427
Term deposits from foreign banks	6 590 876	21 299 320
Term deposits from the CBR	-	5 856 656
Total deposits and balances from banks and other financial institutions	**59 677 877**	**64 780 390**

Trade finance and long-term finance represent funds to be used in documentary credit transactions. Trade finance is used for financing working capital of clients through documentary letters of credit. Long-term finance is used to finance targeted assets of clients through documentary letters of credit.

Maturity, currency and interest rate analyses of deposits and balances from banks and other financial institutions are disclosed in notes 34 and 42. Fair value of deposits and balances from banks and other financial institutions is disclosed in note 41. Covenants related to the deposits and banks form other financial institutions is disclosed in note 37.

Concentration of deposits and balances from banks and other financial institutions

As of 31 December 2010 the ten largest aggregate balances of deposits and balances from banks and other financial institutions (except for term deposits from the CBR) amount to RUB 28 620 230 thousand or 48% of total deposits and balances from banks and other financial institutions excluding term deposits from the CBR (2009: RUB 29 625 653 thousand or 50.3%).

17 Amounts payable under repurchase agreements

	2010	2009
Amounts payable to banks and other financial institutions	2 386 129	17 659
Amounts payable to customers	403 887	43 038
Total amounts payable under repurchase agreements	**2 790 016**	**60 697**

Maturity, currency and interest rate analyses of amounts payable under repurchase agreements are disclosed in notes 34 and 42. Fair value of amounts payable under repurchase agreements is disclosed in note 41.

Securities pledged

As at 31 December 2010 and 2009, the Group pledged certain securities as collateral under repurchase agreements (refer to note 8).

(expressed in thousands of Russian Roubles – refer to note 2)

18 Current accounts and deposits from customers

	2010	2009
Current accounts and demand deposits		
- Corporate	68 413 408	55 365 566
- Retail	20 854 482	11 029 832
Term deposits		
- Corporate	120 964 334	138 153 403
- Retail	86 814 621	85 000 038
Total current accounts and deposits from customers	**297 046 845**	**289 548 839**

As at 31 December 2010 and 2009 the corporate term deposits include finance lease liabilities in amount of RUB 19 613 thousand and RUB 124 737 thousand, respectively (note 14).

Maturity, currency and interest rate analyses of current accounts and deposits from customers are disclosed in notes 34 and 42. The information on related party balances is disclosed in note 43. Fair value of current accounts and deposits from customers is disclosed in note 41.

Blocked accounts

As at 31 December 2010, the Group maintained customer deposit balances of RUB 3 362 102 thousand (2009: RUB 3 806 545 thousand) that are blocked as collateral for loans and off-balance sheet credit instruments.

Concentrations of current accounts and deposits from customers

As at 31 December 2010 the ten largest aggregate balances of current account and deposits from customers amount to RUB 83 347 660 thousand or 28% of total current accounts and deposits from customers (2009: RUB 92 453 053 thousand or 31.9% of total current accounts and deposits from customers).

Funds were attracted from the customers operating in the following economic sectors as at 31 December:

	2010		2009	
	Amount	%	**Amount**	%
Retail	107 669 103	36.25%	96 029 870	33.17%
Corporate customers				
State and local authorities and public organisations	42 341 936	14.25%	23 417 920	8 09%
Energy and mineral resources	37 402 026	12.59%	44 078 110	15.22%
Finance and investment	31 230 413	10.51%	26 135 255	9.03%
Trade and commerce	24 045 185	8.09%	22 998 156	7.94%
Development and construction	15 194 667	5.12%	26 445 668	9.13%
Transport and other services	11 735 505	3.95%	9 863 415	3.41%
Manufacturing	7 690 356	2.59%	18 934 164	6.54%
Media and telecommunications	6 771 555	2.28%	9 358 854	3.23%
IT and science	4 965 896	1.67%	5 481 419	1.89%
Food production and agriculture	1 437 191	0.48%	828 632	0.29%
Other	6 563 012	2.21%	5 977 376	2.06%
Total current accounts and deposits from customers	**297 046 845**	**100.00%**	**289 548 839**	**100.00%**

(expressed in thousands of Russian Roubles – refer to note 2)

19 Own securities issued

	2010	2009
Promissory notes	20 632 071	20 986 966
Senior loan participation notes	8 650 527	16 423 635
Domestic bonds	2 781 695	6 229 540
Certificates of deposit	63 204	14 571
Total own securities issued	**32 127 497**	**43 654 712**

The Group issued promissory notes at a discount to nominal value and interest bearing promissory notes denominated in Russian Roubles, US dollars and Euros with effective interest rates from 0.2% p.a. to 25.3% p.a. and maturity dates from January 2011 to September 2015.

Senior loan participation notes comprise notes issued through Promsvyaz Finance PLC and PSB Finance S.A. (refer to note 2).

The table below provides a summary of all senior loan participation notes issued as at 31 December:

Special purpose entity used for issue	Issue date	Maturity date	Coupon rate	Commentary	2010	2009
PSB Finance S.A.	October 2006 March 2007	October 2011	8.75%	Non-subordinated	5 414 106	6 360 433
PSB Finance S.A.	July 2008	July 2013	10.75%	Non-subordinated	3 236 421	4 181 394
Promsvyaz Finance PLC	October 2005	October 2010	8.75%	Non-subordinated	-	5 881 808
Total senior loan participation notes					**8 650 527**	**16 423 635**

During the year ended 31 December 2010 the Group purchased from the market senior loan participation notes amounting to USD 154 879 thousand (RUB 4 720 232 thousand). The loss on the repurchase of these senior loan participation notes was RUB 183 862 thousand (refer to note 28).

During the year ended 31 December 2009 the Group purchased from the market senior loan participation notes amounting to USD 204 462 thousand (RUB 6 231 368 thousand). The gain on the repurchase of these senior loan participation notes was RUB 755 417 thousand (refer to note 28).

During the years ended 31 December 2010 and 2009 the Group sold senior loan participation notes amounting to USD 79 650 thousand and USD 172 790 thousand, respectively.

The table below provides a summary of domestic bonds issued as at 31 December:

Issue date	Maturity date	Current coupon rate	2010	2009
May 2007	May 2012	7.75%	1 499 624	4 575 562
June 2008	June 2013	8.25%	1 282 071	1 653 978
Total domestic bonds			**2 781 695**	**6 229 540**

(expressed in thousands of Russian Roubles – refer to note 2)

In May 2010 the Group redeemed at nominal value RUB 4 087 086 thousand of the RUB 4.5 billion issue from holders under a mandatory call offer. Subsequent to this the Group re-issued RUB 1 073 301 thousand of such bonds.

In December 2010 the Group redeemed at nominal value RUB 3 853 202 thousand of the RUB 5 billion issue from holders under a mandatory call offer. Subsequent to this the Group re-issued RUB 3 483 577 thousand of such bonds.

In December 2009 the Group redeemed at nominal value RUB 3 493 867 thousand of the RUB 5 billion issue from holders under a mandatory call offer. Subsequent to this the Group re-issued RUB 1 713 492 thousand of such bonds.

Maturity, currency and interest rate analyses of own securities issued are disclosed in notes 34 and 42. The information on related party balances is disclosed in note 43. Fair value of own securities issued is disclosed in note 41.

20 Other borrowed funds

	2010	2009
Syndicated loans	7 550 513	8 966 992
Other borrowed funds	5 251 682	4 852 418
Total other borrowed funds	**12 802 195**	**13 819 410**

In April 2010 the Group repaid the first tranche of a syndicated loan from the European Bank for Reconstruction and Development amounting to USD 232 000 thousand (RUB 7 237 333 thousand). And in June the Group repaid in advance the remaining part of the syndicated loan.

In June 2010 the Group borrowed USD 250 000 thousand (RUB 7 798 850) as a syndicated loan from the European Bank for Reconstruction and Development.

In November and December 2010 the Group borrowed RUB 1 900 000 thousand from the Russian Bank for Development.

Maturity, currency and interest rate analyses of other borrowed funds are disclosed in notes 34 and 42. Fair value of other borrowed funds is disclosed in note 41. Covenants related to other borrowed funds is disclosed in note 37.

(expressed in thousands of Russian Roubles – refer to note 2)

21 Other liabilities

	2010	2009
Other financial liabilities:		
Financial guarantees	741 458	571 320
Plastic card payables	135 422	75 259
Other accrued liabilities	109 899	61 183
Payables on factoring deals	60 144	49 345
	1 046 923	**757 107**
Other non-financial liabilities:		
Employee compensation payable	1 006 085	371 064
Taxes payable	255 348	329 572
Prepayments and advances received	120 822	187 127
Obligations under option agreements	5 500	83 477
Provision for guarantees and letters of credit issued	4 455	58 501
Liability to purchase leasing equipment	143	9 050
Other	314	5 090
	1 392 667	**1 043 881**
Total other liabilities	**2 439 590**	**1 800 988**

Maturity and currency analyses of other financial liabilities are disclosed in note 34. The information on related party balances is disclosed in note 43. Fair value of financial liabilities is disclosed in note 41.

(expressed in thousands of Russian Roubles – refer to note 2)

22 Deferred tax asset/liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as of 31 December 2010 and 2009.

These deductible temporary differences are listed below at their tax effected accumulated values:

	Assets		Liabilities		Net	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Financial assets at fair value through profit or loss	27 159	216 121	(37 948)	(13 056)	(10 789)	203 065
Amounts receivable under reverse repurchase agreements	-	-	(771)	(713)	(771)	(713)
Loans to customers	1 260 838	480 791	(49 588)	(37 605)	1 211 250	443 186
Investments available for sale	20 057	560		-	20 057	560
Investments held to maturity	13 134	-	-	(6 443)	13 134	(6 443)
Other assets	93 904	31 009	-	(3 722)	93 904	27 287
Property and equipment		-	(422 500)	(538 650)	(422 500)	(538 650)
Financial liabilities at fair value through profit or loss	-	65 906	-	-	-	65 906
Deposits and balances from banks and other financial institutions	-	-	(15 532)	(18 584)	(15 532)	(18 584)
Amounts payable under repurchase agreements	13	-	-	(191)	13	(191)
Own securities issued	-	-	(11 179)	(41 118)	(11 179)	(41 118)
Other borrowed funds	-	-	(25 769)	(39 128)	(25 769)	(39 128)
Other liabilities	193 035	192 116	-	-	193 035	192 116
Subordinated borrowings	-	-	(35 490)	-	(35 490)	-
Net tax asset/(liability)	**1 608 140**	**986 503**	**(598 777)**	**(699 210)**	**1 009 363**	**287 293**
Comprising of:						
Deferred tax asset					**1 065 008**	**600 326**
Deferred tax liability					**(55 645)**	**(313 033)**

(expressed in thousands of Russian Roubles – refer to note 2)

Movement of tax effect in temporary differences during the year ended 31 December 2010:

	Balance as at 1 January 2010	**Recognised in profit or loss**	**Recognised in other comprehen-sive income**	**Balance as at 31 December 2010**
Financial assets at fair value through profit or loss	203 065	(213 854)	-	(10 789)
Amounts receivable under reverse repurchase agreements	(713)	(58)	-	(771)
Loans to customers	443 185	768 065	-	1 211 250
Investments available for sale	560	(601)	20 098	20 057
Investments held to maturity	(6 443)	19 577	-	13 134
Other assets	27 287	66 617	-	93 904
Property and equipment	(538 650)	206 981	(90 831)	(422 500)
Financial liabilities at fair value through profit or loss	65 906	(65 906)	-	-
Deposits and balances from banks and other financial institutions	(18 584)	3 052	-	(15 532)
Amounts payable under repurchase agreements	(191)	204	-	13
Own securities issued	(41 118)	29 939	-	(11 179)
Other borrowed funds	(39 128)	13 359	-	(25 769)
Other liabilities	192 117	918	-	193 035
Subordinated borrowings	-	(35 490)	-	(35 490)
	287 293	**792 803**	**(70 733)**	**1 009 363**

(expressed in thousands of Russian Roubles – refer to note 2)

Movement of tax effect in temporary differences during the year ended 31 December 2009:

	Balance as at 1 January 2009	Recognised in profit or loss	Recognised in other comprehen-sive income	Acquisition of subsidiaries	Balance as at 31 December 2009
Financial assets at fair value through profit or loss	195 397	7 668	-	-	203 065
Amounts receivable under reverse repurchase agreements	(927)	214	-	-	(713)
Loans to customers	(32 065)	468 241	-	7 010	443 186
Investments available for sale	17 251	11	(16 702)	-	560
Investments held to maturity	(38 228)	31 785	-	-	(6 443)
Other assets	66 952	(39 665)	-	-	27 287
Property and equipment	(1 074 475)	330 819	205 006	-	(538 650)
Financial liabilities at fair value through profit or loss	(23 918)	89 824	-	-	65 906
Deposits and balances from banks and other financial institutions	(11 687)	(6 897)	-	-	(18 584)
Amounts payable under repurchase agreements	556	(747)	-	-	(191)
Own securities issued	(37 975)	(3 143)	-	-	(41 118)
Other borrowed funds	(36 358)	(2 770)	-	-	(39 128)
Other liabilities	199 326	(7 210)	-	-	192 116
	(776 151)	**868 130**	**188 304**	**7 010**	**287 293**

23 Subordinated borrowings

	2010	2009
Subordinated loan participation notes	21 817 689	15 286 818
Subordinated loan from European Bank of Reconstruction and Development	-	1 551 047
Subordinated loan from Reserve Invest Limited	-	910 496
Total other borrowed funds	**21 817 689**	**17 748 361**

In July 2010 the Group issued subordinated loan participation notes with a nominal value of USD 200 000 thousand (RUR 6 095 380 thousand) which mature in 2016 and bear interest at 11.25% per annum.

