GROUP OF JOINT-STOCK COMMERCIAL BANK TRANSCAPITALBANK (CLOSED JOINT STOCK COMPANY)

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

31 December 2010

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Independent Auditor's Report

To the Shareholders and Board of Directors of Joint-Stock Commercial Bank "Transcapitalbank" (Closed Joint Stock Company):

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

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 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 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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

31 March 2011
Moscow, Russian Federation

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Group of Joint-Stock Commercial Bank "Transcapitalbank" (Closed Joint Stock Company)
Consolidated Statement of Financial Position

In thousands of Russian Roubles	Note	31 December 2010	31 December 2009 (restated)
Assets			
Cash and cash equivalents	7	8 486 709	6 971 958
Mandatory cash balances with CBRF		373 178	249 853
Trading securities	8	10 465 389	8 309 818
Loans and advances to customers	9	52 760 256	41 661 953
Investment securities available for sale	10	15	858 369
Repurchase receivables	11	318 718	-
Investment in associates	12	102 959	116 121
Current income tax prepayment		8 192	68 077
Deferred tax asset	25	159 170	71 665
Goodwill	13	47 476	47 476
Intangible assets	14	99 726	80 786
Premises and equipment	14	867 922	926 321
Other financial assets	15	113 013	110 298
Other assets		218 499	190 120
Total assets		**74 021 222**	**59 662 815**
Liabilities			
Due to other banks	16	12 368 687	10 291 254
Customer accounts	17	42 275 570	29 550 425
Debt securities in issue	18	6 154 864	7 323 318
Deferred income tax liability	25	81 686	83 621
Provisions for credit related commitments	30	500	-
Finance lease liabilities		-	1 059
Other financial liabilities		58 901	66 209
Other liabilities		149 183	120 311
Subordinated debt	19	4 348 557	4 902 016
Total liabilities		**65 437 948**	**52 338 213**
EQUITY			
Share capital	20	2 174 336	2 174 336
Share premium	20	2 282 718	2 282 718
Translation reserve		(5 296)	1 575
Revaluation of available-for-sale investments		-	3 308
Retained earnings		4 126 360	2 856 141
Net assets attributable to the Bank's owners		**8 578 118**	**7 318 078**
Non-controlling interest		**5 156**	**6 524**
Total equity		**8 583 274**	**7 324 602**
Total liabilities and equity		**74 021 222**	**59 662 815**

Approved for issue and signed on behalf of the Board of Directors on 31 March 2011.

O.V.Gryadovaya
Chairperson of the Board

S.M.Golovanova
Chief Accountant

In thousands of Russian Roubles	Note	2010	2009 (restated)
Interest income	22	7 537 544	7 560 516
Interest expense	22	(3 575 887)	(3 716 682)
Net interest income		**3 961 657**	**3 843 834**
Provision for loan impairment	9	(1 190 435)	(2 920 080)
Net interest income after provision for loan impairment		**2 771 222**	**923 754**
Fee and commission income	23	1 033 441	773 916
Fee and commission expense	23	(163 529)	(189 691)
(Losses less gains)/Gains less losses from trading securities		(80 278)	261 294
Gains on repurchase of debt securities issued	18	-	322 825
Gains less losses from trading in foreign currencies		327 425	417 534
Gain less losses from financial derivatives		(44 375)	(67 413)
Foreign exchange translation losses less gains		(17 073)	(105 961)
(Losses less gains)/Gains less losses from disposals of investment securities available for sale		(4 054)	117 114
(Provision)/release of provision for credit related commitments	30	(500)	81 196
Other provisions	15	(21 394)	(12 281)
Other operating income		101 622	51 756
Losses on assignment of loan rights		-	(4 357)
Administrative and other operating expenses	24	(2 309 067)	(1 935 943)
Profit before tax		**1 593 440**	**633 743**
Income tax expense	25	(324 589)	(137 110)
Profit for the year		**1 268 851**	**496 633**
Other comprehensive income:			
Available-for-sale investments:			
(Losses less gains)/Gains less losses arising during the year	10	(8 189)	271 251
Gains less losses/(losses less gains) recycled to profit or loss upon disposal or impairment	10	4 054	(117 114)
Exchange differences on translation to presentation currency	12	(8 195)	1 575
Income tax recorded directly in other comprehensive income	25	2 151	(30 827)
Other comprehensive income for the year	**21**	**(10 179)**	**124 885**
Total comprehensive income for the year		**1 258 672**	**621 518**
Profit is attributable to:			
- Owners of the Bank		1 270 219	497 556
- Non-controlling interest		(1 368)	(923)
Profit for the year		**1 268 851**	**496 633**
Total comprehensive income is attributable to:			
- Owners of the Bank		1 260 040	622 441
- Non-controlling interest		(1 368)	(923)
Total comprehensive income for the year		**1 258 672**	**621 518**
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (expressed in RR per share)	**26**	**699**	**350**

The notes set out on pages 6 to 75 form an integral part of these consolidated financial statements.

In thousands of Russian Roubles	**Note**	**Attributable to owners of the Bank**						**Non-controlling interest**	**Total equity**
		Share capital	**Share premium**	**Revaluation of investment securities available-for-sale**	**Currency translation reserve**	**Retained earnings**	**Total**		
At 1 January 2009		**1 774 679**	**1 448 234**	**(120 002)**	**-**	**2 359 273**	**5 462 184**	**8 179**	**5 470 363**
Total comprehensive income for 2009		-	-	123 310	1 575	497 556	622 441	(923)	621 518
Share issue	20	399 657	834 484	-	-	-	1 234 141	-	1 234 141
Disposal of subsidiary		-	-	-	-	(688)	(688)	(732)	(1 420)
Balance at 31 December 2009		**2 174 336**	**2 282 718**	**3 308**	**1 575**	**2 856 141**	**7 318 078**	**6 524**	**7 324 602**
Total comprehensive income for 2010		-	-	(3 308)	(6 871)	1 270 219	1 260 040	(1 368)	1 258 672
Balance at 31 December 2010		**2 174 336**	**2 282 718**	**-**	**(5 296)**	**4 126 360**	**8 578 118**	**5 156**	**8 583 274**

In thousands of Russian Roubles	Note	2010	2009 (restated)
Cash flow from operating activities			
Gain before taxation		1 593 440	633 743
Adjustments for:			
Provisions for impairment of interest bearing assets	9	1 190 435	2 920 080
Change in payables on settlements with the staff		19 979	(2 103)
Provisions/(release of provisions) for credit-related commitments and other provisions		21 894	(68 915)
Fair value adjustments to trading securities		2 851	(34 812)
Depreciation of premises, equipment and amortization of intangible assets	14	179 127	158 949
Loss from investments in associates	12	4 967	258
Gain on operations with debt securities issued	18	-	(322 825)
Loss on disposal of fixed assets and intangibles assets		1 757	107
Net change in derivative financial instruments		8 614	(1 758)
Net change of accrued interest income and expenses		(444 364)	(227 317)
Effect of currency exchange rates		(92 661)	(273 652)
Cash flows from operating activities before changes in operating assets and liabilities		**2 486 039**	**2 781 755**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Mandatory cash balances with the CBR		(123 325)	(202 203)
Loans and advances to banks		-	3 199
Trading securities		(2 384 590)	(4 806 924)
Loans and advances to customers		(11 908 435)	(5 478 314)
Other assets		(55 512)	106 294
Increase/(decrease) in operating liabilities:			
Loans and due to banks		2 040 237	(5 608 945)
Customer accounts		12 767 496	4 146 094
Other liabilities		(39 162)	(148 489)
Inflow/(outflow) of cash from operating activities before tax		**2 782 748**	**(9 207 533)**
Income taxes paid		(351 993)	(32 542)
Net cash from/(used in) operating activity		**2 430 755**	**(9 240 075)**
Cash flow from investing activities			
Acquisition of premises, equipment and intangible assets		(141 423)	(175 400)
Proceeds from disposal of premises and equipment		-	443
Proceeds from disposal of investment securities available for sale	10	1 648 753	2 579 761
Acquisition of investment securities available for sale	10	(827 381)	(2 670 132)
Proceeds from disposal of subsidiary, net of cash disposed of		-	(1 420)
Acquisition of associates	12	-	(114 546)

In thousands of Russian Roubles	**Note**	**31 December 2010**	**31 December 2009**
Net cash from/(used in) investing activities		**679 949**	**(381 294)**
Cash flow from financing activities			
Issue of ordinary shares	20	-	1 234 141
Attraction of subordinated debt		-	1 508 752
Repayment of subordinated debt		(580 342)	-
Redemption of debt securities		(10 122 322)	(4 218 800)
Issue of debt securities		9 077 653	4 736 794
Net cash from/(used in) financing activities		**(1 625 011)**	**3 260 887**
Effect of exchange rate changes on cash and cash equivalents		29 058	1 362 811
Net increase/(decrease) in cash and cash equivalents		**1 514 751**	**(4 997 671)**
Cash and cash equivalents at beginning of the year	7	**6 971 958**	**11 969 629**
Cash and cash equivalents at end of the year	7	**8 486 709**	**6 971 958**

The amount of interest from operating activity received and paid by the Group during the year ended 31 December 2010 was RR 7 026 957 thousand and RR 3 509 416 thousand, respectively.

The amount of interest from operating activity received and paid by the Group during the year ended 31 December 2009 was RR 7 017 778 thousand and RR 3 506 808 thousand, respectively.

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 for Joint-Stock Commercial Bank "Transcapitalbank" (the "Bank") and its subsidiaries (together referred to as the "Group").

Joint-Stock Commercial Bank "Transcapitalbank" is a closed joint-stock company, which was incorporated in the Russian Federation in 1992. The activities of the Bank are regulated by the Central Bank of the Russian Federation (the "CBRF"). The Bank operates under license number 2210. The Bank's principal business activity is commercial banking operations, trading in securities and foreign currencies, issue of loans and guarantees. The Bank participates in the state deposit insurance scheme, which was introduced by the Federal Law №177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank's registered address is: Russian Federation, 109147 Moscow, 27/35 Vorontsovskaya st.

The Bank has 18 branches in the Russian Federation (2009: 16 branches).

The Bank is a parent company of a banking Group, which also includes the following companies consolidated in the Consolidated Financial Statements:

Name	Country of operation	Bank's interest 31 December 2010	Bank's interest 31 December 2009	Nature of business
Open Joint-Stock Company "Obyedinennaya Lizingovaya Kompaniya"	The Russian Federation	100.0%	100.0%	Finance lease
Closed Joint-Stock Company "Permskaya innovatsionno-lizingovaya Kompaniya"	The Russian Federation	52.0%	52.0%	Finance lease
Limited Liability Company "Tritail"	The Russian Federation	100.0%	100.0%	Real estate

As at 31 December 2010 and 31 December 2009 the following shareholders owned more than 5% of the outstanding shares:

Shareholder	31 December 2010	31 December 2009
European Bank for Reconstruction and Development	28.59%	28.59%
Olga Viktorovna Gryadovaya	24.20%	24.20%
Leonid Nikolaevich Ivanovsky	13.47%	13.47%
Deutsche Investitions und Entwicklungsgesells	10.50%	10.50%
Other (less than 5% individually)	23.24%	23.24%
Total	**100.00%**	**100.00%**

Presentation currency. These consolidated financial statements are presented in Russian Roubles ("RR"), unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates.

The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased money market liquidity levels.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes (Note 30). The need for further developments in the bankruptcy laws, formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments continue to contribute to the challenges faced by banks 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 determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period and applied the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Refer to Note 4.

Management is unable to predict all developments which could have an impact on the banking sector and wider economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised as at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

***Change in accounting policy*.** In 2010 the Group has changed the accounting policy for letters of credit with post-financing. Previously the Group presented such arrangements as credit related commitments and disclosed related risk exposure. Related revenues and expenses were recognised as commission income and expense. From its consolidated financial statements as of 31 December 2010, the Group recognizes the financing component built into such letters of credit on balance sheet on a gross basis. The interest income on the asset and the interest expense on the liability are recognised in the respective income statement lines.

Management believes that recognizing letters of credit with post-financing on balance sheet on a gross basis results in a better presentation of the financial position in the consolidated statement of financial position, and there are grounds under IFRS to recognise the resulting assets and liabilities on the balance sheet on a gross basis.

3 Summary of Significant Accounting Policies (Continued)

The effect on presentation of the consolidated statement of financial position as at 31 December 2009 and consolidated statement of comprehensive income for the year ended 31 December 2009 was as follows:

In thousands of Russian Roubles	**As originally presented**	**After applying of new accounting policy**	**Change**
Assets			
Loans and advances to customers	44 889 541	46 628 882	1 739 341
Less: Provision for loan impairment	(4 929 654)	(4 966 929)	(37 275)
Liabilities			
Due to other banks	7 928 674	10 291 254	2 362 580
Customer accounts	30 154 858	29 550 425	(604 433)
Other provisions	37 275	-	(37 275)
Other financial liabilities	85 015	66 209	(18 806)

In thousands of Russian Roubles	**As originally presented**	**After applying of new accounting policy**	**Change**
Interest income	7 252 067	7 560 516	308 449
Interest expense	(3 513 595)	(3 716 682)	(203 087)
Fee and commission income	1 091 339	773 916	(317 423)
Fee and commission expense	(392 778)	(189 691)	203 087
Provision for loan impairment	(2 882 805)	(2 920 080)	(37 275)
Other operating income	42 782	51 756	8 974
Release of provision for credit related commitments	43 921	81 196	37 275
Total effect on profit for the year	**1 640 931**	**1 640 931**	**-**

The new accounting policy has been adopted retrospectively and the comparative amounts have been restated.

The third statement of the financial position as of 1 January 2009 is not presented in these consolidated financial statements as a result of the above described change in the accounting policy because there is no effect on the net assets of the Group as at 1 January 2009 and prior periods income statements. The requirement to present the additional opening statement of financial position, when the entity has made a restatement or reclassification, extends to the information in the related notes. Management considered materiality and concluded that the omission of the opening statement of the financial position and the related notes is, therefore, in management's view, not material.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. 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.

3 Summary of Significant Accounting Policies (Continued)

The consideration transferred for the acquisition 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.

Associates. Associates are entities over which the Bank has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group’s share of net assets of an associate are recognised as follows: (i) the Group’s share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group’s share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group’s share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

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

Valuation techniques such as discounted cash flows models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

Initial recognition of financial instruments Trading securities, derivatives and other financial instruments at fair value through profit and loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Accounting policies used for subsequent measurement of the financial assets and liabilities are disclosed in corresponding accounting policies described below.

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

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

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

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

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase. Trading securities are not reclassified out of this category even when the Group's intentions subsequently change.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. Dividends are included in dividend income within other operating income when the Group's right to receive the dividend payment is established and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading securities in the period in which they arise.

3 Summary of Significant Accounting Policies (Continued)

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

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

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

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

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

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

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

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

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

3 Summary of Significant Accounting Policies (Continued)

Credit related commitments. The Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognised as revenue on a time proportion basis over the respective commitment period.

Investment securities available for sale. This classification includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Group’s right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements (“repo agreements”) which effectively provide a lender’s return to the counterparty are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell (“reverse repo agreements”) which effectively provide a lender’s return to the Group are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

3 Summary of Significant Accounting Policies (Continued)

Promissory notes purchased. Promissory notes purchased are included in trading securities, or in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Precious coins. Precious coins are carried at fair value with gains or losses recognised in profit or loss.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer’s share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. 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.

***Premises and equipment*.** Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required. The cost of premises and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

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

All other items of premises and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

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

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

Intangible assets. The Group’s intangible assets other than goodwill have a definite useful life and primarily include capitalised computer software.

Acquired computer software licences, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 5 years.

3 Summary of Significant Accounting Policies (Continued)

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows. On 1 January 2008 the Group revised the useful economic life estimates for one of the categories of premises and equipment and related depreciation rates as this category is represented by computer and office equipment which management concluded should be depreciated over a shorter period than originally estimated. Starting from 1 January 2008 the Group applies the following depreciation rates:

Premises	2.0%
Equipment	33.3%
Intangible assets	20.0%

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

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

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables’ net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in premises and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other borrowed funds. The interest cost is charged to the consolidated statement of comprehensive income over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

3 Summary of Significant Accounting Policies (Continued)

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

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

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

Subordinated debt. Subordinated debt is debt which ranks after other debts should a Bank fall into receivership or be closed. Subordinated debt is carried at amortized cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are carried at their fair value.

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

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

All other fees, commissions and other income and expense items are generally recorded on an accruals basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of each of the Group’s consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and its subsidiaries, and the Group’s presentation currency, is the national currency of the Russian Federation, Russian Roubles (“RR”).

Monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity’s functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The results and financial position of all the Group’s entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

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

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

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

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year (as gains or losses on disposal of a subsidiary).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

At 31 December 2010 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 30.4769 (2009: USD 1 = RR 30.2442).

3 Summary of Significant Accounting Policies (Continued)

Fiduciary assets. Assets held by the Group in its own name, but on the account of third parties, are not reported in the consolidated statement of financial position. Commissions received from fiduciary activities are shown in fee and commission income.

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

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

***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.

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

Amendments of the financial statements after issue. The Board of Directors has the power to amend the financial statements after issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 592 708 thousand (2009: RR 492 887 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 43 776 thousand (2009: RR 0 thousand), respectively.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 30.

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

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 34.

5 Adoption of New or Revised Standards and Interpretations

(a) Standards effective for annual periods beginning on or after 1 January 2010

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

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

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

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.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets. The Group has applied the new accounting policies prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the consolidated financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 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 amendments did not have an impact on the Group's consolidated financial statements.

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

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). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The amendments did not have an impact on the Group's consolidated financial statements.

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

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). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The amendments did not have an impact on the Group's consolidated financial statements.

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). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments did not have an impact on the Group's 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.

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

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

(b) Amendments to standards adopted before their effective date

The Group adopted the amendment to IAS 1, *Presentation of Financial Statements*, which was issued in May 2010 as part of the Annual Improvements to International Financial Reporting Standards. The amendment clarifies the requirements for the presentation and content of the statement of changes in equity. Reconciliation between the carrying amount at the beginning and the end of the period for each component of equity must be presented in the statement of changes in equity, but its content is simplified by allowing an analysis of other comprehensive income by item for each component of equity to be presented in the notes. Refer to Note 21.

6 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.

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.

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.

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.

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.

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.

6 New Accounting Pronouncements (Continued)

- 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.

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 IAS 1 which was early adopted by the Group as explained in Note 5.

6 New Accounting Pronouncements (Continued)

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.

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.

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

7 Cash and Cash Equivalents

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009**
Cash on hand	1 507 344	1 415 159
Cash balances with the CBRF (other than mandatory reserve deposits)	3 087 241	2 628 983
Correspondent accounts and overnight placements with other banks	1 560 414	2 314 339
Short-term settlements with settlement centers and brokers	1 231 710	513 684
Placements with other banks with original maturities of less than three months	1 100 000	99 793
Total cash and cash equivalents	**8 486 709**	**6 971 958**

Interest rate analysis of cash and cash equivalents is disclosed in Note 28.

7 Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents balances analysed based on Standard and Poor's ratings is as follows at 31 December 2010:

In thousands of Russian Roubles	**Cash balances with the CBRF, excluding mandatory reserves**	**Correspondent accounts and overnight placements**	**Short-term settlements with settlement centers and brokers**	**Placements with other banks**	**Total**
Neither past due nor impaired					
- CBRF	3 087 241	-	-	-	3 087 241
- AA- to AA+ rated	-	9 536	-	-	9 536
- A- to A+ rated	-	439 777	-	-	439 777
- BBB- to BBB+ rated	-	614 276	-	-	614 276
- BB- to BB+ rated	-	98 643	-	300 000	398 643
- B- to B+ rated	-	385 285	-	800 000	1 185 285
- Unrated	-	12 897	1 231 710	-	1 244 607
Total cash and cash equivalents, excluding cash on hand	**3 087 241**	**1 560 414**	**1 231 710**	**1 100 000**	**6 979 365**

The credit quality of cash and cash equivalents balances analysed based on Standard and Poor's ratings at 31 December 2009 is as follows:

In thousands of Russian Roubles	**Cash balances with the CBRF, excluding mandatory reserves**	**Correspondent accounts and overnight placements**	**Short-term settlements with settlement centers and brokers**	**Placements with other banks**	**Total**
Neither past due nor impaired					
- CBRF	2 628 983	-	-	-	2 628 983
- AA- to AA+ rated	-	10 472	-	-	10 472
- A- to A+ rated	-	1 371 326	-	-	1 371 326
- BBB- to BBB+ rated	-	555 177	-	-	555 177
- BB- to BB+ rated	-	18	-	-	18
- B- to B+ rated	-	363 798	-	-	363 798
- Unrated	-	13 548	513 684	99 793	627 025
Total cash and cash equivalents, excluding cash on hand	**2 628 983**	**2 314 339**	**513 684**	**99 793**	**5 556 799**

8 Trading Securities

In thousands of Russian Roubles	31 December 2010	31 December 2009
Russian government bonds	5 856 709	3 514 223
Corporate bonds	3 512 946	3 334 507
Municipal bonds	53 071	281 688
Total debt securities	**9 422 726**	**7 130 418**
Corporate shares	1 042 663	1 179 400
Total trading securities	**10 465 389**	**8 309 818**

Russian government bonds and municipal bonds are interest-bearing securities denominated in RR and USD and issued by the Ministry of Finance of the Russian Federation and municipal bodies (2009: issued by the Ministry of Finance of the Russian Federation, municipal bodies and the CBRF). These bonds have maturity dates in 2011-2014 (2009: 2010-2011), coupon rate from 3.0% to 12.0% p.a. (2009: 5.8-10.6%) and yield to maturity 1.8-7.3% p.a. (2009: 6.3-11.0%).

Corporate bonds are interest bearing securities denominated in RR and USD, issued by large Russian companies. These bonds have maturity dates in 2011-2020 (2009: 2010-2028), coupon rate 1.5-16.8% p.a. (2009: 7.3-15%) and yield to maturity 1.5-7.5% p.a. (2009: 7.2-12.5%).

Corporate shares are quoted shares of large Russian companies.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data using bid prices from MICEX/RTS stock exchange, the Group does not analyse or monitor impairment indicators.

Analysis by credit quality of debt trading securities is as follows at 31 December 2010:

In thousands of Russian Roubles	Russian government bonds	Municipal bonds	Corporate bonds	Total
Neither past due nor impaired (at fair value)				
- BBB- to BBB+ rated	5 856 709	-	2 906 123	8 762 832
- BB- to BB+ rated	-	53 071	606 823	659 894
Total neither past due nor impaired	**5 856 709**	**53 071**	**3 512 946**	**9 422 726**
Total debt trading securities	**5 856 709**	**53 071**	**3 512 946**	**9 422 726**

8 Trading Securities (Continued)

Analysis by credit quality of debt trading securities is as follows at 31 December 2009:

In thousands of Russian Roubles	**Russian government bonds**	**Municipal bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired (at fair value)				
- BBB- to BBB+ rated	2 422 027	199 103	3 152 096	5 773 226
- BB- to BB+ rated	-	82 585	182 411	264 996
- Unrated	1 092 196	-	-	1 092 196
Total neither past due nor impaired	**3 514 223**	**281 688**	**3 334 507**	**7 130 418**
Total debt trading securities	**3 514 223**	**281 688**	**3 334 507**	**7 130 418**

The credit ratings are based on Standard and Poor`s ratings where available or Moody`s or Fitch Rating converted to the nearest equivalent on the Standard and Poor`s rating scale.

Interest rate analyses of trading securities are disclosed in Note 28.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

9 Loans and advances to customers

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009 (restated)**
Loans to legal entities:		
- Corporate loans	23 585 386	11 895 653
- Loans to small and medium-sized entities	28 792 144	29 216 578
Loans to individuals:		
- Consumer loans	2 949 904	2 893 579
- Mortgage loans	2 805 013	2 120 399
- Car loans	536 571	411 979
- Other	58 365	90 694
Total loans and advances to customers (before impairment)	**58 727 383**	**46 628 882**
Less: Provision for loan impairment	(5 967 127)	(4 966 929)
Total loans and advances to customers	**52 760 256**	**41 661 953**

9 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2010 are as follows:

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Provision for loan impairment at 1 January 2010	**639 311**	**3 611 673**	**453 780**	**91 844**	**140 727**	**29 594**	**4 966 929**
Provision for impairment during the year	692 217	570 455	(67 747)	7 934	(17 138)	4 714	1 190 435
Amounts written off during the year as uncollectible	(98 741)	(91 496)	-	-	-	-	(190 237)
Provision for loan impairment at 31 December 2010	**1 232 787**	**4 090 632**	**386 033**	**99 778**	**123 589**	**34 308**	**5 967 127**

Movements in the provision for loan impairment during 2009 are as follows (restated):

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Consu-mer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Provision for loan impairment at 1 January 2009	**631 694**	**1 173 606**	**230 646**	**7 316**	**91 400**	**3 170**	**2 137 832**
Provision for impairment during the year (restated)	7 617	2 528 478	223 706	84 528	49 327	26 424	2 920 080
Amounts written off during the year as uncollectible	-	(90 411)	(572)	-	-	-	(90 983)
Provision for loan impairment at 31 December 2009	**639 311**	**3 611 673**	**453 780**	**91 844**	**140 727**	**29 594**	**4 966 929**

9 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2010		31 December 2009 (restated)	
In thousands of Russian Roubles	Amount	%	Amount	%
Trade	17 093 499	29	16 068 697	34
Industry	8 019 266	14	4 437 797	10
Individuals	6 349 853	11	5 516 651	12
Real estate	4 846 733	8	5 999 280	13
Investment companies	3 836 962	7	1 153 995	2
Construction of infrastructural objects	3 747 147	6	384 493	1
Machinebuilding industry	2 853 356	5	4 185 193	9
Food industry	2 592 732	5	2 156 638	5
Construction	2 487 590	4	1 418 490	3
Leasing companies	2 472 772	4	2 871 254	6
Service companies	1 862 165	3	990 491	2
Agriculture	731 360	1	269 854	1
Transport and communications	682 221	1	351 304	1
Publishing activities	165 925	-	148 850	-
Oil and gas	13 591	-	102 741	-
Other	972 211	2	573 154	1
Total loans and advances to customers (before impairment)	**58 727 383**	**100**	**46 628 882**	**100**

Trade segment is represented primarily by food products trade, consumer products trade (cosmetics, clothes, furniture), oil products and fuel, computer equipment, automobiles and components.

Industrial sector is represented by metal product manufacture and processing enterprises, chemical and light industry enterprises.

As at 31 December 2010 investment companies segment includes repurchase agreements in the amount of RR 2 998 072 thousand. These balances are effectively collateralized by securities of telecommunication companies at a fair value of RR 3 517 580 thousand.

As at 31 December 2010 the Group had 4 borrowers (2009: 5 borrowers) with aggregated loan amounts above 10% of the Group's total capital in accordance with the requirements of the Basel Accord as disclosed in Note 29. The total aggregate amount of these loans was RR 6 313 656 thousand (2009: RR 6 132 293 thousand), or 10.8% of the gross loan portfolio (2009: 13.2%).