Maturity, currency and interest rate analyses of subordinated borrowings are disclosed in notes 34 and 42. Fair value of subordinated borrowings is disclosed in note 41.

(expressed in thousands of Russian Roubles – refer to note 2)

24 Share capital

Issued capital

	Balance as at 1 January 2010
Number of ordinary shares	899 450 000 000
Nominal amount per share, RUB	0.01
Nominal amount, RUB thousand	8 994 500
Inflation adjusted amount, RUB thousand	10 062 544

On 9 February 2010 the Central Bank of the Russian Federation registered an additional issue of 144 850 846 000 shares with a nominal value of RUB 1 448 508 thousand and a share premium amounting to RUB 3 983 398 thousand. All issued ordinary shares are fully paid.

	Balance as at 31 December 2010
Number of ordinary shares	1 044 300 846 000
Nominal amount per share, RUB	0.01
Nominal amount, RUB thousand	10 443 008
Inflation adjusted amount, RUB thousand	11 511 052

On 16 March 2009 the shareholders decided to split the ordinary shares which have a nominal value of RUB 50 000 each into 5 000 000 ordinary shares with a nominal value of RUB 0.01 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the shareholders.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation in the Russian Federation. In accordance with the legislation of the Russian Federation, as of the reporting date, reserves available for distribution amount to RUB 5 906 410 thousand (2009: RUB 5 657 446 thousand).

25 Net interest income

	2010	2009
Interest income		
Loans to customers	40 651 403	50 401 496
Financial assets at fair value through profit or loss	3 229 142	2 481 705
Placements with banks and other financial institutions and cash and cash equivalents	1 377 981	541 021
Reverse repurchase agreements	719 663	519 270
Investments held to maturity	343 001	656 434
Total interest income	**46 321 190**	**54 599 926**

(expressed in thousands of Russian Roubles – refer to note 2)

	2010	2009
Interest expense		
Current accounts and deposits from customers	16 983 882	16 493 528
Own securities issued	3 283 850	4 264 295
Deposits and balances from banks and other financial institutions	2 489 136	5 394 376
Subordinated borrowings	2 111 376	1 625 715
Other borrowed funds	708 163	884 046
Repurchase agreements	135 606	209 000
Total interest expense	**25 712 013**	**28 870 960**
Net interest income	**20 609 177**	**25 728 966**

26 Fee and commission income

	2010	2009
Commission on documentary operations	2 306 537	2 037 213
Money transfer fees	1 576 281	1 235 835
Commission for servicing plastic cards	1 344 236	1 182 891
Commission for operations with cash	819 649	756 987
Commission on foreign currency operations	775 188	1 019 587
Commission on undrawn loan commitments	212 635	104 115
Investment banking fees	121 584	100 848
Commission on banknote operations	103 311	220 729
Securities trading fees	99 883	137 212
Cash collection fees	90 213	97 541
Agent fees	11 583	48 415
Other	98 880	70 705
Total fee and commission income	**7 559 980**	**7 012 078**

27 Fee and commission expense

	2010	2009
Commission for servicing plastic cards	446 932	309 125
Commission on foreign currency operations	267 120	154 812
Commission on documentary operations	247 780	386 762
Money transfer fees	240 865	236 457
Agent fees	147 221	124 694
Cash collection fees	95 891	71 547
Commission on banknote operations	48 939	94 371
Securities trading fees	25 427	26 725
Other	2 525	2 353
Total fee and commission expense	**1 522 700**	**1 406 846**

(expressed in thousands of Russian Roubles – refer to note 2)

28 Net (loss)/gain on financial instruments at fair value through profit or loss and (loss)/gain on early redemption of senior loan participation notes

	2010	2009
Net (loss)/gain on early redemption of senior loan participation notes (note 19)	(183 862)	755 417
Net (loss)/gain on debt securities - trading	(282 900)	368 436
Net (loss)/gain on equity securities - trading	(21)	19 787
Net gain on equity instruments - designated upon initial recognition as at fair value through profit or loss	119 091	113 140
Net loss on interest rate swaps	(2 461)	(142 598)
Net (loss)/gain on financial instruments at fair value through profit or loss and (loss)/gain on early redemption of senior loan participation notes	**(350 153)**	**1 114 182**

Interest income on debt instruments is included in interest income on financial assets at fair value through profit or loss (refer to note 25).

29 Other income and expense

	2010	2009
Other income:		
Gain from sale of loans to customers	1 215 934	-
Net gain on purchase of interest in subsidiaries	151 448	149 023
Fines and penalties received	41 388	857 516
Dividend income	7 574	1 943
Gain from sale of property	-	13 830
Other income	277 187	223 405
	1 693 531	**1 245 717**
Other expense:		
Contributions under obligatory deposit insurance	(383 638)	(239 651)
Total other income and expense	**1 309 893**	**1 006 066**

(expressed in thousands of Russian Roubles – refer to note 2)

30 Allowance for other impairment losses

The movements in allowance for other impairment losses were as follows:

	Investments available for sale (note 10)	Investments held to maturity (note 11)	Other assets (note 13)	Guarantees (note 37)	Total
31 December 2008	**3 109**	**7 990**	**-**	**74 073**	**85 172**
Other impairment charge	-	109 103	-	(15 572)	93 531
31 December 2009	**3 109**	**117 093**	**-**	**58 501**	**178 703**
Other impairment charge	(3 109)	(88 731)	228 464	(54 046)	82 578
Write-off of assets	-	-	(49 150)	-	(49 150)
31 December 2010	**-**	**28 362**	**179 314**	**4 455**	**212 131**

31 General and administrative expenses

	2010	2009
Employee compensation	8 771 795	7 577 385
Depreciation (note 14)	1 119 621	1 019 371
Occupancy (note 38)	702 831	796 951
Taxes other than income tax	700 414	689 394
Office repairs, maintenance and supply	656 758	593 299
Communications and information services	626 555	570 848
Insurance	491 454	503 975
Security	389 984	335 231
Advertising and marketing	375 115	392 408
Transportation	193 355	179 147
Charity and sponsorship	132 429	134 657
Professional services	52 020	64 154
Other	642 531	205 859
Total general and administrative expenses	**14 854 862**	**13 062 679**

Charity and sponsorship expenses include grants to the Russian Society of Invalids, hospices, hospitals, culture institutions and to the Russian Orthodox Church.

(expressed in thousands of Russian Roubles – refer to note 2)

32 Income tax expense

	2010	2009
Current tax expense		
Current year	(1 195 136)	(868 378)
Deferred tax benefit		
Origination and reversal of temporary differences (note 22)	(792 803)	868 130
Total income tax expense	**402 333**	**(248)**

The applicable tax rate for current and deferred tax is 20%.

Reconciliation of effective tax rate:

	2010	%	2009	%
(Loss)/profit before tax	**2 879 481**		**(625 605)**	
Theoretical income tax (benefit)/expense at the statutory rate	575 896	20.0%	(125 121)	20.0%
Tax effect of items which are not deductible or assessable for taxation purposes:				
- Non deductible expenses including charity expenses	124 572	4.3%	104 777	(16.7%)
- Income on government securities taxed at different rates	(54 511)	(1.9%)	(36 559)	5.8%
- Previous year income tax	(142 789)	(5.0%)	-	-
- Effect of income earned by the branch in Cyprus	38 562	1.3%	52 663	(8.4%)
- Effect of acquisition of subsidiaries	-	-	(29 805)	4.8%
- Other differencies	(139 397)	(4.8%)	34 293	(5.5%)
Income tax expense	**402 333**	**14.0%**	**248**	**0.0%**

33 Analysis by segment

The Group is organized into four main reportable operating segments. The segments are identified on the basis of organizational structure and types of clients. Each operating segment involves areas of business that are under control and responsibility of one of the Management Board members. Internal management reports are reviewed by the Management Board on a periodical basis and by the Board of Directors on a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate banking – this operating segment includes the following services provided to legal entities (excluding small and medium size enterprises): settlements and money transfer; deposit taking; issuance of promissory notes and certificates of deposit; trade and long-term finance; commercial lending; overdraft lending; factoring; leasing; letters of credit; guarantees; foreign exchange services; cash collection; currency conversion; all transactions with precious metals.
- Retail banking – this operating segment includes the following services provided to retail customers: settlements and money transfer; deposit taking and lending to individuals (excluding VIP clients); foreign exchange services; banking card products; settlement and cash services.

- International business, investments and financial markets – this operating segment includes the following services provided to banks and other financial institutions, state and local authorities, VIP clients (individuals): deposit taking; borrowings from banks and other financial institutions; issuance of domestic bonds, loan participation notes and promissory notes on the market; repo transactions; interbank lending; syndicated and subordinated borrowings; lending to state and local authorities and VIP clients (individuals); trading and brokerage in securities; foreign exchange (except currency conversion for clients); trading in derivatives; export letters of credit; guarantees; banknote operations; depositary services; settlements and money transfer.
- Small and medium size enterprises - this operating segment includes the following services provided to small and medium size enterprises: commercial lending; deposit taking; issuance of promissory notes; money transfer; guarantees; brokerage in securities; foreign exchange services.

The Group does not allocate equity between segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Information on segment income tax expense in the tables below is presented for information purposes.

The intersegment revenue from other segments related to exchange of the resources between segments are calculated on the basis of a transfer pricing system, in accordance with which the prices of the internal placement/funding depend on the currency and term of placement/funding.

The Group does not allocate obligatory reserves with central banks, net book value of property and equipment, and current and deferred tax assets and liabilities between the segments to determine segment assets/liabilities. These captions are included in “Reconciling items” category in the reconciliation of the total segment assets/liabilities to total assets/liabilities of the Group. Other assets and liabilities are included in “Reconciling items” category when they cannot reasonably be distributed among the segments. “Reconciling items” category also includes assets/liabilities and attributable income/expense relating to assets and liabilities internal management operations performed by Group’s Treasury Department.

General and administrative expenses are allocated between the segments on the basis of an activity-based costing model that identifies activities and assigns the cost of each activity’s resources to all products and services according to their actual consumption.