As at 31 December 2010 the Group had loans in the amount of RR 862 371 thousand (2009: RR 398 618 thousand) pledged to the Open Joint-Stock Company "Russian Bank for Development" (RBD) under the Government Small and Medium-sized entities Lending Support Program; loans in the amount of RR 200 000 thousand (2009: RR 607 122 thousand) pledged under the funds received from CBRF and also loans in the amount of RR 682 623 thousand (2009: RR 660 697 thousand) pledged under the Mortgage Agreement with Deutsche Investitions und Entwicklungsgesells.

9 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2010 is as follows:

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Unsecured loans	2 900 180	8 462 159	1 104 536	358 984	7 255	40 670	12 873 784
Loans collateralised by:							
- real estate	7 534 756	9 170 652	330 175	530 681	800	207	17 567 271
- goods in turnover	3 330 874	3 064 163	28 895	-	-	10 253	6 434 185
- mortgage certificates and other securities	2 911 809	1 322 050	972 952	1 807 638	3 000	-	7 017 449
- cash deposits	-	502 500	47 872	-	991	-	551 363
- equipment	1 613 161	4 503 638	67 803	266	524 525	6 726	6 716 119
- corporate guarantees	2 329 312	1 607 298	373 326	54 055	-	509	4 364 500
- receivables	2 853 719	121 055	95	53 389	-	-	3 028 258
- Group's debt securities	111 575	38 629	24 250	-	-	-	174 454
Total loans and advances to customers	**23 585 386**	**28 792 144**	**2 949 904**	**2 805 013**	**536 571**	**58 365**	**58 727 383**

Information about collateral at 31 December 2009 is as follows (restated):

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Unsecured loans	1 033 721	6 899 069	786 213	93 750	3 360	58 040	8 874 153
Loans collateralised by:							
- real estate	3 554 722	11 156 683	440 732	749 124	-	601	15 901 862
- goods in turnover	2 856 332	2 897 621	34 030	-	-	16 769	5 804 752
- mortgage certificates and other securities	986 180	250 815	991 527	1 267 264	-	-	3 495 786
- cash deposits	5 900	38 300	52 861	-	1 222	-	98 283
- equipment	987 294	4 496 186	64 695	744	407 397	13 568	5 969 884
- corporate guarantees	1 165 755	1 316 909	363 416	3 479	-	1 716	2 851 275
- receivables	726 101	1 539 385	338	6 038	-	-	2 271 862
- Group's debt securities	579 648	621 610	159 767	-	-	-	1 361 025
Total loans and advances to customers	**11 895 653**	**29 216 578**	**2 893 579**	**2 120 399**	**411 979**	**90 694**	**46 628 882**

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

The Group estimates its loan loss provision using a Methodology for determining the borrower's credit rating.

Credit rating is a complex estimate of a borrower's financial stability and solvency and is expressed as scores assigned to creditworthiness based on assessed factors. Such factors include: estimate of the borrower's financial situation on the basis of indicators derived from financial statements, assessment of the borrower's business risk (reputation and market data on the borrower's business); estimate of movement on settlement/current accounts of the borrower with the Bank (cash flow adequacy); evaluation of the shareholder (founder) structure; statistics of repayment of the previously issued loans (credit history).

9 Loans and Advances to Customers (Continued)

Creditworthiness rating of a corporate customer determines the amount of estimated loan loss provision and the credit risk rating category.

In accordance with the Methodology the following ratings are assigned:

Rating	Description of Rating
A1	Credit risk is practically non-existent
A2	Minimal risk: the most reliable borrowers
A3	Low risk: reliable borrowers
B1	Low risk: good borrowers
B2	Moderate risk: fairly reliable borrowers
B3	Medium risk: average borrowers
B4	Acceptable risk: borrowers with creditworthiness below average
B5	Maximum allowable risk: fairly good borrowers
C1	High risk: borrowers with unsatisfactory creditworthiness
C2	Very high risk: sub-standard loans
C3	Loans with expected default
D	Default

The estimated loan loss provision is adjusted for collateral based on the application of various discount factors to the assessed fair value of collateral and depending on collateral liquidity and quality.

In 2010 the Group introduced changes to the provisioning methodology with regard to the collectively assessed borrowers. Currently the Group estimates the provision for loan impairment for all borrowers applying individually assigned ratings. As a response to macroeconomic situation the Group strengthened emphasis on financial position assessment and reduced weight of subjective factors. Also a new methodology for assessment of start-up projects was implemented in 2009. In accordance with this methodology at inception start-up projects are assigned a rating of A3.

As at 31 December 2010 the amount of loans issued to start-up projects is equal to RR 3 027 767 thousand (2009: RR 2 588 814 thousand).

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans outstanding at 31 December 2010 based on internal ratings methodology is as follows:

In thousands of Russian Roubles	**Loans to large corporates**	**Loans to small and medium-sized entities**	**Consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Neither past due nor impaired							
A2	469 326	257 484	-	-	-	-	726 810
A3	10 604 278	13 331 656	1 713 715	1 654 186	104 562	683	27 409 080
B1	300 913	332 642	-	28 892	-	-	662 447
B2	819 818	14 605	-	-	-	-	834 423
B3	-	5 000	-	28 722	-	-	33 722
B4	-	-	-	-	-	-	-
B5	-	32 000	-	-	-	-	32 000
Renegotiated loans	254 929	-	-	-	-	-	254 929
Total neither past due nor impaired	**12 449 264**	**13 973 387**	**1 713 715**	**1 711 800**	**104 562**	**683**	**29 953 411**
Past due but not impaired							
B3	-	-	-	1 990	-	-	1 990
C1	-	-	2 994	94 566	517	-	98 077
Total past due but not impaired	**-**	**-**	**2 994**	**96 556**	**517**	**-**	**100 067**
Loans individually determined to be impaired (gross)							
B1	4 945 739	2 522 644	494 101	861 231	271 202	19 407	9 114 324
B2	4 034 615	5 492 532	588	-	-	-	8 137 801
B3	783 363	2 365 456	351 114	8 972	19 863	557	4 919 259
B4	944 366	1 060 863	-	4 971	3 805	-	2 014 005
B5	268 618	1 115 979	15 245	-	245	289	1 400 376
C1	-	148 125	29 714	33 206	14 736	126	225 907
C2	-	131 757	4 495	17 143	15 292	13 665	182 352
C3	-	3 743	125 466	4 615	62 031	964	196 819
D	159 421	1 977 658	212 472	66 519	44 318	22 674	2 483 062
Total individually impaired loans (gross)	**11 136 122**	**14 818 757**	**1 233 195**	**996 657**	**431 492**	**57 682**	**28 673 905**
Less impairment provision	**(1 232 787)**	**(4 090 632)**	**(386 033)**	**(99 778)**	**(123 589)**	**(34 308)**	**(5 967 127)**
Total loans and advances to customers	**22 352 599**	**24 701 512**	**2 563 871**	**2 705 235**	**412 982**	**24 057**	**52 760 256**

9 Loans and Advances to Customers (Continued)

Analysis of credit quality of loans outstanding at 31 December 2009 based on internal ratings methodology is as follows (restated):

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Neither past due nor impaired:							
A1	1 264 409	774 004	1 849 253	1 751 378	73 362	6 766	5 719 172
A2	631 964	202 381	-	-	-	-	834 345
A3	5 153 723	10 127 201	-	-	-	-	15 280 924
B1	-	1 009 407	-	-	-	-	1 009 407
B2	34 600	720 702	-	-	-	-	755 302
B3	-	1 583	-	-	-	-	1 583
B4	-	20 651	-	-	-	-	20 651
B5	-	50 384	-	-	-	-	50 384
Renegotiated loans	-	-	1 755	-	-	-	1 755
Total neither past due nor impaired	**7 084 696**	**12 906 313**	**1 851 008**	**1 751 378**	**73 362**	**6 766**	**23 673 523**
Loans individually determined to be impaired (gross)							
B1	2 058 768	5 198 560	482 289	219 458	32 469	48 556	8 040 100
B2	1 031 691	2 612 261	419	-	-	779	3 645 150
B3	740 532	1 790 537	73 432	46 588	157 769	435	2 809 293
B4	820 000	3 162 968	-	-	-	-	3 982 968
B5	3 431	1 171 064	1 076	4 754	-	3 689	1 184 014
C1	22 530	371 692	80 549	42 918	83 236	2 046	602 971
C2	-	110 960	147	-	-	9 812	120 919
C3	-	23 153	132 526	-	19 557	218	175 454
D	134 005	1 869 070	272 133	55 303	45 586	18 393	2 394 490
Total individually impaired loans (gross)	**4 810 957**	**16 310 265**	**1 042 571**	**369 021**	**338 617**	**83 928**	**22 955 359**
Less impairment provision	**(639 311)**	**(3 611 673)**	**(453 780)**	**(91 844)**	**(140 727)**	**(29 594)**	**(4 966 929)**
Total loans and advances to customers	**11 256 342**	**25 604 905**	**2 439 799**	**2 028 555**	**271 252**	**61 100**	**41 661 953**

Neither past due nor impaired, but renegotiated loans represent the carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

9 Loans and Advances to Customers (Continued)

The table below shows the ageing analysis of loans to customers with individual impairment indicators and loans to customers that are past due but not impaired as at 31 December 2010:

In thousands of Russian Roubles	Loans to large corporates	Loans to small and medium-sized entities	Consumer loans	Mortgage loans	Car loans	Other loans to indivi-duals	Total
Past due, but not impaired loans							
- less than 30 days overdue	-	-	-	1 990	-	-	1 990
- 30 to 90 days overdue	-	-	-	-	-	-	-
- 91 to 180 days overdue	-	-	1 738	-	-	-	1 738
- 181 to 360 days overdue	-	-	1 256	94 566	517	-	96 339
- over 360 days overdue	-	-	-	-	-	-	-
Total past due but not impaired loans	**-**	**-**	**2 994**	**96 556**	**517**	**-**	**100 067**
Total current impaired	**10 756 963**	**11 791 189**	**810 626**	**862 851**	**289 073**	**18 706**	**24 529 408**
Overdue							
- less than 30 days overdue	-	6 444	45	5 443	-	28	11 960
- 30 to 90 days overdue	-	72 268	53 332	3 059	1 918	209	130 786
- 90 to 180 days overdue	219 738	330 733	1 618	4 971	4 134	765	561 959
- 180 to 360 days overdue	-	441 832	10 974	30 087	14 409	15 083	512 385
- over 360 days overdue	159 421	2 176 291	356 600	90 246	121 958	22 891	2 927 407
Total overdue loans	**379 159**	**3 027 568**	**422 569**	**133 806**	**142 419**	**38 976**	**4 144 497**
Total individually impaired loans (gross)	**11 136 122**	**14 818 757**	**1 233 195**	**996 657**	**431 492**	**57 682**	**28 673 905**
Less impairment provision	**(1 232 787)**	**(4 090 632)**	**(386 033)**	**(99 778)**	**(123 589)**	**(34 308)**	**(5 967 127)**
Total loans to customers individually impaired	**9 903 335**	**10 728 125**	**847 162**	**896 879**	**307 903**	**23 374**	**22 706 778**

9 Loans and Advances to Customers (Continued)

The table below shows the ageing analysis of loans to customers with individual impairment indicators as at 31 December 2009 (restated):

In thousands of Russian Roubles	Loans to large corporates	Loans to small and medium-sized entities	Consumer loans	Mortgage loans	Car loans	Other loans to indivi-duals	Total
Current impaired	**4 436 630**	**13 380 353**	**468 855**	**209 371**	**192 689**	**62 267**	**18 750 165**
Overdue							
- less than 30 days overdue	214 362	249 876	1 043	29 860	1 401	941	497 483
- 30 to 90 days overdue	-	494 867	87 570	24 394	6 863	1 001	614 695
- 90 to 180 days overdue	25 960	496 061	31 130	13 467	3 860	4 069	574 547
- 180 to 360 days overdue	-	978 338	248 134	79 158	67 618	12 674	1 385 922
- over 360 days overdue	134 005	710 770	205 839	12 771	66 186	2 976	1 132 547
Total overdue loans	**374 327**	**2 929 912**	**573 716**	**159 650**	**145 928**	**21 661**	**4 205 194**
Total individually impaired loans (gross)	**4 810 957**	**16 310 265**	**1 042 571**	**369 021**	**338 617**	**83 928**	**22 955 359**
Less impairment provision	**(639 311)**	**(3 611 673)**	**(453 780)**	**(91 844)**	**(140 727)**	**(29 594)**	**(4 966 929)**
Total loans to customers individually impaired	**4 171 646**	**12 698 592**	**588 791**	**277 177**	**197 890**	**54 334**	**17 988 430**

Loans to customers comprise:

In thousands of Russian Roubles	2010	2009 (restated)
Originated loans	57 896 908	45 963 178
Finance lease receivables	830 475	665 704
Less: Provision for loan impairment	(5 967 127)	(4 966 929)
Total loans and advances to customers	**52 760 256**	**41 661 953**

9 Loans and Advances to Customers (Continued)

The components of finance lease receivables as of 31 December 2010 and 2009 are as follows:

In thousands of Russian Roubles	**2010**	**2009**
Total future minimum lease payments	1 192 580	858 177
Less: unearned finance income	(362 105)	(192 473)
Finance lease receivables	**830 475**	**665 704**
Current portion	322 356	393 516
Long-term portion	508 119	272 188
Finance lease receivables	**830 475**	**665 704**

The total future minimum lease payments due from customers under finance lease as of 31 December 2010 and 2009 are as follows:

In thousands of Russian Roubles	**2010**	**2009**
Not later than one year	491 844	517 601
Later than one year not later than five years	668 716	340 576
Later than five years	32 020	-
Total future minimum lease payments	**1 192 580**	**858 177**

9 Loans and Advances to Customers (Continued)

The fair value of collateral in respect of overdue and impaired loans at 31 December 2010 was as follows*:*

In thousands of Russian Roubles	**Loans to large corporates**	**Loans to small and medium-sized entities**	**Consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Fair value of collateral - loans past due but not impaired							
- real estate	-	-	2 989	25 186	-	-	28 175
- mortgage certificates	-	-	-	136 191	-	-	136 191
- equipment	-	-	1 514	-	728	-	2 242
Total	**-**	**-**	**4 503**	**161 377**	**728**	**-**	**166 607**
Fair value of collateral - individually impaired loans							
- real estate	4 034 391	6 191 619	308 875	103 828	-	343	10 639 056
- goods in turnover	824 342	603 314	19 428	-	-	2 008	1 449 091
- mortgage certificates and other securities	380 932	155 474	139 772	1 200 176	-	-	1 876 354
- cash deposits	-	-	32 660	-	1 373	-	34 033
- equipment	205 294	772 680	20 145	-	334 964	813	1 333 895
- corporate guarantees	10 843 821	4 511 383	160 453	-	776	794	15 517 227
- Group’s debt securities	22 000	17 000	10 000	-	-	-	49 000
Total	**16 310 780**	**12 251 470**	**691 332**	**1 304 003**	**337 113**	**3 958**	**30 898 656**
Fair value of collateral – overdue loans							
- real estate	201 228	2 309 808	37 684	32 704	-	-	2 581 424
- goods in turnover	26 302	330 929	6 509	-	-	5 102	368 842
- mortgage certificates and other securities	-	160	26 587	107 603	-	-	134 350
- cash deposits	-	-	3 444	-	-	-	3 444
- equipment	126 492	271 125	15 247	632	106 897	2 203	522 597
- corporate guarantees	-	142 379	336 801	18 748	262	2 064	500 254
Total	**354 023**	**3 054 401**	**426 271**	**159 687**	**107 159**	**9 369**	**4 110 910**
Grand total	**16 664 803**	**15 305 871**	**1 122 106**	**1 625 067**	**444 999**	**13 328**	**35 176 173**

9 Loans and Advances to Customers (Continued)

The fair value of collateral in respect of overdue and impaired loans at 31 December 2009 was as follows (restated):

In thousands of Russian Roubles	**Loans to large corporates**	**Loans to small and medium-sized entities**	**Consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Fair value of collateral - individually impaired loans							
- real estate	7 255 355	13 182 629	54 125	168 652	-	991	20 661 751
- goods in turnover	1 026 239	1 214 866	19 878	-	-	11 022	2 272 005
- mortgage certificates and other securities	166 651	36 071	6 211	244 655	-	-	453 588
- cash deposits		7 500	24 797	-	1 373		33 670
- equipment	266 667	510 273	8 605	-	209 554	4 773	999 872
- corporate guarantees	2 362 537	4 119 876	69 965	87 692	-	3 086	6 643 156
- Group's debt securities	-	147 519	-	-	-	-	147 519
Total	**11 077 449**	**19 218 733**	**183 581**	**500 998**	**210 927**	**19 872**	**31 211 560**
Fair value of collateral – overdue loans							
- real estate	100 730	1 852 809	69 953	81 474	-	-	2 104 966
- goods in turnover	33 502	278 362	271	-	-	4 707	316 842
- mortgage certificates and other securities	-	10 400	25 073	91 677	-	-	127 150
- cash deposits	-	-	3 418	-	-	-	3 418
- equipment	94 762	229 558	9 313	-	133 619	2 172	469 424
- corporate guarantees	181 182	1 048 973	335 414	18 497	1 038	1 795	1 586 899
Total	**410 176**	**3 420 102**	**443 441**	**191 647**	**134 656**	**8 675**	**4 608 697**
Grand total	**11 487 625**	**22 638 835**	**627 022**	**692 645**	**345 583**	**28 547**	**35 820 257**

The fair value of real estate and other assets was determined by the Group's credit department using the Group's internal guidelines.

Actual net realisable value of collateral may differ from the value disclosed above due to potential difficulties during the foreclosure which can not be predicted.

Refer to Note 32 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 28. Information on related party balances is disclosed in Note 34.

10 Investment Securities Available for Sale

	2010	2009
Municipal bonds	-	511 870
Corporate bonds	-	346 499
Total debt securities	**-**	**858 369**
Corporate shares	15	-
Total investment securities available for sale	**15**	**858 369**

Corporate bonds are interest bearing securities denominated in RR, issued by large Russian companies. These bonds have maturity dates in 2010-2012, coupon rate from 8.25% to 11.0% p.a. and yield to maturity 12.1-13.1% p.a.

Municipal bonds are interest-bearing securities denominated in RR and issued by the municipal bodies. These bonds have maturity dates in 2010-2012, coupon rate from 6.8% to 10% p.a. and yield to maturity 7.0-15.7% p.a.

Analysis by credit quality of debt securities outstanding at 31 December 2009 is as follows:

In thousands of Russian Roubles	Municipal bonds	Corporate bonds	Total
Neither past due nor impaired			
- BBB- to BBB+ rated	298 558	319 057	617 615
- BB- to BB+ rated	197 389	-	197 389
- Lower than BB- rated	15 923	-	15 923
- Unrated	-	27 442	27 442
Total neither past due nor impaired	**511 870**	**346 499**	**858 369**
Total debt securities available for sale	**511 870**	**346 499**	**858 369**

Neither past due nor impaired assets were analysed based on Standard and Poor's ratings.

The movements in investment securities available for sale are as follows:

In thousands of Russian Roubles	Note	2010	2009
Carrying amount at 1 January		**858 369**	**478 966**
Fair value (losses less gains)/gains less losses	21	(4 135)	154 137
Interest income accrued	22	33 456	213 800
Interest income received		(66 303)	(199 983)
Purchases		827 381	2 670 132
Disposals of investment securities available for sale		(1 648 753)	(2 579 761)
Repurchase receivables		-	294 867
Exchange differences relating to debt securities		-	(173 789)
Carrying amount at 31 December		**15**	**858 369**

Interest rate analysis of securities available for sale is disclosed in Note 28.

11 Repurchase Receivables

Repurchase receivable represents securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. The repurchase agreements are short-term in nature and matured by 11 January 2011.

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009**
Corporate bonds	318 718	-
Total debt securities	**318 718**	**-**
Total repurchase receivables	**318 718**	**-**

At 31 December 2010, included in amounts due to other banks are liabilities of RR 298 498 thousand from sale and repurchase agreements (2009: RR 0 thousand). Refer to Note 16.

Repurchase receivables are neither past due nor impaired assets that are represented by corporate bonds with rating from BBB- to BBB based on Standard and Poor’s rating scale. The counterparty is the OJSC “Bank Saint Petersburg”.

12 Investment in Associates

In November 2009 the Group created a new company CIS Factors Holding B.V., incorporated in the Netherlands, with the aim to serve as an investment vehicle for a factoring company. The Group has 50% interest in CIS Factors Holding B.V. with the other shareholder, the FIMBank Group (50%), but pursuant to the Subscription Agreement between International Financial Corporation (IFC), FIMFactors B.V., Joint-Stock Commercial Bank “Transcapitalbank” and CIS Factors Holding B.V dated 13 November 2009, IFC has agreed to subscribe for 20% on the terms and conditions of the Subscription Agreement. Refer to Note 35.

The table below summarises the movements in the carrying amount of the Group’s investment in associates:

In thousands of Russian Roubles	**2010**	**2009**
Carrying amount at 1 January	**116 121**	**-**
Fair value of net assets of associate created	-	114 804
Share of loss of associates	(4 967)	(258)
Translation to presentation currency	(8 195)	1 575
Carrying amount at 31 December	**102 959**	**116 121**

The table below summarises financial information about associated company:

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009**
Assets	207 575	232 983
Liabilities	15 954	741
Revenue	3 619	-
Net losses	(9 934)	(515)

13 Goodwill

Acquisition of LLC Tritail on 2 June 2008 that has an office building on its balance sheet resulted in the recognition of goodwill. The Group conducted a test for impairment, which was based on confirmation by an independent appraiser of the fair value of the property and the Group’s assessment of the discounted cash flows from using this building as additional office premises. No impairment indicators were identified.

14 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	**Premises**	**Equipment**	**Construc-tion in progress**	**Land**	**Total premises and equipment**	**Intangible assets**
At cost						
At 1 January 2009	**651 092**	**461 022**	**48 894**	**1 264**	**1 162 272**	**115 994**
Additions	27 506	111 598	804	-	139 908	36 555
Put into operation	6 222	12 003	(18 225)	-	-	-
Disposals	-	(16 531)	-	-	(16 531)	-
At 31 December 2009	**684 820**	**568 092**	**31 473**	**1 264**	**1 285 649**	**152 549**
Additions	1 852	69 508	8 303	-	79 663	61 762
Put into operation	-	1 246	(1 246)	-	-	-
Disposals	-	(25 350)	-	(232)	(25 582)	-
At 31 December 2010	**686 672**	**613 496**	**38 530**	**1 032**	**1 339 730**	**214 311**
Accumulated depreciation, amortization						
At 1 January 2009	**17 110**	**228 069**	**-**	**-**	**245 179**	**41 827**
Charge for the period	13 316	115 697	-	-	129 013	29 936
Disposals		(14 864)	-	-	(14 864)	-
At 31 December 2009	**30 426**	**328 902**	**-**	**-**	**359 328**	**71 763**
Charge for the period	13 588	122 717	-	-	136 305	42 822
Disposals		(23 825)	-	-	(23 825)	-
At 31 December 2010	**44 014**	**427 794**	**-**	**-**	**471 808**	**114 585**
Carrying amount						
At 31 December 2009	**654 394**	**239 190**	**31 473**	**1 264**	**926 321**	**80 786**
At 31 December 2010	**642 658**	**185 702**	**38 530**	**1 032**	**867 922**	**99 726**

Construction in progress consists of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to premises and equipment.

The Group tested its own premises for impairment and identified no indication of impairment of premises.

15 Other financial assets

In thousands of Russian Roubles	Note	31 December 2010	31 December 2009
Precious coins		86 548	51 817
Fair value of foreign exchange swaps	31	13 526	162
Trade receivables		1 417	50 315
Other		47 372	22 460
Less: Provision for impairment		(35 850)	(14 456)
Total other financial assets		**113 013**	**110 298**

Movements in the provision for impairment of other financial assets during 2010 are as follows:

In thousands of Russian Roubles	Other	Total
Provision for impairment at 1 January 2010	**14 456**	**14 456**
Provision for impairment during the year	21 394	21 394
Provision for impairment at 31 December 2010	**35 850**	**35 850**

Movements in the provision for impairment of other financial assets during 2009 are as follows:

In thousands of Russian Roubles	Other	Total
Provision for impairment at 1 January 2009	**2 175**	**2 175**
Provision for impairment during the year	12 281	12 281
Provision for impairment at 31 December 2009	**14 456**	**14 456**

16 Due to Other Banks

In thousands of Russian Roubles	31 December 2010	31 December 2009 (restated)
Term placements of other banks	11 893 044	10 093 894
Sale and repurchase agreements with other banks	298 498	-
Correspondent accounts and overnight placements of other banks	177 145	197 360
Total due to other banks	**12 368 687**	**10 291 254**

Refer to Note 32 for the disclosure of the fair value of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 28. Information on related party balances is disclosed in Note 34.

17 Customer Accounts

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009 (restated)**
Legal entities		
- Current/settlement accounts	15 625 255	10 400 238
- Term deposits	11 436 701	6 823 385
Individuals		
- Current/demand accounts	1 502 524	1 111 351
- Term deposits	13 711 090	11 215 451
Total customer accounts	**42 275 570**	**29 550 425**

Economic sector concentrations within customer accounts are as follows:

	31 December 2010		**31 December 2009 (restated)**	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	15 213 614	36	12 326 802	42
Trade	7 507 858	18	5 365 583	18
Construction and real estate	5 697 547	14	2 673 979	9
Energy and petrochemical sectors	3 562 974	8	485 990	2
Machine building	2 503 612	6	1 343 680	5
Services	2 486 099	6	1 223 506	4
Finance and insurance	2 258 011	5	2 027 071	7
Science, education, medicine	1 309 374	3	1 530 914	5
Transport and communications	624 892	2	398 806	1
Metallurgy and coal industry	147 866	-	1 052 142	4
Financial lease	105 705	-	66 148	-
Agriculture, food and timber industry	73 490	-	108 540	-
Other	784 528	2	947 264	3
Total customer accounts	**42 275 570**	**100**	**29 550 425**	**100**

At 31 December 2010 the Group had 11 customers (2009: 11 customers) with balances above RR 300 000 thousand. The aggregate balance of these customers was RR 8 112 952 thousand (2009: RR 5 244 533 thousand) or 19.1% (2009: 17.7%) of total customer accounts.

Refer to Note 32 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 28. Information on related party balances is disclosed in Note 34.

18 Debt Securities in Issue

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009**
Promissory notes	5 507 419	2 912 863
Eurobonds	-	4 243 746
Deposit certificates	647 445	166 709
Total debt securities in issue	**6 154 864**	**7 323 318**

At 31 December 2009 the Group had debt securities in issue (Eurobonds), which were US Dollars denominated. Gains on operations with debt securities issued in the amount of RR 322 825 thousand represent gain from partial repurchase of Eurobonds. Eurobonds were redeemed on 10 May 2010.

At 31 December 2010 the Group had promissory notes and deposit certificates in issue held by 4 counterparties (2009: 2 counterparties) with balances above RR 300 000 thousand. The aggregate balance of these balances was RR 2 390 914 thousand (2009: RR 884 951 thousand) or 38.8% (2009: 12.1%) of total debt securities in issue.

Refer to Note 32 for the disclosure of the fair value of debt securities in issue. Interest rate analysis of debt securities in issue is disclosed in Note 28.

19 Subordinated Debt

Name	Currency	Maturity date (year)	Interest rate, %	31 December 2010	31 December 2009
Eurobonds of Transregioncapital	USD	2017	10.5%	3 114 106	3 087 994
Vnesheconombank	RUR	2019	6.5%	986 748	986 748
European Bank of Reconstruction and Development	USD	2019	8.5%	-	456 765
Alenel Metal Production BV	USD	2015	9.2%	-	124 697
Dolmiano Investments Limited	USD	2017	8.6%	92 745	92 037
Diolon Shipping Limited	USD	2016	8.3%	92 699	91 991
Dolmiano Investments Limited	USD	2016	8.5%	62 259	61 784
Total subordinated debt				**4 348 557**	**4 902 016**

Subordinated debt ranks after all other creditors in case of liquidation.

Refer to Note 32 for the disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 28.

20 Share Capital

In thousands of Russian Roubles except for number of shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2009	**1 417 195**	**1 774 679**	**1 448 234**	**-**	**3 222 913**
New shares issued	399 657	399 657	834 484	-	1 234 141
At 31 December 2009	**1 816 852**	**2 174 336**	**2 282 718**	**-**	**4 457 054**
At 31 December 2010	**1 816 852**	**2 174 336**	**2 282 718**	**-**	**4 457 054**

In December 2009 the CBRF registered an additional issue of 399 657 common shares of the Bank with a par value of RR 1 000 each (the price of share is RR 3 088 each).

The total authorised number of ordinary shares is 2 217 195 shares (2009: 2 217 195 shares) with a par value of RR 1000 per share (2009: RR 1000 per share). Each share carries one vote.

As at 31 December 2009 1 816 852 issued ordinary shares are fully paid.

Share premium represents the excess of contributions received over the nominal value of shares issued.

In accordance with Russian legislation, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Bank's reserves under Russian Accounting Rules at 31 December 2010 amount to RR 1 557 705 thousand (2009: RR 1 502 325 thousand).

21 Other Comprehensive Income Recognised in Each Component of Equity

An analysis of other comprehensive income by item for each component of equity is as follows:

In thousands of Russian Roubles	**Note**	**Revaluation reserve for available-for-sale securities**	**Currency translation reserve**	**Total Other comprehensive income**
Year ended 31 December 2009				
Available-for-sale investments:				
- Gains less losses arising during the year	10	271 251	-	271 251
- Gains less losses recycled to profit or loss upon disposal or impairment	10	(117 114)	-	(117 114)
Exchange differences on translation to presentation currency	12	-	1 575	1 575
Income tax recorded directly in other comprehensive income	25	(30 827)	-	(30 827)
Total other comprehensive income		**123 310**	**1 575**	**124 885**
Year ended 31 December 2010				
Available-for-sale investments:				
- Gains less losses arising during the year	10	(8 189)	-	(8 189)
- Gains less losses recycled to profit or loss upon disposal or impairment	10	4 054	-	4 054
Exchange differences on translation to presentation currency	12		(8 195)	(8 195)
Income tax recorded directly in other comprehensive income	25	827	1 324	2 151
Total other comprehensive income		**(3 308)**	**(6 871)**	**(10 179)**

22 Interest Income and Expense

In thousands of Russian Roubles	Note	2010	2009 (restated)
Interest income			
Loans and advances to customers		6 732 382	6 985 787
Debt trading securities		727 008	336 585
Due from other banks		38 147	17 870
Debt investment securities available for sale	10	33 456	213 800
Correspondent accounts with other banks		6 551	6 474
Total interest income		**7 537 544**	**7 560 516**
Interest expense			
Term deposits of individuals		1 284 496	1 133 245
Term deposits of legal entities		653 997	370 278
Term placements of other banks		661 797	1 046 392
Subordinated debt		451 269	434 998
Debt securities in issue		417 907	636 778
Current/settlement accounts		106 166	93 442
Correspondent accounts of other banks		255	1 549
Total interest expense		**3 575 887**	**3 716 682**
Net interest income		**3 961 657**	**3 843 834**

23 Fee and Commission Income and Expense

In thousands of Russian Roubles	2010	2009 (restated)
Fee and commission income		
Settlement transactions	422 068	360 110
Guarantees issued	312 442	125 145
Cash transactions	181 194	164 371
Currency control	56 726	60 899
Banknote transactions and operations with precious coins	15 368	23 171
Cash collection	14 358	9 822
Other	31 285	30 398
Total fee and commission income	**1 033 441**	**773 916**
Fee and commission expense		
Settlement transactions	120 642	135 906
Guarantees received	22 667	29 482
Cash collection	4 506	4 473
Banknote transactions	3 819	5 378
Other	11 895	14 452
Total fee and commission expense	**163 529**	**189 691**
Net fee and commission income	**869 912**	**584 225**

24 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2010	2009
Staff costs		1 101 633	841 956
Office rent		177 166	182 941
Unified social tax		150 706	127 950
Depreciation of premises and equipment	14	136 305	129 013
Insurance expenses on transportation of valuables		122 299	103 566
Taxes other than on income		100 882	102 828
Maintenance		93 096	82 424
Communication expenses		91 291	87 246
Professional services		88 998	81 722
Deposit insurance program charge		53 314	46 122
Other insurance expenses		46 312	39 099
Amortisation of intangible assets	14	42 822	29 936
Advertising and other business development expenses		33 380	26 038
Other		70 863	55 102
Total administrative and other operating expenses		**2 309 067**	**1 935 943**

Included in staff costs are statutory pension contributions of RR 111 913 thousand (2009: RR 94 607 thousand).

25 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in the consolidated statement of comprehensive income comprises the following:

In thousands of Russian Roubles	2010	2009
Current tax	411 878	70 974
Deferred tax	(87 289)	66 136
Income tax expense for the year	**324 589**	**137 110**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group’s 2010 income is 20% (2009: 20%). Reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2010	2009
Profit before tax	1 593 440	633 743
Theoretical tax charge at statutory rate (2010: 20%; 2009: 20%)	318 688	126 749
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	24 822	18 913
- Income on government securities taxed at different rates	(18 921)	(8 552)
Income tax expense for the year	**324 589**	**137 110**

25 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2009: 20%).

In the context of the Group’s current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other Group companies. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

In thousands of Russian Roubles	**1 January 2010**	**Credited/ (charged) to profit or loss**	**Credited/ (charged) to other comprehen-sive income**	**31 December 2010**
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment:	(19 221)	6 740	-	(12 481)
Loan impairment provision	61 059	(4 435)	-	56 624
Fair valuation of trading securities	(6 962)	7 533	-	571
Fair valuation of investment securities available for sale	(827)	-	827	-
Translation reserve	-	-	1 324	1 324
Other provisions	7 455	(1 500)	-	5 955
Accrued interest on loans and advances to customers	5 562	92 877	-	98 439
Other accruals	18 488	(21 312)	-	(2 824)
Other	6 111	5 451	-	11 562
Deferred tax asset	**71 665**	**85 354**	**2 151**	**159 170**
Tax effect of taxable temporary differences				
Premises and equipment	(83 621)	1 935	-	(81 686)
Deferred tax liability	**(83 621)**	**1 935**	**-**	**(81 686)**
Net deferred tax (liability)/asset	**(11 956)**	**87 289**	**2 151**	**77 484**

25 Income Taxes (Continued)

In thousands of Russian Roubles	1 January 2009	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31 December 2009
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment	(36 538)	17 317	-	(19 221)
Loan impairment provision	102 935	(41 876)	-	61 059
Fair valuation of trading securities	41 378	(48 340)	-	(6 962)
Fair valuation of investment securities available for sale	30 000	-	(30 827)	(827)
Other provisions	16 239	(8 784)	-	7 455
Accrued interest income on loans and advances to customers	-	5 562		5 562
Accruals	18 656	(168)	-	18 488
Other	-	6 111	-	6 111
Deferred tax asset	**172 670**	**(70 178)**	**(30 827)**	**71 665**
Tax effect of taxable temporary differences				
Other liabilities	(2 459)	2 459	-	-
Premises and equipment	(85 204)	1 583	-	(83 621)
Deferred tax liability	**(87 663)**	**4 042**	**-**	**(83 621)**
Net deferred tax asset/(liability)	**85 007**	**(66 136)**	**(30 827)**	**(11 956)**

(e) Current and deferred tax effects relating to each component of other comprehensive income

Current and deferred tax effects relating to each component of other comprehensive income are as follows:

	2010			2009		
In thousands of Russian Roubles	Before-tax amount	Income tax (expense)/ benefit	Net-of-tax amount	Before-tax amount	Income tax (expense)/ benefit	Net-of-tax amount
Available-for-sale investments:						
- Gains arising during the year	(8 189)	1 638	(6 551)	271 251	(54 250)	217 001
- Reclassification adjustments for gains included in profit or loss	4 054	(811)	3 243	(117 114)	23 423	(93 691)
Exchange differences on translation to presentation currency	(8 195)	1 324	(6 871)	1 575	-	1 575
Other comprehensive income	**(12 330)**	**2 151**	**(10 179)**	**155 712**	**(30 827)**	**124 885**

26 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

In thousands of RR except for number of shares	**2010**	**2009**
Profit for the year attributable to ordinary shareholders	1 270 219	497 556
Weighted average number of ordinary shares in issue	1 816 852	1 420 480
Basic and diluted earnings per ordinary share (expressed in RR per share)	**699**	**350**

27 Segment Analysis

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

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of five main business segments:

- **Treasury** – includes money market operations, brokerage and custody services, transactions with securities and foreign currency, REPO agreements and operations with derivative financial instruments.
- **International financing** – raising funds on international capital markets.
- **Moscow network** – includes transactions with individuals and legal entities in the area of corporate and retail banking services, monetary resources allocation and placement, other banking operations performed in Moscow offices.
- **Regional network** – includes transactions with individuals and legal entities in the area of corporate and retail banking services, monetary resources allocation and placement, other banking operations performed in regional offices.
- **Overall Management** – this segment performs the centralized risk management, and is responsible for infrastructure maintenance and development.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

27 Segment Analysis (Continued)

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM analyzes the financial information, based on the reporting under Russian accounting standards adjusted for management purposes. The essential differences between management reporting and financial reporting based on IFRS are as follows:

(i) the fair value changes in available for sale securities are reported within the segments' profits or losses rather than in other comprehensive income. The securities presented in the portfolio "securities available for sale" and "trading securities" are subject to revaluation at average market quotes, rather than at the last bid price;

(ii) the depreciation rates of fixed assets differ from the depreciation rates applied under IFRS; the value of the fixed assets purchased before 1 January 2003 is not adjusted for inflation;

(iii) income taxes are not allocated to segments;

(iv) loan provisions are recognized based on statutory provisioning requirements and availability of information rather than based on the incurred loss model prescribed by IAS 39;

(v) commission income related to lending is recognized on cash basis rather than being deferred using the effective interest method; and

(vi) the segmental financial reporting, analyzed by the CODM, does not include operating results of the subsidiaries; the operating results analysis is delegated on a regular basis to the subsidiaries' management. The information about operating results of the subsidiaries is quarterly reported to the Chairperson of the Bank's Management Board.

The Group calculates the volume of allocated and raised resources within the segments. This calculation is based on the ratio of allocated and raised resources with regard to liquidity and types of foreign currencies (roubles, dollars, euro) for each accounting period. Internal allocation and funding rates are equal and are based on average market borrowing rates.

Expenses, which can not be directly charged to a segment, are allocated. The principles of allocation are selected in accordance with the objective expense allocation basis such as: salary fund, staff number, occupied working area.

When defining profit or loss of an operational segment, the Bank allocates amortization costs within its operational segments. However, this principle is not applied to book value of fixed assets.

The CODM estimates the segment results based on profit before income tax.