(expressed in thousands of Russian Roubles – refer to note 2)

The Group allocates income tax benefit/expense using the financial result of each segment and the overall effective tax rate of each subsidiary. Segment breakdown of assets and liabilities as at 31 December 2010 is set out below:

	Corporate banking	Retail banking	International business, investments and financial markets	Small and medium size enterprises	Reconciling items	Total
Cash and cash equivalents	3 536 155	3 822 498	5 786 406	-	32 037 190	45 182 249
Obligatory reserves with central banks	-	-	-	-	3 015 876	3 015 876
Placements with banks and other financial institutions	-	-	12 112 692	-	9 340	12 122 032
Financial assets at fair value through profit or loss	-	-	41 287 207	-	4 717 365	46 004 572
Amounts receivable under reverse repurchase agreements	-	-	9 599 684	-	6 350 162	15 949 846
Loans to customers	264 218 648	20 802 867	3 496 369	22 429 759	-	310 947 643
Investments available for sale	-	-	2 203 213	-	-	2 203 213
Investments held to maturity	-	-	868 394	-	3 098 517	3 966 911
Assets held for sale	-	-	5 944 765	-	-	5 944 765
Other assets	122 547	5 680	575 157	3 404	1 806 990	2 513 778
Current income tax prepayments	-	-	-	-	612 254	612 254
Deferred tax asset	-	-	-	-	1 065 008	1 065 008
Property and equipment	-	-	-	-	25 598 772	25 598 772
Total assets	**267 877 350**	**24 631 045**	**81 873 887**	**22 433 163**	**78 311 474**	**475 126 919**
Financial liabilities at fair value through profit or loss	-	-	1 593 384	-	-	1 593 384
Deposits and balances from banks and other financial institutions	18 676 388	266 863	35 144 292	-	5 590 334	59 677 877
Amounts payable under repurchase agreements	-	-	2 062 365	-	727 651	2 790 016
Current accounts and deposits from customers	127 419 983	64 851 187	82 843 305	21 932 370	-	297 046 845
Own securities issued	9 522 228	-	22 400 736	204 533	-	32 127 497
Other borrowed funds	-	-	12 802 195	-	-	12 802 195
Other liabilities	820 228	146 624	26 479	12 436	1 433 823	2 439 590
Current income tax payable	-	-	-	-	948	948
Deferred tax liability	-	-	-	-	55 645	55 645
Subordinated borrowings	-	-	21 817 689	-	-	21 817 689
Total liabilities	**156 438 827**	**65 264 674**	**178 690 445**	**22 149 339**	**7 808 401**	**430 351 686**

(expressed in thousands of Russian Roubles – refer to note 2)

Segment breakdown of assets and liabilities as at 31 December 2009 is set out below:

	Corporate banking	**Retail banking**	**International business, investments and financial markets**	**Small and medium size enterprises**	**Reconciling items**	**Total**
Cash and cash equivalents	310 690	3 165 183	3 306 028	-	101 540 747	108 322 648
Obligatory reserves with central banks	-	-	-	-	3 149 729	3 149 729
Placements with banks and other financial institutions	-	-	799 651	-	4 276 149	5 075 800
Financial assets at fair value through profit or loss	-	-	40 733 985	-	1 017 853	41 751 838
Amounts receivable under reverse repurchase agreements	-	-	781 484	-	9 298 817	10 080 301
Loans to customers	215 838 586	29 263 150	2 864 920	18 454 923	-	266 421 579
Investments available for sale	35 083	-	-	-	-	35 083
Investments held to maturity	-	-	3 155 879	-	4 049 059	7 204 938
Assets held for sale	-	-	2 600 001	-	-	2 600 001
Other assets	50 305	39 096	456 545	-	1 554 369	2 100 315
Current income tax prepayments	-	-	-	-	660 877	660 877
Deferred tax asset	-	-	-	-	600 326	600 326
Property and equipment	-	-	-	-	23 207 942	23 207 942
Total assets	**216 234 664**	**32 467 429**	**54 698 493**	**18 454 923**	**149 355 868**	**471 211 377**
Financial liabilities at fair value through profit or loss	-	-	1 062 892	-	189 333	1 252 225
Deposits and balances from banks and other financial institutions	31 931 655	287 892	20 929 270	-	11 631 573	64 780 390
Amounts payable under repurchase agreements	-	-	-	-	60 697	60 697
Current accounts and deposits from customers	151 215 992	60 094 772	59 208 507	17 127 538	1 902 030	289 548 839
Own securities issued	7 581 954	-	35 755 011	317 747	-	43 654 712
Other borrowed funds	-	-	13 819 410	-	-	13 819 410
Other liabilities	350 842	-	205 307	5 132	1 239 707	1 800 988
Current income tax payable	-	-	-	-	27 341	27 341
Deferred tax liability	-	-	-	-	313 033	313 033
Subordinated borrowings	-	-	17 748 361	-	-	17 748 361
Total liabilities	**191 080 443**	**60 382 664**	**148 728 758**	**17 450 417**	**15 363 714**	**433 005 996**

(expressed in thousands of Russian Roubles – refer to note 2)

Segment information for the reportable business segments for the year ended 31 December 2010 is set out below:

	Corporate banking	Retail banking	International business, investments and financial markets	Small and medium size enterprises	Reconcil-ing items	Total
Interest income	29 304 099	6 308 365	5 230 128	4 423 435	1 055 163	46 321 190
Interest expense	(7 673 523)	(4 764 963)	(12 802 442)	(230 151)	(240 934)	(25 712 013)
Net interest income	**21 630 576**	**1 543 402**	**(7 572 314)**	**4 193 284**	**814 229**	**20 609 177**
Net revenue from other segments	(10 802 992)	2 601 585	12 574 686	(1 605 434)	(2 767 845)	-
Fee and commission income	4 011 171	2 147 815	350 349	1 037 970	12 675	7 559 980
Fee and commission expense	(465 857)	(799 486)	(158 118)	(49 397)	(49 842)	(1 522 700)
Net fee and commission income	**3 545 314**	**1 348 329**	**192 231**	**988 573**	**(37 167)**	**6 037 280**
Net loss on financial instruments at fair value through profit or loss and loss on early redemption of senior loan participation notes	-	-	(732 533)	-	382 380	(350 153)
Net foreign exchange gain	345 739	-	473 610	29 010	(233 899)	614 460
Other income and expense	849 073	185 282	12 150	82 015	181 373	1 309 893
Operating income of the segment	**15 567 710**	**5 678 598**	**4 947 830**	**3 687 448**	**(1 660 929)**	**28 220 657**
Loan impairment charge	(5 700 997)	(4 399 215)	133 030	(368 532)	-	(10 335 714)
Other impairment charge	39 185	-	57 548	3	(179 314)	(82 578)
Loss on revaluation of property	-	-	-	-	(68 021)	(68 021)
General and administrative expenses	(4 241 496)	(5 987 981)	(1 143 591)	(3 007 819)	(473 975)	(14 854 862)
Operating expenses	**(9 903 308)**	**(10 387 196)**	**(953 013)**	**(3 376 348)**	**(721 310)**	**(25 341 175)**
Profit/(loss) before income tax	**5 664 402**	**(4 708 598)**	**3 994 817**	**311 100**	**(2 382 239)**	**2 879 482**
Income tax (charge)/benefit	(791 453)	657 905	(558 174)	(43 468)	332 857	(402 333)
Profit/(loss) for the year after tax	**4 872 949**	**(4 050 693)**	**3 436 643**	**267 632**	**(2 049 382)**	**2 477 149**
Revenue of the segment	**34 510 082**	**8 641 462**	**6 066 237**	**5 572 430**	**1 015 312**	**55 805 523**

(expressed in thousands of Russian Roubles – refer to note 2)

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

	Corporate banking	Retail banking	International business, investments and financial markets	Small and medium size enterprises	Reconcil-ing items	Total
Interest income	38 334 765	7 500 357	4 675 116	4 089 688	-	54 599 926
Interest expense	(10 154 070)	(3753 364)	(14 584 448)	(208 509)	(170 569)	(28 870 960)
Net interest income	**28 180 695**	**3 746 993**	**(9 909 332)**	**3 881 179**	**(170 569)**	**25 728 966**
Net revenue from other segments	(13 539 017)	(1 406 685)	12 425 163	(1 756 713)	4 277 252	-
Fee and commission income	3 229 695	2 378 826	648 477	684 521	70 559	7 012 078
Fee and commission expense	(445 815)	(512 315)	(430 796)	(15 704)	(2 216)	(1 406 846)
Net fee and commission income	**2 783 880**	**1 866 511**	**217 681**	**668 817**	**68 343**	**5 605 232**
Net gain on financial instruments at fair value through profit or loss and gain on early redemption of senior loan participation notes	20 221	-	1 093 961	-	-	1 114 182
Net foreign exchange gain	336 390	-	39 502	-	-	375 892
Other income and expense	563 394	170 755	(63 317)	135 219	200 015	1 006 066
Operating income of the segment	**18 345 563**	**4 377 574**	**3 803 658**	**2 928 502**	**4 375 041**	**33 830 338**
Loan impairment charge	(12 987 450)	(4 843 295)	(250 083)	(2 760 987)	-	(20 841 815)
Other impairment charge	(16 170)	-	(90 502)	(3)	13 144	(93 531)
Loss on revaluation of property	-	-	-	-	(457 918)	(457 918)
General and administrative expenses	(3 370 019)	(5 117 964)	(989 121)	(1 883 466)	(1 702 109)	(13 062 679)
Operating expenses	**(16 373 639)**	**(9 961 259)**	**(1 329 706)**	**(4 644 456)**	**(2 146 883)**	**(34 455 943)**
Profit/(loss) before income tax	**1 971 924**	**(5 583 685)**	**2 473 952**	**(1 715 954)**	**2 228 158**	**(625 605)**
Income tax (charge)/benefit	(200 006)	410 306	(134 882)	160 276	(235 942)	(248)
Profit/(loss) for the year after tax	**1 771 918**	**(5 173 379)**	**2 339 070**	**(1 555 678)**	**1 992 216**	**(625 853)**
Revenue of the segment	**28 998 349**	**8 888 696**	**18 882 219**	**3 154 687**	**4 551 202**	**64 475 153**

Analysis of revenues by products and services

The Group's revenues are analysed by products and services in notes 25 (Net interest income), note 26 (fee and commission income) and in note 29 (other income and expense).

Information about major customers

Substantially all revenues from external customers relate to residents of the Russian Federation. The total amount of revenues from each single external customer or group of external customers known to be under common control does not exceed 10 per cent of revenues. Substantially all non-current assets are located in the Russian Federation.

34 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to credit risk (including country and counterparty risk), market risk, which includes price, interest rate and currency risks, and liquidity risk.

2010 had passed with uncertainty and turbulence on currency, equity, debt, commodities and other markets. The significant uncertainty in the development of global markets and the world economy affected the Russian economy and lead to stress situations in many areas. The consequence is a strengthening of the risk management role in business processes.

In 2010 there was active introduction of culture and principles of management of the risks, based on the known world practice and recommendations of Basel Committee on Banking Supervision.

The complex valuation of all significant types of risk, regular development of existing management models of separate types of risks and existing systems of limits and restrictions, timely actualization of all necessary internal documents, have allowed to increase activity in all key business segments of the Group. At the same time the Group possesses reasonable levels of risk.

Risk management policies and procedures

The risk management policies aim to identify, analyze and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Vice-president - Head of Credit Risk Management and the Head of the Financial and Retail Risk Department of the Bank are responsible for the overall risk management functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. They report directly to the First Vice-president of the Bank, responsible for Finance, Risk Management and operations, and indirectly to the Board of Directors.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee.

Both external and internal risk factors are identified and managed throughout the Group's organizational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Credit Risk Department, Credit Risk Monitoring Department and Financial and Retail Risk Department monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

In 2010 the Group launched a project to prepare integrated risk reporting for all types of banking risks. For these purposes, models of estimation, quantitative and qualitative key performance indicators of risk have been developed. For risks which were estimated at medium and high levels, the Group developed mitigation plans.

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the Asset and Liability Committee (ALCO), chaired by the President of the Bank. Market risk limits are approved by ALCO based on recommendations of the Financial and Retail Risk Department and Treasury.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Management Board.

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk is the risk of incurring losses and/or gains on financial instruments sensitive to interest rate changes due to change in market interest rates. As a result interest payments may substantially exceed interest receipts.

The management of interest rate risk for the banking book is different compared to interest rate management in respect of the trading portfolios. Banking book interest risks covers all balance sheet instruments sensitive to interest rate changes. The trading book includes debt instruments (bonds, Eurobonds, promissory notes etc.) measured at their fair values through profit or loss.

The Group is exposed to cash flow interest rate risk, principally through assets and liabilities for which interest rates are reset as market rates change. The Financial and Retail Risk Department monitors on a monthly basis and sets limits for the level of mismatch of interest rate repricing that may be undertaken.

The management of interest rate risk for the banking book by monitoring interest rate gaps is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

(expressed in thousands of Russian Roubles – refer to note 2)

Interest rate repricing risk

An analysis of sensitivity of net (loss)/profit and equity to interest rate repricing risk based on a most likely scenario of a 200 basis points (bp) and 100 bp symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities (except for current accounts and demand deposits that are considered to have negligible and stable interest rates) existing as at 31 December 2010 and 2009, respectively, is as follows:

2010		**2009**	
200 bp parallel increase	200 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
(97 699)	116 098	367 771	(114 874)

Fair value interest rate risk

An analysis of sensitivity of the net (loss)/profit and equity as a result of changes in fair value of debt securities due to changes in the interest rates (also known as price value basis point ("PVBP") based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 200 bp and 100 bp, respectively, rise or fall in all yield curves is as follows:

2010		**2009**	
200 bp parallel increase	200 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
(982 880)	982 880	(472 560)	472 560

Total effect of interest rate risk is as follows:

2010		**2009**	
200 bp parallel increase	200 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
(1 080 579)	1 098 978	(104 789)	357 686

(expressed in thousands of Russian Roubles – refer to note 2)

The table below summarizes the exposure to interest rate risk, as at 31 December 2010. Included in the tables are the financial assets and financial liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	Non interest bearing	Total
Financial assets							
Cash and cash equivalents	17 185 004	-	-	-	-	27 997 245	45 182 249
Obligatory reserves with central banks	448 850	-	-	-	-	2 567 026	3 015 876
Placements with banks and other financial institutions	2 695 667	2 598 827	6 818 780	8 758	-	-	12 122 032
Financial assets at fair value through profit or loss	1 779 229	11 136 406	9 159 138	21 713 166	1 831 481	385 152	46 004 572
Amounts receivable under reverse repurchase agreements	15 949 846	-	-	-	-	-	15 949 846
Loans to customers	49 338 469	109 810 827	54 694 203	89 413 509	7 690 635	-	310 947 643
Investments available for sale	-	-	-	-	-	2 203 213	2 203 213
Investments held to maturity	-	1 049 615	3 536	2 878 416	35 344	-	3 966 911
Other financial assets	-	-	-	-	-	748 032	748 032
Total financial assets	**87 397 065**	**124 595 675**	**70 675 657**	**114 013 849**	**9 557 460**	**33 900 668**	**440 140 374**
Financial liabilities							
Financial liabilities at fair value through profit or loss	-	-	-	-	-	1 593 384	1 593 384
Deposits and balances from banks and other financial institutions	23 071 255	25 929 572	10 220 892	456 158	-	-	59 677 877
Amounts payable under repurchase agreements	2 790 016	-	-	-	-	-	2 790 016
Current accounts and deposits from customers	117 374 558	87 235 044	72 247 031	20 190 212	-	-	297 046 845
Own securities issued	1 528 659	12 076 537	10 234 755	8 287 546	-	-	32 127 497
Other borrowed funds	786	6 996 854	749 660	5 054 895	-	-	12 802 195
Other financial liabilities	-	-	-	-	-	1 046 923	1 046 923
Subordinated borrowings	530 454	130 855	-	12 107 795	9 048 585	-	21 817 689
Total financial liabilities	**145 295 728**	**132 368 862**	**93 452 338**	**46 096 606**	**9 048 585**	**2 640 307**	**428 902 426**
Interest rate sensitivity gap	**(57 898 663)**	**(7 773 187)**	**(22 776 681)**	**67 917 243**	**508 875**	**31 260 361**	**11 237 948**
Net position on interest bearing assets and liabilities	**(57 898 663)**	**(7 773 187)**	**(22 776 681)**	**67 917 243**	**508 875**	**31 260 361**	**11 237 948**

(expressed in thousands of Russian Roubles – refer to note 2)

The table below summarizes the exposure to interest rate risk, as at 31 December 2009. Included in the tables are the financial assets and financial liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	Non interest bearing	Total
Financial assets							
Cash and cash equivalents	65 730 554	-	-	-	-	42 592 094	108 322 648
Obligatory reserves with central banks	477 738	-	-	-	-	2 671 991	3 149 729
Placements with banks and other financial institutions	54 440	5 005 204	14 896	1 260	-	-	5 075 800
Financial assets at fair value through profit or loss	2 450 870	11 595 953	8 762 231	17 261 403	1 462 291	219 090	41 751 838
Amounts receivable under reverse repurchase agreements	10 080 301	-	-	-	-	-	10 080 301
Loans to customers	39 014 553	88 410 254	54 797 613	77 041 937	7 157 222	-	266 421 579
Investments available for sale	-	29 140	-	-	-	5 943	35 083
Investments held to maturity	2 343 922	1 614 762	1 045 719	2 200 535	-	-	7 204 938
Other financial assets	-	-	-	-	-	655 734	655 734
Total financial assets	**120 152 378**	**106 655 313**	**64 620 459**	**96 505 135**	**8 619 513**	**46 144 852**	**442 697 650**
Financial liabilities							
Financial liabilities at fair value through profit or loss	-	-	-	-	-	1 252 225	1 252 225
Deposits and balances from banks and other financial institutions	15 648 355	27 219 386	15 274 644	6 638 005	-	-	64 780 390
Amounts payable under repurchase agreements	59 091	781	825	-	-	-	60 697
Current accounts and deposits from customers	96 014 730	97 762 987	82 566 657	13 204 465	-	-	289 548 839
Own securities issued	3 436 096	18 633 170	9 490 596	12 089 816	5 034	-	43 654 712
Other borrowed funds	5 790	12 043 101	-	1 770 519	-	-	13 819 410
Other financial liabilities	-	-	-	-	-	757 107	757 107
Subordinated borrowings	1 108 058	1 680 682	-	6 008 494	8 951 127	-	17 748 361
Total financial liabilities	**116 272 120**	**157 340 107**	**107 332 722**	**39 711 299**	**8 956 161**	**2 009 332**	**431 621 741**
Interest rate sensitivity gap	**3 880 258**	**(50 684 794)**	**(42 712 263)**	**56 793 836**	**(336 648)**	**44 135 520**	**11 075 909**
Net off-balance sheet position on interest bearing assets and liabilities	**-**	**3 024 420**	**(3 024 420)**	**-**	**-**	**-**	**-**
Net position on interest bearing assets and liabilities	**3 880 258**	**(47 660 374)**	**(45 736 683)**	**56 793 836**	**(336 648)**	**44 135 520**	**11 075 909**

(expressed in thousands of Russian Roubles – refer to note 2)

Geographical concentration

Assets and liabilities are classified depending on the country in which the counterparties are located. Balances with off-shore companies of Russian counterparties are allocated to the caption Russian Federation. Cash is allocated based on the country in which it is physically held. Own securities issued are allocated based on the country of the first holder.

The geographical concentration of financial assets and financial liabilities as of 31 December 2010 is as follows:

	Russian Federation	Non-OECD countries	OECD countries	Total
Financial assets				
Cash and cash equivalents	31 590 796	575 950	13 015 503	45 182 249
Obligatory reserves with central banks	2 567 026	448 850	-	3 015 876
Placements with banks and other financial institutions	458	12 121 574	-	12 122 032
Financial assets at fair value through profit or loss	45 739 484	201 890	63 198	46 004 572
Amounts receivable under reverse repurchase agreements	15 003 685	946 161	-	15 949 846
Loans to customers	310 947 643	-	-	310 947 643
Investments available for sale	2 197 713	-	5 500	2 203 213
Investments held to maturity	3 966 911	-	-	3 966 911
Other financial assets	183 478	-	564 554	748 032
Total financial assets	**412 197 194**	**14 294 425**	**13 648 755**	**440 140 374**
Financial liabilities				
Financial liabilities at fair value through profit or loss	1 037 488	5 880	550 016	1 593 384
Deposits and balances from banks and other financial institutions	21 255 141	5 281 368	33 141 368	59 677 877
Amounts payable under repurchase agreements	1 642 229	-	1 147 787	2 790 016
Current accounts and deposits from customers	272 703 247	20 962 503	3 381 095	297 046 845
Own securities issued	25 010 287	1 483 195	5 634 015	32 127 497
Other borrowed funds	2 806 701	-	9 995 494	12 802 195
Other financial liabilities	1 046 923	-	-	1 046 923
Subordinated borrowings	6 025 075	1 798 161	13 994 453	21 817 689
Total financial liabilities	**331 527 091**	**29 531 107**	**67 844 228**	**428 902 426**
Net position as at 31 December 2010	**80 670 103**	**(15 236 682)**	**(54 195 473)**	**11 237 948**

(expressed in thousands of Russian Roubles – refer to note 2)

The geographical concentration of financial assets and financial liabilities as of 31 December 2009 was as follows:

	Russian Federation	Non-OECD countries	OECD countries	Total
Financial assets				
Cash and cash equivalents	51 118 441	1 467 009	55 737 198	108 322 648
Obligatory reserves with central banks	2 671 991	477 738	-	3 149 729
Placements with banks and other financial institutions	-	5 075 800	-	5 075 800
Financial assets at fair value through profit or loss	41 715 323	23 281	13 234	41 751 838
Amounts receivable under reverse repurchase agreements	10 080 301	-	-	10 080 301
Loans to customers	266 421 579	-	-	266 421 579
Investments available for sale	29 167	-	5 916	35 083
Investments held to maturity	7 204 938	-	-	7 204 938
Other financial assets	226 375		429 359	655 734
Total financial assets	**379 468 115**	**7 043 828**	**56 185 707**	**442 697 650**
Financial liabilities				
Financial liabilities at fair value through profit or loss	247 562	35 317	969 346	1 252 225
Deposits and balances from banks and other financial institutions	11 695 090	13 983 848	39 101 452	64 780 390
Amounts payable under repurchase agreements	60 697	-	-	60 697
Current accounts and deposits from customers	269 796 214	15 522 244	4 230 381	289 548 839
Own securities issued	29 887 019	4 665 480	9 102 213	43 654 712
Other borrowed funds	1 776 309	-	12 043 101	13 819 410
Other financial liabilities	757 107	-	-	757 107
Subordinated borrowings	3 639 344	1 547 768	12 561 249	17 748 361
Total financial liabilities	**317 859 342**	**35 754 657**	**78 007 742**	**431 621 741**
Net position as at 31 December 2009	**61 608 773**	**(28 710 829)**	**(21 822 035)**	**11 075 909**

(expressed in thousands of Russian Roubles – refer to note 2)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. In addition to the total open foreign exchange position limit, position limits on each currency, 1-Day and 40-Days stop loss limits, the Group uses limits on Value-at-Risk for net off balance sheet foreign exchange positions in order to mitigate market risk for currency trading.

The Group is exposed to currency risk due to the fact that its assets and liabilities are denominated in different currencies as well as due to existence of open currency positions resulting from foreign currency transactions. The Group manages currency risk by ensuring maximum possible correspondence between the currency of its assets and the currency of its liabilities by currency within established limits. In respect of currency risk, management reviews the currency position and sets limits on the level of exposure by currency and in total for both end of banking day and intra-day positions, which are monitored daily.