(d) Information about reportable segment profit or loss, assets and liabilities

Segment breakdown of assets and liabilities of the reportable segments is set out below:

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009**
Assets		
Treasury	17 553 869	12 246 895
Moscow network	37 346 433	31 994 959
Regional network	18 268 143	12 698 884
Overall management	910 037	947 973
Total reportable segment assets	**74 078 482**	**57 888 711**
Liabilities		
Treasury	3 767 986	5 544 569
International financing	13 455 636	12 647 255
Moscow network	33 254 361	22 581 870
Regional network	15 448 087	9 887 703
Overall management	13 643	13 664
Total reportable segment liabilities	**65 939 713**	**50 675 061**

27 Segment Analysis (Continued)

In thousands of Russian Roubles	**Treasury**	**International financing**	**Moscow network**	**Regional network**	**Overall management**	**Total**
2010						
External revenues:						
- Interest income	53 374	-	4 500 149	2 128 353	-	6 681 877
- Fee and commission income	8 595	-	706 064	252 530	-	967 189
- Other operating income	-	-	54 925	36 658	-	91 583
Total revenues	**61 969**	**-**	**5 261 138**	**2 417 541**	**-**	**7 740 648**
Interest expense	(393 675)	(704 729)	(1 514 919)	(810 210)	-	(3 423 532)
Provision for loan impairment	(21 518)	-	(672 384)	(602 792)	-	(1 296 694)
Provision for credit related commitments		-	(156 037)	175 606	-	19 569
Fee and commission expense	(10 084)	(172 293)	(107 709)	(17 486)	-	(307 571)
Gains less losses from trading securities	686 924	-	-	-	-	686 924
Gains less losses from trading in foreign currencies	213 359		-	60 464	-	273 823
Gains less losses from disposals of investment securities available for sale	25 896	(1 427)	22 501	10 492	-	57 461
Administrative and other operating expenses	(72 960)	(29 990)	(520 883)	(619 736)	(838 466)	(2 082 034)
Depreciation	(1 398)	(175)	(11 012)	(26 192)	(67 108)	(105 886)
Results of operations between segments	95 393	934 428	(1 474 354)	(688 304)	1 132 837	-
Segment result	**583 906**	**25 814**	**826 341**	**(100 617)**	**227 263**	**1 562 708**

27 Segment Analysis (Continued)

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

In thousands of Russian Roubles	**Treasury**	**International financing**	**Moscow network**	**Regional network**	**Overall manage-ment**	**Total**
2009						
External revenues:						
- Interest income	23 912		3 764 085	2 078 357	-	5 866 354
- Fee and commission income	3 152		1 339 057	499 525	-	1 841 734
- Other operating income	-	-	19 209	39 626	-	58 835
Total revenues	**27 064**	**-**	**5 122 351**	**2 617 508**	**-**	**7 766 923**
Interest expense	(603 155)	(1 007 615)	(1 310 292)	(525 930)	-	(3 446 992)
Provision for loan impairment	(23 720)		(1 835 985)	(1 328 207)	-	(3 187 912)
Provision for credit related commitments	-	-	57 065	62 127	-	119 192
Fee and commission expense	(8 899)	(241 113)	(112 167)	(16 922)	-	(379 101)
Gains less losses from trading securities	580 114	-	-	-	-	580 114
Gains less losses from trading in foreign currencies	212 895	-	-	104 171	-	317 066
Gains less losses from disposals of investment securities available for sale	396 547	-	-	-	-	396 547
Gains from redemption of debt securities issued	-	310 780	91	5 951	-	316 822
Administrative and other operating expenses	(67 473)	(19 315)	(422 422)	(533 812)	(663 846)	(1 706 868)
Depreciation	(1 286)	(158)	(10 003)	(41 446)	(98 406)	(151 299)
Results of operations between segments	475 640	1 583 505	(2 049 725)	(1 295 273)	1 285 853	- -
Segment result	**987 727**	**626 084**	**(561 087)**	**(951 833)**	**523 601**	**624 492**

(e) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

In thousands of Russian Roubles	**2010**	**2009**
Total revenues for reportable segments	**7 740 648**	**7 766 923**
(a) interest income on securities	760 463	550 385
(b) interest income on leasing operations	197 522	175 074
(c) intergroup adjustments	(118 233)	(121 796)
(d) interest income on loans to customers at effective rate	41 218	27 809
(e) Other	50 989	(12 207)
Total consolidated revenues	**8 672 607**	**8 386 188**

27 Segment Analysis (Continued)

In segment reporting interest income on securities is considered as part of result from operations with securities.

Total consolidated revenues comprise interest income, fee and commission income and other operating income.

In thousands of Russian Roubles	2010	2009
Total reportable segment result	**1 562 708**	**624 492**
(a) provisions for loans impairment	106 259	305 098
(b) provisions for credit related commitments	(20 069)	(87 553)
(c) other comprehensive income	1 558	(113 011)
(d) accruals	(57 016)	(95 283)
Profit before tax	**1 593 440**	**633 743**

In thousands of Russian Roubles	31 December 2010	31 December 2009 (restated)
Total reportable segment assets	**74 078 482**	**57 888 711**
(a) effect of consolidation	163 828	204 011
(b) loans to customers	(211 564)	(238 107)
(c) revaluation of securities	(46 410)	(5 653)
(d) income tax	159 170	55 083
(e) changes in letters of credit accounting	-	1 702 066
(f) other	(122 284)	56 704
Total consolidated assets	**74 021 222**	**59 662 815**

In thousands of Russian Roubles	31 December 2010	31 December 2009 (restated)
Total reportable segment liabilities	**65 939 713**	**50 675 061**
(a) effect of consolidation	130 784	182 478
(b) other reserves	(588 366)	(213 705)
(c) changes in letters of credit accounting	-	1 702 066
(d) other	(44 183)	(7 687)
Total consolidated liabilities	**65 437 948**	**52 338 213**

Effect of consolidation is represented by the assets and liabilities of subsidiaries that are not included into segment assets and liabilities.

(f) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 22 (interest income), Note 23 (fee and commission income).

27 Segment Analysis (Continued)

(g) Geographical information

The Group operates in the Russian Federation. All revenues of the Group were received mainly from counterparties that conduct their business in the Russian Federation.

(h) Major customers

The Group has no clients whose revenues represent 10% or more of the total revenues.

28 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, equity, currency, interest rate and liquidity risks), operational and legal risks. The primary approach to minimise banking risks is to develop methods for management and define quantitative risk parameters. One of the primary methods of the financial risk management function is to establish risk limits and then ensure that exposure to risks stays within these limits. Management of operating and legal risks is ensured by due compliance with internal regulations and procedures in order to minimise these types of risks.

Credit risk. The Group is exposed to credit risk arising as a result of credit and other transactions of the Group with its counterparties and which may lead to losses as a result of the counterparty's inability to discharge its obligation. The primary objective of credit risk management is to generate maximum profitability subject to the level of assumed credit risk. This objective is achieved due to setting up a system of effective tools allowing minimization of likelihood of default on principal amount and interest on loans issued. The main instrument of credit risk management is administration of loans, including a set of sequential actions performed at different stages of transactions exposed to credit risk. The principal instrument for credit risk regulation is setting limits for financial instruments on borrowers and counterparties, assessment of the borrowers' and counterparties' financial position in order to set loan loss provisions and assessment of collateral quality.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 30.

The risk evaluation and decision making processes are strictly regulated. The Group has separated the functions of credit risk management and issue of loans. The Group has established efficiently functioning collegial bodies responsible for setting limits on counterparties and making credit and investment decisions.

The Credit Committee is authorised to develop and implement the Bank's current and long-term credit policy and performs the following principal functions:

– Makes decisions on issue (renewal) of loans;
– Makes decisions on formation of the loan portfolio structure;
– Makes decisions on bad debts and loans issued to borrowers with declining financial position;
– Makes decisions on sale of collateral;
– Makes decisions on issuing loans to borrowers in the Bank's branches.

Small Credit Committees and Credit Commissions are established in the Bank's Head Office and those branches, where the Credit Committee is already functioning. Credit Commissions are established in separate structural divisions (branches and additional offices) where no Credit Committee is functioning. Committees and commissions make decisions regarding a limited range of transactions within the framework of specific programs for provision of credit products to legal entities and individuals (the "lending programs"). Committees and commissions review credit transactions within their limits and authorities. Credit limits within which the committees and commissions make decisions are set by the Bank's Executive Board.

28 Financial Risk Management (Continued)

Risk Management Committee carries out the following functions:

- Approves limits for different types of risks;
- Makes decisions related to changes in the structure of portfolio investments, attraction and allocation of resources;
- Monitors the effect of current fluctuations of market prices on financial instruments and makes decisions on formation or reduction of relevant financial instruments portfolios;
- Monitors changes in currency positions in the event of unfavourable fluctuations of foreign exchange rates;
- Reviews and provides recommendations on changes in interest rates for assets and liabilities in the event of changes in the money market situation.

The Limits Committee performs the following main functions:

- Sets limits on counterparties in the interbank lending market and on issuers in the securities market;
- Sets individual limits on employees of the Bank's Treasury.

For the purpose of mitigation of its credit risk level, the Group has developed a system of limits allowing to limit exposure to credit risk. The Bank's credit policy sets portfolio limits on its loan portfolio. The Bank's Executive Board sets limits on lending by branches. The Credit Committee sets limits on credit products for borrowers and counterparties. Decisions on transactions of the Bank's related parties (not more than 3% of the Bank's equity per related borrower) and insiders (not more than 2% of the Bank's equity per insider) are made by the Credit Committee and in other cases by the Board of Directors. The Risk Management Committee sets limits on industry diversification of loan portfolio and limits on concentration of major loans. Limits on financial instruments on counterparty banks and issuers of securities are set by the Limits Committee. Limits are monitored on a regular basis and revised as required, but not less than once a year.

Credit limits directly depend on financial performance of borrower as at 31 December 2010 and as at 31 December 2009 on credit rating being an integral estimation of the borrower's financial stability and solvency. Internal credit rating is expressed as scores assigned to creditworthiness based on estimated factors:

- Borrower's financial position;
- Review of the borrower's business reputation and information of its operations;
- Estimation of turnover on the borrower's accounts with the Bank (stability of cash flows);
- Assessment of the shareholding (foundation) structure;
- Credit history.

Setting credit limits is possible only for first class borrowers with high creditworthiness and for borrowers of the second class, lending to which requires a weighted approach. For third class borrowers, lending to which is related to higher risk, and in the event of the borrower's default no limit is set.

The Group applies a conservative credit policy striving to cover its risks entirely. Loans are issued only to reliable borrowers with a strong financial position, high quality management and good standing. The Group classifies loans to come up with loan loss provisions.

28 Financial Risk Management (Continued)

Loans are usually issued against a liquid collateral, including costs on sale of the collateral and sufficient coverage of the loan principal and interest. The most relevant indicators of the collateral analysis are sufficiency and liquidity of the security. The Group actively applies collateral insurance. Credit quality and status of collateral are monitored on a continuing basis.

The Group diversifies its loan portfolio by risk groups, industries and regions in accordance with set limits.

The Group's divisions involved in lending transactions perform ageing analysis of outstanding loans and follow up past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 9 and other information about credit quality as disclosed Notes 8, 10 and 11.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements. Components of the market risk include sensitivity of the Group's assets and liabilities to fluctuations in interest rates, foreign exchange rates, market value of securities and other financial instruments. The instruments of market risk regulation are:

– Setting personal limits of open positions per dealers;
– Setting limits on financial instruments;
– Setting stop-loss limits on traded instruments;
– Gap management to maintain the risk within the Group's general policy.

Management sets limits on the value of risk that may be accepted, which is monitored on continuous basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group manages its currency risk through its open currency position based on anticipated devaluation of national or foreign currency and other macroeconomic indicators which allows to minimise losses from significant fluctuations of national and foreign currency exchange rates. Limits are defined both for each currency and for aggregate positions in all currencies. For the purpose of currency risk analysis, the following actions are taken in respect of each currency in which the Group holds an open currency position:

– Dynamic of fluctuation of the exchange rate of currency is analysed;
– Factors impacting exchange rate of the relevant currency are analysed;
– Feasibility of setting long (short) position is determined;
– Aggregate amount of profit/loss arising from revaluation of the position is determined;
– Ratio between the calculated aggregate amount of income (losses) and equity is determined.

Based on the performed currency risk analysis:

– The maximum amount of currency position is determined (limiting of the currency position); and
– The maximum amount of ratio of losses from position revaluation is set (limiting of losses: stop-loss and stop-out).

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

28 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at the balance sheet date:

In thousands of Russian Roubles	**Russian Roubles**	**US Dollars**	**Euros**	**Other**	**Total**
At 31 December 2010					
Monetary financial assets	55 296 474	12 695 892	4 389 009	135 903	72 517 278
Monetary financial liabilities	44 016 265	15 650 821	5 427 345	112 148	65 206 579
Derivatives	(3 613 342)	2 731 295	881 860	187	-
Net position	**7 666 867**	**(223 634)**	**(156 476)**	**23 942**	**7 310 699**
At 31 December 2009					
Monetary financial assets	38 773 233	14 043 550	5 201 334	144 132	58 162 249
Monetary financial liabilities	31 886 631	14 638 002	5 478 569	131 079	52 134 281
Derivatives	91 291	163 799	(255 090)	-	**-**
Net position	**6 977 893**	**(430 653)**	**(532 325)**	**13 053**	**6 027 968**

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Group's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 31. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	31 December 2010		**31 December 2009**	
In thousands of Russian Roubles	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 15% (2009: strengthening by 20%)	(30 624)	(30 624)	(78 682)	(78 682)
US Dollar weakening by 15% (2009: weakening by 20%)	35 610	35 610	96 299	96 299
Euro strengthening by 15% (2009: strengthening by 20%)	(7 479)	(7 479)	(60 703)	(60 703)
Euro weakening by 15% (2009: weakening by 20%)	8 697	8 697	74 295	74 295
Total	**6 204**	**6 204**	**31 209**	**31 209**

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

28 Financial Risk Management (Continued)

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Losses arising from interest risk are measured as follows:

– Likely reduction of difference between interest received and paid;

– Likely decrease of fair value of the Group’s assets estimated based on future cash flows formed as a difference between interest paid and received.

Interest rate risk management covers all assets and liabilities of the Bank, as well as off-balance sheet accounts related to arising of interest rate risk. In order to determine the potential exposure of the Group to interest rate risk, gap analysis and duration method are applied. For gap analysis, the level of asset and liability gap sensitive to changes in interest rates is applied as the main indicator measuring the interest rate risk. For duration method analysis, the amount of interest rate risk giving rise to decrease of the Bank’s economic value by more than 20% of equity is treated as critical.

In order to minimise the interest rate risk, loan agreements provide for periodic revision of interest rates depending on changes in the market interest rates.

Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**More than 1 year**	**Total**
31 December 2010					
Total financial assets	17 555 263	8 087 440	18 218 054	20 276 605	64 137 362
Total financial liabilities	12 436 441	7 936 510	19 587 350	9 428 595	49 388 896
Net interest sensitivity gap at 31 December 2010	**5 118 822**	**150 930**	**(1 369 296)**	**10 848 010**	**14 748 466**
31 December 2009					
Total financial assets	12 100 974	7 536 460	19 135 217	13 456 802	52 229 453
Total financial liabilities	4 643 846	5 919 047	19 776 838	9 747 305	40 087 036
Net interest sensitivity gap at 31 December 2009	**7 457 128**	**1 617 413**	**(641 621)**	**3 709 497**	**12 142 417**

All of the Group’s debt instruments reprice within 5 years.

At 31 December 2010, if interest rates at that date had been 200 basis points lower with all other variables held constant, profit for the year would have been RR 422 875 thousand (2009: RR 208 827 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities (and higher fair value of debt trading and other securities at fair value through profit or loss). At the same time, the amount of income is decreased due to overpayment under deposits placed earlier and under loans with fixed interest rate.

At 31 December 2010, if interest rates at that date had been 200 basis points higher with all other variables held constant, profit for the year would have been RR 422 875 thousand (2009: RR 167 695 thousand) lower, mainly as a result of higer interest expense on variable interest liabilities. At the same time, the amount of expense is decreased due to relatively cheap deposits attracted earlier and under loans with fixed interest rate.

28 Financial Risk Management (Continued)

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

	31 December 2010				31 December 2009			
In % p.a.	RR	USD	Euro	Other	RR	USD	Euro	Other
Assets								
Cash and cash equivalents	1.0	0.0	0.0	0.0	5.8	0.4	0.7	-
Debt trading securities	7.2	1.5	-	-	9.3	11.5	-	-
Loans and advances to customers:								
- legal entities	11.9	10.3	10.9	7.4	16.4	15.7	13.7	7.9
- individuals	14.5	14.1	11.4	-	15.1	16.2	17.5	-
- finance lease	25.0	-	42.0		24.5	14.2	42.0	-
Debt investment securities available for sale	-	-	-	-	11.8	-	-	-
Liabilities								
Due to other banks	5.1	4.3	1.9	2.4	6.6	6.0	5.1	1.9
Customer accounts								
- term deposits of individuals	10.3	7.6	6.6	-	14.2	8.9	7.9	-
- term deposits of legal entities	6.6	6.8	3.1	-	11.8	8.6	7.8	-
Debt securities in issue	7.4	3.6	4.1	-	9.0	9.8	-	-
Other borrowed funds	-	-	-	-	22.0	-	-	-
Subordinated debt	6.5	10.5	-	-	8.0	10.5	-	-

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

Other price risk. The Group is exposed to risk as a result of fluctuation of debt and equity securities’ prices. The principal methods of equity risk management applied by the Group are:

– Estimation of the issuer’s financial position;

– Setting limits per issuers of securities;

– Setting limits on transactions with securities;

– Setting period for investments in financial instruments.

When equity risk is measured, the level of change in the price of this security within the set period of time is estimated. The following factors are taken into consideration:

– Retrospective date on price fluctuations;

– Issuer’s nature;

– Market liquidity of this security;

– Ratings assigned by recognised rating agencies to these securities and their description as financial instruments;

– Level of concentration of the Group’s position in securities of one issuer or in a range of its issues.

As at 31 December 2010, if the MICEX index had been 20% different, with all other variables held constant, the value of equity portfolio at current fair value through profit or loss would have been RR 208 422 thousand lower if the MICEX index had decreased, and RR 208 422 higher if the MICEX index had increased.

As at 31 December 2009, if the MICEX index had been 20% different, with all other variables held constant, the value of equity portfolio at current fair value through profit or loss would have been RR 263 031 thousand lower if the MICEX index had decreased, and RR 214 912 higher if the MICEX index had increased.

In order to minimise the level of equity risk, the Risk Management Committee sets nominal limits by types of financial instruments determining the amount of current position thereon as at the end of the day. These limits are applied for control over trading operations.

28 Financial Risk Management (Continued)

To ensure an integral control over risks, limits on issuers are applied in dealing with securities. All transactions with securities and financial derivatives on securities are carried out within set limits on issuers.

Transactions in equity products are monitored and authorised by the Group's Treasury Department.

Prepayment risk. The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year financial result and equity at the current balance sheet date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2009: no material impact).

Geographical risk concentrations. The geographical concentration of the Group's assets and liabilities at 31 December 2010 is set out below:

In thousands of Russian Roubles	**The Russian Federation**	**Non-OECD**	**OECD**	**Total**
Assets				
Cash and cash equivalents	7 414 359	4 246	1 068 104	8 486 709
Mandatory cash balances with CBRF	373 178	-	-	373 178
Trading securities	10 461 657	-	3 732	10 465 389
Investments available for sale	15	-	-	15
Loans and advances to customers	51 031 733	837 686	890 837	52 760 256
Investments in associates	-	-	102 959	102 959
Repurchase receivable	318 718	-	-	318 718
Goodwill	47 476	-	-	47 476
Premises, equipment and intangible assets	967 648	-	-	967 648
Current income tax	8 192	-	-	8 192
Deferred income tax	159 170	-	-	159 170
Other assets	325 259	-	6 253	331 512
Total assets	**71 107 405**	**841 932**	**2 071 885**	**74 021 222**
Liabilities				
Due to other banks	2 884 997	133	9 483 557	12 368 687
Customer accounts	41 646 211	249 090	380 269	42 275 570
Debt securities in issue	6 154 864	-	-	6 154 864
Provisions for credit related commitments	500	-	-	500
Deferred income tax liabilities	81 686	-	-	81 686
Other liabilities	186 010	1	22 073	208 084
Subordinated debt	986 748	247 704	3 114 105	4 348 557
Total liabilities	**51 941 016**	**496 928**	**13 000 004**	**65 437 948**
OPEN POSITION	**19 166 389**	**345 004**	**(10 928 119)**	**8 583 274**

28 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	**The Russian Federation**	**Non-OECD**	**OECD**	**Total**
Assets				
Cash and cash equivalents	4 933 907	104 215	1 933 836	6 971 958
Mandatory cash balances with CBRF	249 853			249 853
Trading securities	8 306 945	-	2 873	8 309 818
Due from other banks	-	-	-	-
Loans and advances to customers	39 754 832	869 223	1 037 898	41 661 953
Investment securities available for sale	858 369	-	-	858 369
Investments in associates	-	-	116 121	116 121
Goodwill	47 476	-	-	47 476
Premises, equipment and intangible assets	1 007 107	-	-	1 007 107
Current income tax	68 077	-	-	68 077
Deferred income tax	71 665	-	-	71 665
Other assets	300 078	3	337	300 418
Total assets	**55 598 309**	**973 441**	**3 091 065**	**59 662 815**
Liabilities				
Due to other banks	5 549 166	139	4 741 949	10 291 254
Customer accounts	29 105 346	119 420	325 659	29 550 425
Debt securities in issue	3 079 573	-	4 243 745	7 323 318
Provisions for credit related commitments	-	-	-	-
Deferred income tax liabilities	83 621	-	-	83 621
Other liabilities	187 579	-		187 579
Subordinated debt	986 748	245 812	3 669 456	4 902 016
Total liabilities	**38 992 033**	**365 371**	**12 980 809**	**52 338 213**
OPEN POSITION	**16 606 276**	**608 070**	**(9 889 744)**	**7 324 602**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of the Group's total capital in accordance with the requirements of the Basel Accord. Refer to Note 9.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Liquidity risk is managed by the Group's Risk Management Committee. Current liquidity is managed by the Treasury Department which carries out transactions in the money markets to maintain current liquidity and optimise cash flows. The Bank's Liquidity Division is operating within the Treasury Department and carrying out planning and management of instant and short-term liquidity, as well as calculations and analysis of medium-term and long-term liquidity. The Treasury Department receives information on financial assets and liabilities and then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with 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 and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

28 Financial Risk Management (Continued)

An instrument for projecting short-term liquidity is the calendar of payments representing the schedule of projected cash flows both for actual balance sheet data and for projected data received from business units.

GAP-analysis is an instrument for projecting structural liquidity allowing to make a conclusion on the level of structural matching of the balance sheet assets and liabilities.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and debt securities. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the CBRF. These ratios are:

– Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 62.6% at 31 December 2010 (2009: 74.4%).
– Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 109.8% at 31 December 2010 (2009: 107.6%).
– Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 103.7% at 31 December 2010 (2009: 76.7%).

In order to minimise the risk of liquidity loss, the Group's dependency on interbank transactions is analysed, as well as transactions of major clients and concentration of credit risks.

The table below shows liabilities at 31 December 2010 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), contractual amounts to be exchanged under gross settled currency swaps, and gross loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the balance sheet amount is based on discounted cash flows.

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

The maturity analysis of financial liabilities at 31 December 2010 is as follows:

In thousands of Russian Roubles	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
UNDISCOUNTED FINANCIAL LIABILITIES						
Due to other banks	7 313 144	1 479 460	2 868 581	852 207	-	12 513 393
Customer accounts	19 694 443	5 602 455	14 062 672	4 310 057	-	43 669 627
Debt securities in issue	586 306	1 532 021	3 846 637	503 581	-	6 468 546
Subordinated debt	-	162 801	183 150	1 364 833	3 899 002	5 609 786
Other financial liabilities	25 386	-	23 701	16 893	-	65 980
Gross settled derivative financial instruments:						
- inflow	(2 716 988)	-	(21 709)	(969 208)	-	(3 707 904)
- outflow	2 717 630	-	44 746	1 044 362	-	3 806 739
Credit related commitments	18 283 095	2 900 851	11 815 811	3 889 875	-	36 889 632

28 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2009 is as follows:

In thousands of Russian Roubles	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
UNDISCOUNTED FINANCIAL LIABILITIES						
Due to other banks	1 161 639	616 454	4 620 641	2 611 174	485 137	9 495 045
Customer accounts	12 818 647	5 182 149	8 445 918	3 793 261	326 643	30 566 618
Debt securities in issue	912 539	602 131	5 803 666	119 009	107 293	7 544 638
Subordinated debt	9 653	178 300	278 654	1 576 212	6 693 143	8 735 962
Other financial liabilities	464	45 614	21 189	-	-	67 267
Gross settled derivative financial instruments:						
- inflow	(884 202)	-	-	-	-	(884 202)
- outflow	884 135	-	-	-	-	884 135
Credit related commitments	5 523 574	1 673 285	6 613 062	1 590 410	-	15 400 331

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

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities, which may be summarised as follows at 31 December 2010:

In thousands of Russian Roubles	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
ASSETS							
Cash and cash equivalents	477 539	-	-	-	-	-	477 539
Loans to customers	122 880	202 105	123 436	177 457	-	-	625 878
Total assets with floating interest rate	**600 419**	**202 105**	**123 436**	**177 457**	**-**	**-**	**1 103 417**
Cash and cash equivalents	1 173 461	-	-	-	-	-	1 173 461
Trading securities	9 422 726	-	-	-	-	-	9 422 726
Loans to customers	6 039 939	7 885 335	18 094 618	18 533 365	1 565 783	-	52 119 040
Repurchase receivable	318 718	-	-	-	-	-	318 718
Total assets with fixed interest rate	**16 954 844**	**7 885 335**	**18 094 618**	**18 533 365**	**1 565 783**	**-**	**63 033 945**
Total interest bearing assets	**17 555 263**	**8 087 440**	**18 218 054**	**18 710 822**	**1 565 783**	**-**	**64 137 362**
Cash and cash equivalents	6 835 709	-	-	-	-	-	6 835 709
Mandatory cash balances with CBRF	-	-	-	-	-	373 178	373 178
Loans to customers	-	-	15 338	-	-	-	15 338
Premises, equipment and intangible assets	-	-	-	-	-	967 648	967 648
Goodwill	-	-	-	-	-	47 476	47 476
Current income tax	-	-	8 192	-	-	-	8 192
Deferred income tax	-	-	-	159 170	-	-	159 170
Other assets	127 143	39 181	117 200	27 782	2 894	17 312	331 512
Available-for-sale investments	-	-	15	-	-	-	15
Trading securities	1 042 663	-	-	-	-	-	1 042 663
Investments in associates	-	-	-	-	-	102 959	102 959
Total assets	**25 560 778**	**8 126 621**	**18 358 799**	**18 897 774**	**1 568 677**	**1 508 573**	**74 021 222**

28 Financial Risk Management (Continued)

In thousands of Russian Roubles	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
LIABILITIES							
Due to other banks	2 077 670	831 408	1 345 315	672 936	-	-	4 927 329
Customer accounts	4 750 544	5 429 678	13 243 006	3 924 228	-	-	27 347 456
Debt securities in issue	436 094	949 893	3 515 507	445 562	-	-	5 347 056
Subordinated debt	-	102 487	2 582	-	4 243 488	-	4 348 557
Other liabilities	22 072	-	-	-	-	-	22 072
Total fixed interest rate liabilities	**7 286 380**	**7 313 466**	**18 106 410**	**5 042 726**	**4 243 488**	**-**	**41 992 470**
Due to other banks	5 150 061	619 538	1 480 940	118 786	-	-	7 369 325
Customer accounts	-	3 506	-	23 595	-		27 101
Total floating interest rate liabilities	**5 150 061**	**623 044**	**1 480 940**	**142 381**	**-**	**-**	**7 396 426**
Total interest bearing liabilities	**12 436 441**	**7 936 510**	**19 587 350**	**5 185 107**	**4 243 488**	**-**	**49 388 896**
Due to other banks	72 033	-	-	-	-	-	72 033
Customer accounts	14 901 013	-	-	-	-	-	14 901 013
Provisions for credit related commitments	-	-	-	-	-	500	500
Debt securities in issue	114 245	515 013	178 550	-	-	-	807 808
Current income tax liabilities	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	81 686	-	81 686
Other liabilities	55 179	14 455	116 320	58	-	-	186 012
Total liabilities	**27 578 911**	**8 465 978**	**19 882 220**	**5 185 165**	**4 325 174**	**500**	**65 437 948**
Liquidity gap	**(2 018 133)**	**(339 357)**	**(1 523 421)**	**13 712 609**	**(2 756 497)**	**1 508 073**	
Cumulative liquidity gap	**(2 018 133)**	**(2 357 490)**	**(3 880 911)**	**9 831 698**	**7 075 201**	**8 853 274**	
Interest sensitivity gap for fixed rate instruments	9 668 464	571 869	(11 792)	13 490 639	(2 677 705)	-	
Interest sensitivity gap for floating rate instruments	(4 549 642)	(420 939)	(1 357 504)	35 076	-	-	
Interest sensitivity gap	5 118 822	150 930	(1 369 296)	13 525 715	(2 677 705)	-	
Cumulative interest sensitivity gap	5 118 822	5 269 752	3 900 456	17 426 171	14 748 466	-	

The above analysis is based on expected maturities. The entire portfolio of trading securities is therefore classified within demand and less than one month based on management’s assessment of the portfolio’s realisability.