The following table shows the currency structure of financial assets and financial liabilities as at 31 December 2010:

	RUB	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	23 968 729	12 647 595	4 428 368	4 137 557	45 182 249
Obligatory reserves with central banks	2 567 027	-	448 849	-	3 015 876
Placements with banks and other financial institutions	14 494	5 605 817	6 501 721	-	12 122 032
Financial assets at fair value through profit or loss	36 310 744	5 695 180	3 979 340	19 308	46 004 572
Amounts receivable under reverse repurchase agreements	15 949 846	-	-	-	15 949 846
Loans to customers	180 809 109	107 291 732	22 198	648 187	310 947 643
Investments available for sale	2 197 714	-	5 499	-	2 203 213
Investments held to maturity	3 874 209	92 702	-	-	3 966 911
Other financial assets	137 764	590 505	19 337	426	748 032
Total financial assets	**265 829 636**	**131 923 531**	**37 581 729**	**4 805 478**	**440 140 374**
Financial liabilities					
Financial liabilities at fair value through profit or loss	1 020 926	558 638	6 666	7 154	1 593 384
Deposits and balances from banks and other financial institutions	21 613 417	22 249 044	15 523 536	291 880	59 677 877
Amounts payable under repurchase agreements	1 642 229	1 147 787	-	-	2 790 016
Current accounts and deposits from customers	205 236 349	58 505 159	29 484 504	3 820 833	297 046 845
Own securities issued	22 538 569	9 361 557	227	-	32 127 497
Other borrowed funds	2 806 700	9 995 495	-	-	12 802 195
Other financial liabilities	858 243	167 886	20 644	150	1 046 923
Subordinated borrowings	-	21 817 689	-	-	21 817 689
Total financial liabilities	**255 716 433**	**123 803 255**	**45 262 721**	**4 120 017**	**428 902 426**
Net on balance sheet position as at 31 December 2010	**10 113 203**	**8 120 276**	**(7 680 992)**	**685 461**	**11 237 948**
Net off balance sheet position as at 31 December 2010	**7 298 131**	**(12 649 946)**	**5 723 363**	**(371 548)**	**-**
Net on and off balance sheet positions as at 31 December 2010	**17 411 334**	**(4 529 670)**	**(1 957 629)**	**313 913**	**11 237 948**
Guarantees issued as at 31 December 2010	**52 680 003**	**9 128 742**	**1 068 351**	**12 197**	**62 889 293**
Other credit related commitments as at 31 December 2010	**39 143 100**	**17 406 422**	**4 709 490**	**61 364**	**61 320 376**

(expressed in thousands of Russian Roubles – refer to note 2)

The following table shows the currency structure of financial assets and financial liabilities as at 31 December 2009:

	RUB	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	35 312 781	35 890 076	36 360 605	759 186	108 322 648
Obligatory reserves with central banks	2 671 991	-	477 738	-	3 149 729
Placements with banks and other financial institutions	19 458	4 810 064	246 278	-	5 075 800
Financial assets at fair value through profit or loss	30 080 767	6 643 128	4 779 739	248 204	41 751 838
Amounts receivable under reverse repurchase agreements	10 065 812	14 489	-	-	10 080 301
Loans to customers	135 845 198	106 729 949	23 324 690	521 742	266 421 579
Investments available for sale	29 167	-	5 916	-	35 083
Investments held to maturity	7 071 017	133 921	-	-	7 204 938
Other financial assets	617 190	11 045	26 947	552	655 734
Total financial assets	**221 713 381**	**154 232 672**	**65 221 913**	**1 529 684**	**442 697 650**
Financial liabilities					
Financial liabilities at fair value through profit or loss	8 896	1 234 478	8 609	242	1 252 225
Deposits and balances from banks and other financial institutions	12 747 135	26 721 540	24 932 757	378 958	64 780 390
Amounts payable under repurchase agreements	60 697	-	-	-	60 697
Current accounts and deposits from customers	174 973 780	64 495 346	49 543 600	536 113	289 548 839
Own securities issued	20 184 568	20 466 409	3 003 735	-	43 654 712
Other borrowed funds	1 776 309	12 043 101	-	-	13 819 410
Other financial liabilities	593 815	106 384	56 908	-	757 107
Subordinated borrowings	1 551 047	16 197 314	-	-	17 748 361
Total financial liabilities	**211 896 247**	**141 264 572**	**77 545 609**	**915 313**	**431 621 741**
Net on balance sheet position as at 31 December 2009	**9 817 134**	**12 968 100**	**(12 323 696)**	**614 371**	**11 075 909**
Net off balance sheet position as at 31 December 2009	**6 792 278**	**(16 714 612)**	**10 577 182**	**(654 848)**	**-**
Net on and off balance sheet positions as at 31 December 2009	**16 609 412**	**(3 746 512)**	**(1 746 514)**	**(40 477)**	**11 075 909**
Guarantees issued as at 31 December 2009	**31 808 398**	**5 082 622**	**1 546 338**	**-**	**38 437 358**
Other credit related commitments as at 31 December 2009	**18 053 878**	**12 456 205**	**2 626 032**	**-**	**33 136 115**

The following table presents an analysis of sensitivity of net (loss)/profit and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a percentage change in all foreign currencies to Russian Rouble exchange rate. Currency risk has been determined based on “reasonably possible changes in the risk variable”. The level of these changes is estimated by management and is contained within the risk reports provided to key management personnel.

	2010	2009
Appreciation of USD against RUB (2010: 2%; 2009: 3%)	(72 475)	(91 091)
Depreciation of USD against RUB (2010: 2%; 2009: 3%)	72 475	91 091
Appreciation of EUR against RUB (2010: 5%; 2009: 3%)	(78 305)	(42 147)
Depreciation of EUR against RUB (2010: 5%; 2009: 3%)	78 305	42 147
Appreciation of other currencies against RUB (2010: 2%; 2009: 3%)	5 023	(1 325)
Depreciation of other currencies against RUB (2010: 2%; 2009: 3%)	(5 023)	1 325

(expressed in thousands of Russian Roubles – refer to note 2)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

In addition to the total equity trading position limit, position limits on each issuer, 1-Day and 40-Days stop loss limits, the Group uses limits on Value-at-Risk for its equity trading portfolio in order to mitigate market risk.

An analysis of sensitivity of net (loss)/profit and equity to changes in securities prices based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 3% increase in all securities prices is as follows:

	2010	**2009**
Corporate shares at fair value through profit or loss	6 309	3 451

Credit risk

Credit risk is the risk of financial losses occurring as a result of default by a borrower or counterparty on the obligations to the Group. The Group has policies and procedures for the identification, assessment, control and management of credit risk, and also all necessary related regulations and methodologies, including those in respect of the borrower’s financial condition. Governing bodies involved in implementation of the credit policy are the Credit Committee, the Committee on Assets and Liabilities Management and the Management Board. These bodies establish crediting principles, make decisions on specific credit projects, set limits for counterparties, and also determine aggregate limits for instruments exposed to credit risk.

The credit policy establishes:

- principles of arrangement of credit process and types of lending limits;

- basic requirements of the clients;

- lending priorities, including the priority sectors of the economy to be credited;

- risks not accepted by the Group.

Corporate

In the 2010 the Group has been implementing a project of reengineering the loan process and credit risk management for corporate clients.

To improve the credit analysis of clients the Group has started to develop guidelines for analysis of customer characteristics of different industries and activities. The Group also introduced simplified procedures for the analysis of separate group of customers, which has good financial and economic position, and procedures for certain types of loan products, which has low level of credit risk for the Group.

In order to transition to a quantifiable measure of credit risk and to use a risk-pricing system the Group has developed a new model of internal credit ratings of corporate clients. The model is a formal assessment of a client's ability to execute its financial obligations. In the 2011 the model will operate in test conditions, and then the model will be fully implemented in .

Taking into account positive changes of the macroeconomic conditions, recovery of market competition in 2010, the Group clarified priority industries for the purpose of lending, adjusted requirements to the financial condition of customers and collaterals they provide, reviewed the composition and level of portfolio limits.

The project on modernization of the monitoring system established for corporate customers credit limits in 2010 was formalized interaction between departments in collecting and consolidating information on the controlled of limits developed by the order of the detection of violations committed by customers. Provide a safety and structured storage and processing of information on assigned credit limit, with reduced time costs for maintaining the relevant databases.

Monitoring of the lending limits established for clients is conducted on a continuing basis from the time of approval until the termination of the period of the limit. The purpose of monitoring of lending limits is:

- timely detection of a breach by the client of the conditions of the established lending limit;

- identification of possible increase in the level of credit risk of the client;

- compliance with the regulatory requirements established by the CBR regarding the regular assessment of credit risk.

Small and medium business

Regarding the lending to clients of small and medium business, decision-making resides with the Credit Committee of Small and Medium Business. Furthermore, Heads of credit departments may be assigned individual lending approval limits depending on the level of the employee's competence.

The duties of the subdivision in-charge of Credit Risk Management for Small and Medium Business includes ongoing review of policies and assessment of products to understand credit risks, review of standard contracts, and also the monitoring of the credit portfolio of small and medium business.

In 2010 the Group reacted in time to the change in market conditions, having adjusted the credit policy for small and medium business. The Group tightened the conditions for issue of credit products, the required financial position of enterprises, the nature and amount of collateral being accepted. Furthermore, the Group determined priority groups of clients and industries most susceptible to the effect of current market conditions. The policy moved to the granting of more profitable products, reduction of weighted average lending periods and reduction of unsecured products.

In order to provide efficiency of decision-making and minimize losses, risk reporting is regularly presented to management of the Group, in respect of the condition of credit portfolio of small and medium business. This includes reporting that reflects the results of analysis of the reasons for defaults and increase in overdue indebtedness. Results of age analysis of overdue indebtedness have also been developed.

In the 2010 the Group implemented system of automatic processing of loan applications to decrease operating costs, increase level of control over the lending process and increase the quickness of decision-making.

To improve the decision-making process the Group has been formalized and systematized approach to the empowerment of employees to make decisions based on the experience of the staff, position and the quality of his loan portfolio.

To improve the efficiency of bad debt collection process the Group and external consultants has analyzed procedures. Analysis allowed to develop an action plans to improve the situation, including the standardization process, segregation of duties and setting the periodic reporting on the quality of collection.

In the 2010 the Group has been working on the automation of collection process, organizing and storing data about limits, including arrangements for repayment of overdue debt by borrowers represented bysmall and medium entities.

Retail

In the course of examination of retail credit applications, all applications pass, when examined, through a single system in which the information from credit history bureaus in respect of each borrower is automatically requested. In 2009 a system of centralized credit decision-making in respect of applications for retail credits and credit cards was introduced.

From the end of the 2010 the retail credit policy has been simplified. New rules of credit decision making includes optimization rules of credit history review and development separate scoring cards.

In order to manage retail credit risks, specific methods of analysis of the ageing of overdue, other statistical analysis methods and regular calibration of existing scoring models on the basis of the data of credit history bureaus and internally accumulated statistics of defaults is performed. A special analytical system has been introduced to increase the efficiency of these processes. The purpose of this system is to reduce risks due to the increase of efficiency and effectiveness of monitoring of dynamics of risk-parameters in the context of products and business units (including in the context of branches and supplementary offices of the network). In the fourth quarter of 2010 the new project has been starting. The purpose of the project is optimization of retail lending process regarding decision-making process.

Methods of statistical analysis of retail credit portfolios and analysis of efficiency of performance of collections have been introduced. In addition, an automated system of verification of retail credit applications was launched.

Portfolio limits

A system of portfolio limits - large exposures, related parties, industry limits - operates for the purpose of limitation of credit risk concentration. Monitoring of portfolio limits is performed with use of the principle of early notification – when 90% of a limit is reached, the relevant information is brought to the attention of management. This ensures the efficiency of the making of management decisions aimed at limitation of credit risk in respect of the Group as a whole.

The Group monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans to customers refer to note 9 “Loans to customers”.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Group. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements;

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored by the Treasury Department. Liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the Asset and Liability Management Committee and implemented by the Treasury Department.

In 2008 the Group approved a system of limits for liquidity risk that was based on the known work practices and Basel Committee recommendations.

In 2009 the system of limits of liquidity risk was updated and expanded due to the stress situations that occurred in the economy.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of Russia. The Bank was in compliance with these ratios during the years ended 31 December 2010 and 2009.

As at 31 December 2010 and 2009 the contractual maturities of securities included into financial assets at fair value through profit or loss are as follows:

(expressed in thousands of Russian Roubles – refer to note 2)

	2010	**2009**
Less than 1 month	1 895 374	1 359 491
1 to 6 months	9 833 921	7 388 862
6 months to 1 year	7 293 956	7 359 086
1 year to 5 years	21 508 024	20 718 176
More than 5 years	5 088 143	4 707 133
No maturity	262 896	143 802
	45 882 314	**41 676 550**

As at 31 December 2010 and 2009 the contractual maturities or offer date of securities included into investments held to maturity were as follows:

	2010	**2009**
Less than 1 month	24 754	2 343 922
1 to 6 months	1 052 442	1 614 762
6 months to 1 year	11 787	1 045 719
1 year to 5 years	2 843 246	2 200 535
More than 5 years	34 682	-
	3 966 911	**7 204 938**

The maturity table below shows assets and liabilities by their remaining contractual maturity as at 31 December 2010 and 2009, with the exception of securities included into financial assets at fair value through profit or loss as at 31 December 2010. Securities approved by the CBR as collateral for its loans are shown in the category “Less than 1 month”, other securities are shown in accordance with their remaining contractual maturity as at 31 December 2010.

Domestic bonds issued are presented in the table below in accordance with their put dates. The contractual maturity dates are presented in note 19.

In accordance with Russian legislation, term deposits of individuals may be withdrawn before maturity. However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customers accounts provide a long-term and stable source of funding.

As at 31 December 2010 the Group included part of current accounts from customers amounting to RUB 57 484 344 thousand (31 December 2009: RUB 40 259 596 thousand) in the category “From 1 to 6 months” based on historical experience of stable customer current accounts.

Overdue assets are classified within the “Demand and less than 1 month” column. As at 31 December 2010 overdue assets classified within this category amount to RUB 13 686 048 thousand (2009: RUB 17 093 554 thousand).

The Group includes assets held for sale in the category “From 6 months to 1 year” as management is planning to sell these assets during 2011 and is actively searching for an interested investor.

The closed unit investment fund included in investments available-for-sale is shown in the category “From 1 to 6 months” as the management believes it can be sold within a short period of time.

The Group has undrawn lines of credit with the CBR and other financial institutions. Accordingly, the Group in its liquidity forecasts estimates that the liquidity gaps in the table below will be sufficiently covered by the continued retention of current accounts and deposits from customers, as well as the undrawn credit line facilities from the CBR and other financial institutions mentioned above.

(expressed in thousands of Russian Roubles – refer to Note 2)

The following table shows the maturity analysis of financial assets and financial liabilities as monitored by management as of 31 December 2010:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total
Financial assets							
Cash and cash equivalents	45 182 249	-	-	-	-	-	45 182 249
Obligatory reserves with central banks	567 083	1 460 004	757 815	249 996	(19 022)	-	3 015 876
Placements with banks and other financial institutions	2 695 667	2 598 827	6 818 780	8 758	-	-	12 122 032
Financial assets at fair value through profit or loss	32 874 973	3 257 688	1 489 849	5 415 067	2 704 109	262 886	46 004 572
Amounts receivable under reverse repurchase agreements	15 949 846	-	-	-	-	-	15 949 846
Loans to customers	44 135 209	103 968 742	56 348 063	97 857 035	8 638 594	-	310 947 643
Investments available for sale	-	-	1 948 931	-	-	254 282	2 203 213
Investments held to maturity	24 754	1 052 442	11 787	2 843 246	34 682	-	3 966 911
Other financial assets	748 032	-	-	-	-	-	748 032
Total financial assets	**142 177 813**	**112 337 703**	**67 375 225**	**106 374 102**	**11 358 363**	**517 168**	**440 140 374**
Financial liabilities							
Financial liabilities at fair value through profit or loss	1 575 982	16 089	1 313	-			1 593 384
Deposits and balances from banks and other financial institutions	21 562 175	13 959 090	14 104 519	9 467 421	584 672	-	59 677 877
Amounts payable under repurchase agreements	2 790 016	-	-	-	-	-	2 790 016
Current accounts and deposits from customers	59 825 740	144 655 742	72 346 004	20 219 359	-	-	297 046 845
Own securities issued	1 528 659	12 076 537	10 234 755	8 287 546	-	-	32 127 497
Other borrowed funds	785	4 976 642	1 003 674	6 821 094	-	-	12 802 195
Other financial liabilities	296 697	188 563	272 426	272 278	504	16 455	1 046 923
Subordinated borrowings	530 454	130 855	-	12 107 795	9 048 585	-	21 817 689
Total financial liabilities	**88 110 508**	**176 003 518**	**97 962 691**	**57 175 493**	**9 633 761**	**16 455**	**428 902 426**
Net liquidity position as at 31 December 2010	**54 067 305**	**(63 665 815)**	**(30 587 466)**	**49 198 609**	**1 724 602**	**500 713**	**11 237 948**
Cumulative liquidity position as at 31 December 2010	**54 067 305**	**(9 598 510)**	**(40 185 976)**	**9 012 633**	**10 737 235**	**11 237 948**	

(expressed in thousands of Russian Roubles – refer to Note 2)

The following table shows the maturity of financial assets and financial liabilities analysis as monitored by management as of 31 December 2009:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total
Financial assets							
Cash and cash equivalents	108 322 648	-	-	-	-	-	108 322 648
Obligatory reserves with central banks	529 442	1 525 782	842 908	250 342	1 255	-	3 149 729
Placements with banks and other financial institutions	54 440	5 005 204	14 896	1 260	-	-	5 075 800
Financial assets at fair value through profit or loss	28 291 316	3 013 940	4 855 384	4 583 218	864 178	143 802	41 751 838
Amounts receivable under reverse repurchase agreements	10 080 301	-	-	-	-	-	10 080 301
Loans to customers	35 585 134	84 117 954	56 091 715	81 009 658	9 617 118	-	266 421 579
Investments available for sale	29 140	-	-	-	-	5 943	35 083
Investments held to maturity	6 897 006	74 136	31 132	202 664	-	-	7 204 938
Other financial assets	612 225	-	-	-	-	43 509	655 734
Total financial assets	**190 401 652**	**93 737 016**	**61 836 035**	**86 047 142**	**10 482 551**	**193 254**	**442 697 650**
Financial liabilities							
Financial liabilities at fair value through profit or loss	774 416	436 782	41 027	-	-	-	1 252 225
Deposits and balances from banks and other financial institutions	14 537 628	16 120 298	17 911 108	15 128 389	1 082 967	-	64 780 390
Amounts payable under repurchase agreements	59 091	781	825	-	-	-	60 697
Current accounts and deposits from customers	54 084 230	138 593 768	83 246 764	13 624 077	-	-	289 548 839
Own securities issued	3 436 096	18 633 170	9 490 596	12 089 816	5 034	-	43 654 712
Other borrowed funds	5 790	7 229 831	895 564	5 559 303	128 922	-	13 819 410
Other financial liabilities	108 671	279 091	176 045	109 127	571	83 602	757 107
Subordinated borrowings	203 249	187 266	-	6 913 303	10 444 543	-	17 748 361
Total financial liabilities	**73 209 171**	**181 480 987**	**111 761 929**	**53 424 015**	**11 662 037**	**83 602**	**431 621 741**
Net liquidity position as at 31 December 2009	**117 192 481**	**(87 743 971)**	**(49 925 894)**	**32 623 127**	**(1 179 486)**	**109 652**	**11 075 909**
Cumulative liquidity position as at 31 December 2009	**117 192 481**	**29 448 510**	**(20 477 384)**	**12 145 743**	**10 966 257**	**11 075 909**	

(expressed in thousands of Russian Roubles – refer to Note 2)

The following tables show the undiscounted cash flows on financial liabilities and unrecognised credit related commitments on the basis of their earliest possible contractual maturity. The total gross amount (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

The gross undiscounted cash flows as at 31 December 2010 are as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	21 627 859	14 501 590	14 395 919	9 851 603	612 236	-	60 989 207	59 677 877
Amounts payable under repurchase agreements	2 791 914	-	-	-	-	-	2 791 914	2 790 016
Current accounts and deposits from customers	117 959 828	89 663 479	73 966 927	21 957 520	-	-	303 547 754	297 046 845
Own securities issued	1 544 811	12 517 363	11 021 695	9 571 766	-	-	34 655 635	32 127 497
Other borrowed funds	1 312	5 253 714	1 255 356	7 669 942	-	-	14 180 324	12 802 195
Other financial liabilities	296 697	188 563	272 426	272 278	504	16 455	1 046 923	1 046 923
Subordinated borrowings	540 965	678 728	1 220 366	19 509 868	10 792 634	-	32 742 561	21 817 689
Spot, derivative and trading liabilities								
- Inflow	(43 743 521)	(3 898 759)	(2 862 200)	-	-	-	(50 504 480)	(122 258)
- Outflow	45 244 767	3 878 450	2 474 631	-	-	-	51 597 848	1 593 384
Total	**146 264 632**	**122 783 128**	**101 745 120**	**68 832 977**	**11 405 374**	**16 455**	**451 047 686**	**428 780 168**
Credit related commitments	**124 209 669**	**-**	**-**	**-**	**-**	**-**	**124 209 669**	**124 209 669**

(expressed in thousands of Russian Roubles – refer to Note 2)

The gross undiscounted cash flows as at 31 December 2009 was as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	14 550 988	16 441 693	19 049 348	16 096 936	1 134 559	-	67 273 524	64 780 390
Amounts payable under repurchase agreements	59 132	796	887	-	-	-	60 815	60 697
Current accounts and deposits from customers	95 221 201	103 784 912	87 138 114	14 479 499	-	-	300 623 726	289 548 839
Own securities issued	3 512 860	19 469 109	10 423 033	14 687 479	5 034	-	48 097 515	43 654 712
Other borrowed funds	15 838	7 516 279	1 076 096	6 233 122	133 025	-	14 974 360	13 819 410
Other financial liabilities	108 671	279 091	176 045	109 127	571	83 602	757 107	757 107
Subordinated borrowings	193 145	799 542	991 746	13 295 560	12 326 498	-	27 606 491	17 748 361
Spot, derivative and trading liabilities								
- Inflow	(40 008 865)	(8 306 418)	(4 740 113)	-	-	-	(53 055 396)	(75 288)
- Outflow	40 721 873	8 659 610	4 090 890	-	-	-	53 472 373	1 252 225
Total	**114 374 843**	**148 644 614**	**118 206 046**	**64 901 723**	**13 599 687**	**83 602**	**459 810 515**	**431 546 453**
Credit related commitments	**71 573 473**	**-**	**-**	**-**	**-**	**-**	**71 573 473**	**71 573 473**

Operational risk

Operational risk is the risk of losses from inadequacy or failure of internal processes or systems or from external events. The Group's operational risk management strategy, developed and approved by the Management Board, provides for identification, assessment, monitoring and control of operational risks and allocates operational risk management responsibilities. Fraud risk forms a separate type of operational risk.

The Group manages its operational and legal risks, fraud risk and reputational risk through internal monitoring and compliance policies.

The Internal Control Department (''ICD'') reviews all internal documentation in order to identify potential shortfalls in internal control procedures and business operations, notifies the Management Board of violations and supervises the correction of such violations. The ICD, the Legal Department, Financial and Retail Risk Department together with other divisions monitor compliance with, and seek to ensure the proper functioning of, internal policies and procedures designed to minimize operational and legal risks, respectively, and also monitor compliance with relevant Russian legislation. The head of the ICD reports directly to the Group's President and Board of Directors.

The Group conducts the majority of its transactions using standard forms approved by its Legal Department. The Legal Department reviews all non-standard forms before the relevant transactions take place.

The Group has in place internal documents and procedures that set forth the job descriptions and responsibilities of its personnel. The decision-making capacity and authority of particular departments and members of management are strictly regulated. The Group is also in the process of developing internal documents describing all of its business processes in compliance with existing legislation.

The Group applies various kinds of insurance to minimize potential loss from transaction risks, including insurance of cash in transit, other property and obligatory deposit insurance. The Bank has also an insurance policy covering numerous types of operational losses including losses from fraud and crimes committed in the electronic and computer area (Bankers Blanket Bond).

The Operational and Fraud Prevention Division of the Financial and Retail Risk Department is responsible for risks detection and valuation, development of instructions for risks minimization and aggregation of occurred losses database. A separate database exists for registering all known fraud cases as well as databases for legal issues and reputational damages.

The developed approach of determination of key risk indicators allows the Group to monitor the level of operational risk and forecasts the possibility of operational risk events in the future. This will help the Group to move to the advanced approach of risk analysis in accordance with Basel II.

35 Capital management

The Bank monitors its capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I. The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord, as at 31 December 2010:

(expressed in thousands of Russian Roubles – refer to Note 2)

	2010	2009
Tier 1 Capital		
Share capital	11 511 052	10 062 544
Share premium	17 303 093	13 319 695
Additional paid-in-capital	81 919	1 056 102
Retained earnings	13 242 167	11 147 632
Non-controlling interest	-	265 341
Total tier 1 capital	**42 138 231**	**35 851 314**
Tier 2 Capital		
Asset revaluation reserves	2 717 232	2 353 907
Revaluation reserve of investments available for sale	(80 230)	160
Subordinated debt excluding accrued interest	15 847 988	13 612 802
Total Capital	**60 623 221**	**51 818 183**
Risk-weighted assets		
Banking book	390 838 100	332 027 436
Trading book	30 663 840	29 913 496
Total Risk-weighted assets	**421 501 940**	**361 940 932**
Tier 1 Ratio	**10.00%**	**9.91%**
Total Capital Adequacy Ratio	**14.38%**	**14.32%**

As at 31 December 2010 and 2009 included in Tier 2 Capital is RUB 15 847 988 thousand and RUB 13 612 802 thousand, respectively, of subordinated debt net of accrued interest, which represent loans and subordinated loan participation notes issued by the Group with the following conditions:

- original maturity is not less than 5 years;
- creditors have no right to claim the deposits before maturity;
- in the event of bankruptcy or default, subordinated deposits and loan participation notes are to be repaid only after the settlement of all other liabilities.

Long-term subordinated debt may not exceed 50% of tier 1 capital.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under syndicated loans and a subordinated loan from EBRD. These covenants prescribe that the Group must maintain a total capital adequacy ratio not less than 12%. The Group complied with all externally imposed capital requirements during the years ended 31 December 2010 and 2009.

The Group also monitors capital requirements set by the Central Bank of Russia for credit institutions. Under the current capital requirements banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2010, this minimum level is 10%. The Bank was in compliance with the statutory requirements related to the capital ratio during the years ended 31 December 2010 and 2009.

(expressed in thousands of Russian Roubles – refer to Note 2)

36 Spot and derivative financial instruments

Spot and derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised or specific contractual terms and conditions.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recorded in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the exposure to credit or price risks. The spot and derivative financial instruments become favorable (asset) or unfavorable (liability) as a result of fluctuations in market rates relative to their terms. The aggregate contractual or notional amount of spot and derivative financial instruments held and the aggregate fair values of spot and derivative financial assets and liabilities can fluctuate significantly from time to time.

The principal or agreed amounts and fair values of spot and derivative instruments held are set out in the following table. This table reflects gross positions before the netting of any counterparty positions by type of instrument and covers the contracts with a maturity date subsequent to 31 December 2010 and 2009, respectively.

	2010			2009		
	Contract/ notional amount	Fair value Assets	Fair value Liabilities	Contract/ notional amount	Fair value Assets	Fair value Liabilities
Foreign currency spot and derivative contracts						
Foreign currency spot contracts	10 829 501	8 876	(11 603)	11 544 717	13 903	(20 184)
Foreign currency forward contracts	5 203 727	37 952	(7 510)	6 927 963	7 998	(37 394)
Foreign currency swap contracts	31 517 133	55 686	(71 684)	30 029 687	32 113	(667 372)
Precious metals derivative contracts						
Precious metal forward contracts with floating rates	2 748 669	19 172	-	4 646 013	21 274	-
Securities derivative contracts						
Securities forward contracts	90 628	572	-	-	-	-
Other derivative contracts						
Interest rate swaps	-	-	-	9 073 260	-	(168 814)
Total recognised spot and derivative assets/(liabilities)		**122 258**	**(90 797)**		**75 288**	**(893 764)**

At 31 December 2010, the total positive fair value of spot and derivative financial instruments amounting to RUB 122 258 thousand (2009: RUB 75 288 thousand) is disclosed in note 7, and the total negative fair value amounting to RUB 90 797 thousand (2009: RUB 893 764 thousand) is disclosed in note 15.

(expressed in thousands of Russian Roubles – refer to Note 2)

37 Credit related and capital commitments

Credit related commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments and contingent liabilities as at 31 December 2010 and 2009 are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2010	2009
Contracted amount		
Guarantees	62 889 293	38 437 358
Undrawn overdraft facilities	48 438 691	25 159 134
Import letters of credit	5 969 835	3 529 135
Undrawn loan facilities	6 911 850	4 447 846

Undrawn overdraft facilities and undrawn loan facilities are unconditionally cancellable at any time.

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Maturity and currency analyses of credit related commitments are disclosed in note 34. The information on related party balances is disclosed in note 43.

Capital commitments

The Group has capital commitments in respect of acquired investment rights for 29 530 square meters of an office building under construction by a Russian developer in the amount of USD 8 million (RUB 239 640 thousand) payable in 2011.

Compliance with covenants

The Group has to comply with certain covenants, primarily related to loans from other banks and other borrowed funds. These covenants include:

General business covenants, such as business conduct and reasonable prudence, conformity with legal requirements of the country, in which the company is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;

Restrictive covenants, including constraints (without lender's consent) in respect of dividend payments and other distributions, and changes in the shareholding structure, restrictions on individual types of activities, use of assets and certain types of transactions;

Financial covenants, such as meeting certain liquidity and capital adequacy requirements, the amount of certain type of liabilities, risk per customer, profit before taxes to total assets ratio, amount of related party transactions; and

(expressed in thousands of Russian Roubles – refer to Note 2)

Reporting covenants, obliging the Group to provide its audited consolidated financial statements to the lender, as well as certain additional financial information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. As at 31 December 2010 and 31 December 2009 the Group's management believes that the Group fully meets all covenants of agreements.

38 Operating leases

Leases as lessee

Non-cancelable operating lease rentals as at 31 December are payable as follows:

	2010	2009
Less than one year	555 766	702 490
From one to five years	1 168 556	1 344 743
More than five years	380 327	367 427
	2 104 649	**2 414 660**

The Group leases a number of premises under operating leases. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the year ended 31 December 2010 RUB 702 831 thousand was recognised as an expense in profit or loss in respect of operating leases (2009: RUB 796 951 thousand). Refer to note 31.

39 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

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 consolidated financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

40 Custody activities

The Group provides custody services to its customers whereby it holds securities on behalf of customers and receives fee income for providing these services. For the year ended 31 December 2010 and 2009 the Group received fee income for custody services amounting to RUB 1,094 thousand and RUB 1,315 thousand, respectively. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

41 Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of *IFRS 7 “Financial Instruments: Disclosures”*. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in a forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The estimated fair values of financial instruments at fair value through profit or loss, loan participation notes and domestic bonds are based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

(expressed in thousands of Russian Roubles – refer to Note 2)

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

	2010		2009	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and cash equivalents				
- Cash on hand	12 653 525	12 653 525	9 735 375	9 735 375
- Due from Central Bank – nostro accounts	12 009 806	12 009 806	27 121 926	27 121 926
- Deposits with the Central Bank of the RF	900 074	900 074	10 000 000	10 000 000
-Placements with banks and other financial institutions with a remaining maturity less than one month	19 618 844	19 618 844	61 465 347	61 465 347
Minimum reserve deposits with the CBR				
- Minimum reserve deposit with the Central Bank of the RF	2 567 026	2 567 026	2 671 991	2 671 991
- Minimum reserve deposit with the Central Bank of Cyprus	448 850	448 850	477 738	477 738
Placements with banks and other financial institutions				
- Placements with other banks with original maturities of more than one month	12 122 032	12 486 552	5 075 800	5 075 800
Amounts receivable under reverse repurchase agreements				
- Amounts receivable from banks and other financial institutions	10 107 971	10 107 971	6 765 433	6 765 433
- Amounts receivable from customers	5 841 875	5 841 875	3 314 868	3 314 868
Loans and advances to customers				
- Commercial loans	288 944 662	288 504 145	236 905 385	236 762 036
- Loans to individuals	22 002 981	20 388 106	29 516 194	26 246 975
Investment securities held to maturity				
- Russian government bonds	3 516 870	3 506 255	5 992 075	5 945 243
- Corporate bonds	357 339	264 129	1 078 942	1 036 982
- Corporate eurobonds	92 702	59 452	133 921	92 778
Other financial assets				
- Securities lending operations	564 554	564 554	429 359	429 359
- Accrued commission income	145 029	145 029	144 048	144 048
- Commission on guarantees	33 173	33 173	43 509	38 818
- Plastic card receivables	5 276	5 276	38 818	43 509
Total financial assets carried at amortized cost	**397 877 354**	**86 792 636**	**137 089 151**	**136 959 216**

(expressed in thousands of Russian Roubles – refer to Note 2)

	2010		2009	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities				
Due to other banks				
- Term deposits of local banks	17 570 624	17 725 717	1 402 234	1 380 662
- Trading finance of foreign banks	16 767 032	16 874 052	13 114 615	12 629 791
- Long-term finance of foreign banks	11 085 493	11 090 591	14 768 138	14 654 914
- Vostro accounts	7 663 852	7 663 852	8 339 427	8 336 894
- Term deposits of foreign banks	6 590 876	6 608 658	21 299 320	21 280 188
- Term deposits from the Central Bank of the RF	-	-	5 856 656	5 876 834
Amounts payable under repurchase agreements				
- Amounts payable to banks and other financial institutions	2 386 129	2 386 129	17 659	17 659
- Amounts payable to customers	403 887	403 887	43 038	43 038
Customer accounts				
- Current accounts of legal entities	68 413 408	68 413 408	55 365 566	55 365 566
- Term deposits of legal entities	120 964 334	120 088 683	138 153 403	137 352 722
- Current accounts of individuals	20 854 482	20 854 482	11 029 832	11 029 832
- Term deposits of individuals	86 814 621	86 557 104	85 000 038	85 373 622
Debt securities in issue				
- Promissory notes	20 632 071	20 632 071	20 986 966	20 986 966
- Loan participation notes	8 650 527	9 215 480	16 423 635	16 710 285
- Domestic bonds	2 781 695	2 800 412	6 229 540	6 358 538
- Certificates of deposit	63 204	63 204	14 571	14 571
Other borrowed funds				
- Syndicated loans	7 550 513	7 732 891	8 966 992	8 966 992
- Other borrowed funds	5 251 682	5 286 136	4 852 418	5 041 393
Other financial liabilities				
- Deferred income on guarantees	741 458	741 458	571 320	571 320
- Plastic card payables	135 422	135 422	75 259	75 259
- Other accrued liabilities	109 899	109 899	61 183	61 183
- Payables on factoring deals	60 144	60 144	49 345	49 345
Subordinated debt				
- Subordinated debt	21 817 689	23 689 247	17 748 361	17 755 560
Total financial liabilities carried at amortized cost	**427 309 042**	**427 613 502**	**430 369 516**	**429 933 134**
Guarantees and letters of credit	**68 859 128**	**2 346 081**	**41 966 493**	**1 271 732**

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

- Quoted market price – Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant amount of judgment.

- Valuation techniques based on observable inputs – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.

(expressed in thousands of Russian Roubles – refer to Note 2)

- Valuation techniques involving the use of non-market observable inputs incorporating information other than observable market data – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Valuation techniques involving the use of non-market observable inputs were based on the analysis of discounted cash flows due from issuers. As at 31 December 2010 a discount rate of 15% is used for discounting future cash flows from corporate bonds in this category.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices or calculated using valuation techniques as at 31 December 2010:

	Quoted market prices	Valuation techniques based on observable inputs	Valuation techniques involving the use of non-market observable inputs	Total
Financial assets				
Financial assets at fair value through profit or loss	45 966 126	-	38 446	46 004 572
Investments held to maturity	3 966 911	-	-	3 966 911
Investments available for sale	248 783	1 948 931	5 499	2 203 213
Financial liabilities				
Derivative financial instruments	-	1 593 384	-	1 593 384

Fair value interest rate risk

An analysis of sensitivity of the net (loss)/profit and equity as a result of changes in fair value of corporate bonds due to changes in the interest rates (also known as price value basis point ("PVBP") based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 200 bp and 100 bp, respectively, rise or fall in all yield curves is as follows:

2010		2009	
200 bp parallel increase	200 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
(654 000)	654 000	(9 218)	9 218

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices or calculated using valuation techniques as at 31 December 2009:

	Quoted market prices	Valuation techniques based on observable inputs	Valuation techniques involving the use of non-market observable inputs	Total
Financial assets				
Financial assets at fair value through profit or loss	38 545 706	2 223 116	983 016	41 751 838
Derivative financial instruments	-	75 288	-	75 288
Other financial instruments at fair value through profit or loss	143 796	-	-	143 796
Investments available for sale	29 140	-	5 943	35 083
Financial liabilities				
Derivative financial instruments	-	1 252 225	-	1 252 225

(expressed in thousands of Russian Roubles – refer to Note 2)

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

The following table shows the movement of financial instruments recorded at fair value whose fair value is based on valuation techniques involving the use of non-market observable inputs:

	Securities held for trading	Investments available for sale
Balance as at 31 December 2008	**50 004**	**158 714**
Reclassification from other categories	376 941	-
Purchase during the year 2009	4 764 642	-
Sale during the year 2009	(4 072 961)	(152 771)
Unrealised loss recognised in consolidated income statement	(135 610)	-
Balance as at 31 December 2009	**983 016**	**5 943**
Purchase during the year 2010	14 464	-
Redemption during the year 2010	(981 980)	-
Realised gain recognised in consolidated income statement	17 581	-
Unrealised gain recognised in consolidated income statement	5 365	-
Unrealised loss recognised in consolidated income statement	-	(444)
Balance as at 31 December 2010	**38 446**	**5 499**

(expressed in thousands of Russian Roubles – refer to Note 2)

42 Average effective interest rates

The table below displays the interest bearing assets and interest bearing liabilities as at 31 December 2010 and 2009 and their corresponding average effective interest rates as at those dates.

	2010 Carrying amount	2010 Average Effective Interest Rate	2009 Carrying amount	2009 Average Effective Interest Rate
Interest bearing assets				
Cash and cash equivalents				
- RUB	2 567 043	3.01%	10 994 356	5.28%
- other currencies	14 617 961	0.20%	54 736 198	0.17%
Obligatory reserves with central banks				
- other currencies	448 850	1.00%	477 738	1.00%
Placements with banks and other financial institutions				
- RUB	14 494	11.27%	19 458	19.19%
- other currencies	12 107 538	6.81%	5 056 342	8.43%
Financial assets at fair value through profit or loss				
- RUB	35 962 456	6.38%	29 931 387	13.95%
- other currencies	9 656 962	3.95%	11 601 361	16.28%
Amount receivable under reverse repurchase agreements				
- RUB	15 949 846	4.09%	10 065 812	5.97%
- other currencies	-	-	14 489	23.63%
Loans to customers				
- RUB	180 809 109	14.68%	135 845 198	18.28%
- other currencies	130 138 534	13.89%	130 576 381	12.55%
Investments held to maturity				
- RUB	3 874 209	7.37%	7 071 017	7.13%
- other currencies	92 702	10.36%	133 921	12.17%
Interest bearing liabilities				
Vostro accounts of banks and other financial institutions				
- RUB	6 519 845	0.73%	4 639 941	0.37%
- other currencies	1 144 007	0.15%	3 699 486	0.11%
Deposits and balances from banks and other financial institutions, other borrowed funds and subordinated borrowings due to banks except for vostro accounts				
- RUB	17 899 110	5.82%	11 434 550	9.32%
- other currencies	45 793 336	3.66%	59 055 077	5.37%
Amounts payable under repurchase agreements				
- RUB	1 642 229	2.70%	60 697	2.63%
- other currencies	1 147 787	1.27%	-	-
Term deposits from customers, other borrowed funds and subordinated borrowings due to customers				
- RUB	136 319 131	7.41%	121 471 391	11.52%
- other currencies	72 582 437	4.59%	103 914 338	6.59%

(expressed in thousands of Russian Roubles – refer to Note 2)

	2010 Carrying amount	2010 Average Effective Interest Rate	2009 Carrying amount	2009 Average Effective Interest Rate
Current accounts from customers				
- RUB	68 917 219	0.01%	53 502 389	0.01%
- other currencies	20 350 671	0.01%	12 893 009	0.01%
Loan participation notes including subordinated and domestic bonds				
- RUB	2 781 695	8.21%	6 229 540	15.10%
- other currencies	30 468 216	11.47%	31 710 453	11.26%
Promissory notes and certificates of deposit				
- RUB	19 756 874	7.17%	13 955 028	12.86%
- other currencies	938 401	4.00%	7 046 509	6.42%

43 Related party transactions

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

(expressed in thousands of Russian Roubles – refer to Note 2)

The outstanding balances and the related average interest rates as at 31 December 2010 with related parties are as follows:

	Parent		Directors and Management Board		Entities under common control		Total
	Carrying amount	Average Interest Rate	Carrying amount	Average Interest Rate	Carrying amount	Average Interest Rate	Carrying amount
Statement of Financial Position							
Assets							
Financial assets at fair value through profit or loss	-	-	-	-	629 713	11.50%	629 713
Loans to customers (gross amount)	1	-	79 375	11.37%	8 229 389	9.47%	8 308 765
less collective impairment allowance	-	-	(66)	-	(4 638)	-	(4 704)
Other assets	-	-	-	-	187 993	-	187 993
Liabilities							
Current accounts and deposits from customers	1 735 772	10,90%	398 114	9.07%	4 561 213	0.42%	6 695 099
Own securities issued	-	-	244	7.07%	-	-	244
Other liabilities	-	-	-	-	176 521	-	176 521
Off balance sheet items							
Guarantees received	-	-	40 000	-	2 920 825	-	2 960 825
Guarantees issued	-	-	-	-	1 667 322	-	1 667 322
Letters of credit issued	-	-	-	-	453 877	-	453 877

Entities under common control comprise mainly entities controlled by the ultimate shareholders of the Group.
As stated in note 1 minority shareholder's of the Group are European Bank for Reconstruction and Development and Commerzbank Auslandsbanken Holding AG. Group's management does not consider minority shareholders as related parties as they do not exercise significant influence over Group's financial or operational decisions.

As at 31 December 2010 outstanding balances with EBRD comprised RUB 1 581 015 thousand in Deposits and balances from banks and other financial institutions and RUB 8 776 043 thousand in Other borrowed funds.

As at 31 December 2010 outstanding balances with Commerzbank comprised RUB 138 475 thousand in Placements with banks and other financial institutions and RUB 3 294 378 thousand in Deposits and balances from banks and other financial institutions.

(expressed in thousands of Russian Roubles – refer to Note 2)

The outstanding balances and the related average interest rates as of 31 December 2009 with related parties are as follows:

	Parent		Directors and Management Board		Entities under common control		Total
	Carrying amount	Average Interest Rate	Carrying amount	Average Interest Rate	Carrying amount	Average Interest Rate	Carrying amount
Statement of Financial Position							
Assets							
Financial assets at fair value through profit or loss	-	-	-	-	318 076	16.64%	318 076
Loans to customers (gross amount)	9	19.00%	61 143	11.36%	9 783 687	10.63%	9 844 839
less collective impairment allowance	-	-	(535)	-	(49 152)	-	(49 687)
Investments available for sale	-	-	-	-	18 696	-	18 696
Other assets	-	-	-	-	34 401	-	34 401
Liabilities							
Current accounts and deposits from customers	1 094 315	8.95%	848 095	10.58%	2 113 497	2.03%	4 055 907
Own securities issued	-	-	228	7.07%	63	11.17%	291
Other liabilities	-	-	-	-	30 500	-	30 500
Off balance sheet items							
Guarantees received	-	-	-	-	6 018 659	-	6 018 659
Guarantees issued	-	-	-	-	989 901	-	989 901
Letters of credit issued	-	-	-	-	367 658	-	367 658

Entities under common control comprise mainly entities controlled by the ultimate shareholders of the Group.

(expressed in thousands of Russian Roubles – refer to Note 2)

Profit or loss amounts in respect of transactions with related parties for the year ended 31 December 2010 are as follows:

	Parent	Directors and Management Board	Entities under common control	Total
Interest income	1 276	6 792	881 975	890 043
Fee and commission income	1 167	65	131 512	132 744
Interest expense	(39 260)	(21 196)	(36 962)	(97 418)
Fee and commission expense	-	-	(4 996)	(4 996)
Recovery of impairment losses	-	469	44 514	44 983
Administrative expenses	-	(621 858)	(302 567)	(924 425)

Profit or loss amounts in respect of transactions with related parties for the year ended 31 December 2009 are as follows:

	Parent	Directors and Management Board	Entities under common control	Total
Interest income	-	10 660	1 128 389	1 139 049
Fee and commission income	78	55	91 965	92 098
Other income and expense	-	6	4 273	4 279
Interest expense	(137 156)	(81 386)	(66 584)	(285 126)
Fee and commission expense	-	-	(5 193)	(5 193)
Recovery of impairment losses	-	278	147 467	147 745
General and administrative expenses	-	(312 926)	(410 541)	(723 467)

Entities under common controlcomprise mainly of entities controlled by the ultimate shareholders of the Group.

During the year ended 31 December 2010, short-term compensation of the Directors and members of the Management Board amounts to RUB 621 858 thousand (2009: RUB 312 926 thousand).

During the year ended 31 December 2009 the Group purchased from entities under common control computers and software for RUB 582 953 thousand.

44 Acquisition of subsidiaries

In December 2010 the Group founded OOO “Saint-Petersburg International Banking Conference” by forming 100% of its share capital of RUB 10 thousand. The company is founded to act as a lead organiser of Saint-Petersburg International Banking Conference which takes place every summer in Saint-Petersburg.

(expressed in thousands of Russian Roubles – refer to Note 2)

During the year 2010 the Group purchased 38.1% of the share capital of OAO “Yarsotsbank”:

	IFRS carrying amount immediately before business combination
Acquired interest in net assets of the subsidiary	**265 340**
Purchase price	(113 892)
Net gain/(loss) on purchase of subsidiaries	8 253
Net gain on purchase of subsidiaries	**151 448**

In February 2010 the Group exercised the option on purchase 85.7% shares of OAO “Volgoprombank” from Promsvyaz Capital B.V. (parent of the Bank):

	IFRS carrying amount immediately before business combination
Acquired interest in net assets of the subsidiary	**974 183**
Liability under option agreement	77 977
Purchase price	(1 434 774)
Distribution to shareholders	**(382 614)**

In December 2009 the Group acquired control over OOO “Promsvyazfactoring” (OOO “PSF”) through an option agreement dated 31 December 2009 with its owner which is a related party of the Group’s shareholders. Accordingly, the sum of net liabilities acquired and purchase price was shown as distribution to shareholders. Under the terms of the agreement the Group acquired an unconditional right to buy 100% of OOO “PSF” share capital for a cash consideration of RUB 5,500 thousand for a period of 5 years starting from the date of the option agreement.

If the acquisition had occurred on 1 January 2009, the Group’s net loss attributable to shareholders of the parent for the year ended 31 December 2009 would have been RUB 634 116 thousand.

(expressed in thousands of Russian Roubles – refer to Note 2)

The net assets of the acquired subsidiary were as follows at the date of acquisition:

	IFRS carrying amount immediately before business combination
Cash and cash equivalents	21 962
Loans and advances to customers	2 432 268
Deferred tax asset	7 010
Deposits and balances from banks and other financial institutions	(2 445 236)
Other liabilities	(13 812)
Current income tax payable	(4 945)
Net liabilities acquired	**(2 753)**
Acquired interest in net assets of the subsidiary	**(2 753)**
Purchase price	(5 500)
Distribution to shareholders	8 253
Cash and cash equivalents of the subsidiary acquired	21 962
Inflow of cash and cash equivalents on acquisition	**21 962**

In 2009 the Group purchased additional shares of OAO “Volgaprombank”, OAO “Yarsotsbank” and OAO “Nizhny Novgorod Bank” for RUB 208 371 thousand, RUB 31 077 thousand and RUB 406 552 thousands, respectively (refer to note 2).

45 Presentation of Financial Instruments by Measurement Category

As of 31 December 2010 and 31 December 2009 all of the Group’s financial assets have been classified in loans and receivables measurement category except for:

- corporate shares included in financial assets at fair value through profit or loss which are classified as designated at fair value through profit or loss,
- all other financial assets at fair value through profit or loss and derivative financial instruments included in other financial assets which are classified as held for trading,
- investments available for sale which are classified as available for sale.

As of 31 December 2010 and 31 December 2009 all of the Group’s financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.