28 Financial Risk Management (Continued)

The expected maturities are as follows at 31 December 2009:

In thousands of Russian Roubles	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**No maturity**	**Total**
ASSETS							
Cash and cash equivalents	553 489	-	-	-	-	-	553 489
Loans to customers	75 739	172 312	1 295 890	410 963	-	-	1 954 904
Total assets with floating interest rate	**629 228**	**172 312**	**1 295 890**	**410 963**	**-**	**-**	**2 508 393**
Cash and cash equivalents	2 025 224	-	-	-	-	-	2 025 224
Trading securities	7 130 418	-	-	-	-	-	7 130 418
Loans to customers	2 316 104	6 746 534	17 823 403	11 991 815	829 193		39 707 049
Available-for-sale investments	-	617 614	15 923	224 832	-	-	858 369
Total assets with fixed interest rate	**11 471 746**	**7 364 148**	**17 839 326**	**12 216 647**	**829 193**	**-**	**49 721 060**
Total interest bearing assets	**12 100 974**	**7 536 460**	**19 135 216**	**12 627 610**	**829 193**	**-**	**52 229 453**
Cash and cash equivalents	4 393 245	-	-	-	-	-	4 393 245
Mandatory cash balances with CBRF	-	-	-	-	-	249 853	249 853
Goodwill	-	-	-	-	-	47 476	47 476
Premises, equipment and intangible assets	-	-	-	-	-	1 007 107	1 007 107
Current income tax prepayment	-	-	68 077	-	-	-	68 077
Deferred tax asset	-	-	-	71 665	-	-	71 665
Other assets	85 608	22 251	165 976	23 198	3 385	-	300 418
Trading securities	1 179 400	-	-	-	-	-	1 179 400
Investments in associates	-	-	-	-	-	116 121	116 121
Total assets	**17 759 227**	**7 558 711**	**19 369 269**	**12 722 473**	**832 578**	**1 420 557**	**59 662 815**

28 Financial Risk Management (Continued)

In thousands of Russian Roubles	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**No maturity**	**Total**
LIABILITIES							
Due to other banks	902 027	116 010	3 823 163	372 344	-	-	5 213 544
Customer accounts	3 236 208	5 016 351	7 761 401	3 427 444	302 442	-	19 743 846
Debt securities in issue	143 484	144 637	4 880 563	177 442	-	-	5 346 126
Subordinated debt	-	103 090	2 563	-	4 339 598	-	4 445 251
Finance lease liabilities	-	-	1 059	-	-	-	1 059
Total fixed interest rate liabilities	**4 281 719**	**5 380 088**	**16 468 749**	**3 977 230**	**4 642 040**	**-**	**34 749 826**
Due to other banks	362 127	538 959	3 304 987	674 372	-	-	4 880 445
Subordinated debt	-	-	3 102	-	453 663	-	456 765
Total floating interest rate liabilities	**362 127**	**538 959**	**3 308 089**	**674 372**	**453 663**	**-**	**5 337 210**
Total interest bearing liabilities	**4 643 846**	**5 919 047**	**19 776 838**	**4 651 602**	**5 095 703**	**-**	**40 087 036**
Due to other banks	197 265	-	-	-	-	-	197 265
Customer accounts	9 806 579	-	-	-	-	-	9 806 579
Provisions for credit related commitments	-	-	-	-	-	-	-
Debt securities in issue	760 704	442 368	742 006	32 114	-	-	1 977 192
Deferred tax liabilities	-	-	-	-	83 621	-	83 621
Other liabilities	52 308	40 722	93 365	125	-	-	186 520
Total liabilities	**15 460 702**	**6 402 137**	**20 612 209**	**4 683 841**	**5 179 324**	**-**	**52 338 213**
Liquidity gap	**2 298 525**	**1 156 574**	**(1 242 940)**	**8 038 632**	**(4 346 746)**	**1 420 557**	
Cumulative liquidity gap	**2 298 525**	**3 455 099**	**2 212 159**	**10 250 791**	**5 904 045**	**7 324 602**	
Interest sensitivity gap for fixed rate instruments	7 190 027	1 984 060	1 370 577	8 239 417	(3 812 847)	-	
Interest sensitivity gap for floating rate instruments	267 101	(366 647)	(2 012 199)	(263 409)	(453 663)	-	
Interest sensitivity gap	7 457 128	1 617 413	(641 622)	7 976 008	(4 266 510)	-	
Cumulative interest sensitivity gap	7 457 128	9 074 541	8 469 119	16 446 201	12 179 691	-	

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

28 Financial Risk Management (Continued)

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

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

29 Management of Capital

The Group’s objectives when managing capital are to ensure that all Group entities continue as a going concern in the foreseeable future while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group’s Board of Directors reviews capital structure on a regular basis, at least quarterly. Within the scope of this review the Board considers the cost of capital and the risks inherent to each class of capital. On the basis of the Board’s recommendations the Group maintains capital adequacy and balances overall capital structure by additional share issue and receipt of subordinated loans.

Under the capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets (“statutory capital ratio”) above a prescribed minimum level. As at 31 December 2010, this minimum level is 10%. During 2010 and 2009 the Bank was in compliance with the statutory capital adequacy ratio.

Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets (“statutory capital ratio”) above a prescribed minimum level. Regulatory capital is based on the Bank’s reports prepared under Russian accounting standards and comprises:

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009**
Net assets under Russian GAAP	7 359 766	6 307 698
Less intangible assets	(73)	(76)
Plus subordinated debt	4 196 537	4 588 194
Total regulatory capital	**11 556 230**	**10 895 816**

The Group also monitors capital adequacy 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.

29 Management of Capital (Continued)

The table below shows the Group's capital structure and calculation of capital adequacy ratio in accordance with requirements of the Basel Accord as at 31 December 2010 and 2009:

In thousands of Russian Roubles	31 December 2010	31 December 2009
Tier 1 capital:		
Share capital	2 174 336	2 174 336
Share premium	2 282 718	2 282 718
Retained earnings	4 126 360	2 856 141
Non-controlling interest	5 156	6 524
Translation reserve	(5 296)	1 575
Goodwill	(47 476)	(47 476)
Total tier 1 capital	**8 535 798**	**7 273 818**
Tier 2 capital		
Subordinated debt	4 267 899	3 636 909
Revaluation on available-for-sale investments	-	3 308
Total tier 2 capital	**4 267 899**	**3 640 217**
Total capital	**12 803 697**	**10 914 035**
Risk weighted assets	**81 272 474**	**57 115 655**
Capital expressed as a percentage of risk-weighted assets	**15.8%**	**19.1%**
Tier 1 capital expressed as a percentage of risk-weighted assets	**10.5%**	**12.7%**

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Group. Under these covenants the Group has to maintain the total capital ratio at a level not less then 12%. During 2010 and 2009 the Group has complied with these capital requirements.

30 Contingencies and Commitments

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

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

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

30 Contingencies and Commitments (Continued)

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

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

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

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

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

Capital expenditure commitments. The Group had no contractual capital expenditure commitments as at 31 December 2010 and as at 31 December 2009.

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

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009**
Not later than 1 year	129 538	163 189
Later than 1 year and not later than 5 years	350 041	331 936
Later than 5 years	138 234	211 289
Total operating lease commitments	**617 813**	**706 414**

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with covenants as at 31 December 2010 and 31 December 2009.

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

30 Contingencies and Commitments (Continued)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009 (restated)**
Guarantees issued and similar commitments	18 184 310	8 613 205
Letters of credit and other contingencies related to settlement transactions	1 154 617	1 482 252
Total credit-related contingencies and commitments	19 338 927	10 095 457
Less: Provision for credit related commitments	(500)	-
Total credit-related contingencies and commitments, net of provision	**19 338 427**	**10 095 457**

Credit related commitments are irrevocable or are revocable only in response to a material adverse change.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 500 thousand at 31 December 2010 (2009 (restated): RR 0 thousand). Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009**
Russian Roubles	17 858 269	8 557 414
US Dollars	1 186 855	989 057
Euros	293 803	430 281
Other	-	118 705
Total	**19 338 927**	**10 095 457**

The Group created provisions in view of the existence of current commitments that result from past events and repayment of which will require outflow of resources. The timing of outflow is triggered by the default of the conterparties for which banking guarantees and letter of credits were issued.

Movements in provisions for credit related commitments for 2010 are as follows:

In thousands of Russian Roubles	**Total**
Carrying amount at 1 January 2010	**-**
Provisions	500
Carrying amount at 31 December 2010	**500**

30 Contingencies and Commitments (Continued)

Movements in provisions for credit related commitments for 2009 (restated) are as follows:

In thousands of Russian Roubles	**Total**
Carrying amount at 1 January 2009	**81 196**
Release of provisions	(81 196)
Carrying amount at 31 December 2009	**-**

31 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature.

	Notes	**2010**		**2009**	
In thousands of Russian Roubles		**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange swaps: fair values, at the end of the reporting period, of					
- USD receivable on settlement (+)		1 817 947	995 137	211 709	257 668
- USD payable on settlement (-)		(948)	-	(78 635)	(226 832)
- Euros receivable on settlement (+)		883 295	-		2 934
- Euros payable on settlement (-)		(1 412)	-	(56 405)	(251 652)
- RR receivable on settlement (+)		2 208	-	135 075	226 817
- RR payable on settlement (-)		(2 687 751)	(1 017 209)	(211 582)	(59 029)
- Other currencies receivable on settlement (+)		187	-	-	-
- Other currencies payable on settlement (-)		-	-	-	-
Net fair value of foreign exchange swaps	**15**	**13 526**	**(22 072)**	**162**	**(94)**

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The Group had outstanding obligations to deliver shares with fair value, at the end of the reporting period, of RR 1 038 933 thousand (2009: RR 1 178 751 thousand). These futures are settled in cash daily and therefore are not recognized in the consolidated statement of financial position as an asset or a liability.

32 Fair Value of Financial Instruments

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments carried at amortised cost are as follows:

In thousands of Russian Roubles	31 December 2010 Carrying amount	31 December 2010 Fair value	31 December 2009 Carrying amount	31 December 2009 Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	8 486 709	8 486 709	6 971 958	6 971 958
Mandatory cash balances with CBRF	373 178	373 178	249 853	249 853
Loans and advances to customers	52 760 256	52 760 256	41 661 953	41 661 953
Other financial assets	12 939	12 939	58 319	58 319
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**61 633 082**	**61 633 082**	**48 942 083**	**48 942 083**
FINANCIAL LIABILITIES				
Due to other banks	12 368 687	12 368 687	10 291 254	10 291 254
Customer accounts	42 275 570	42 246 685	29 550 425	29 550 425
Debt securities in issue	6 154 864	6 154 864	7 323 318	7 339 051
Other financial liabilities	36 829	36 829	66 114	66 114
Subordinated debt	4 348 557	4 306 651	4 902 016	4 599 574
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**65 184 507**	**65 113 716**	**52 133 127**	**51 846 127**

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

(b) Analysis by fair value hierarchy of financial instruments carried at fair value

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows:

In thousands of Russian Roubles	2010 Quoted price in an active market (Level 1)	2010 Valuation technique with inputs observable in markets (Level 2)	2009 Quoted price in an active market (Level 1)	2009 Valuation technique with inputs observa-ble in markets (Level 2)
FINANCIAL ASSETS				
Trading securities	10 465 389	-	8 309 818	-
Repurchase receivables (trading securities)	318 718	-	-	-
Investment securities available for sale	15	-	858 369	-
Other financial assets				
- Precious coins	86 548	-	51 817	-
- Derivative financial instruments	13 526	-	162	-
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	**10 884 196**	-	**9 220 166**	**-**
FINANCIAL LIABILITIES				
Other financial liabilities				
- Derivative financial instruments	-	22 072	94	-
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	-	**22 072**	**94**	**-**

33 Presentation of Financial Instruments by Measurement Category

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

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2010:

In thousands of Russian Roubles	**Loans and receivables**	**Available-for-sale assets**	**Trading assets**	**Assets designated at FVTPL**	**Total**
Assets					
Cash and cash equivalents	8 486 709	-	-	-	8 486 709
Mandatory cash balances with CBRF	373 178	-	-	-	373 178
Trading securities	-	-	10 465 389	-	10 465 389
Loans and advances to customers	-	-	-	-	-
- Loans to legal entities	47 054 106	-	-	-	47 054 106
- Loans to individuals	5 706 150	-	-	-	5 706 150
Investment securities available for sale	-	15	-	-	15
Repurchase receivable	-	-	318 718	-	318 718
Other financial assets	12 939	-		100 074	113 013
Total financial assets	**61 633 082**	**15**	**10 784 107**	**100 074**	**72 517 278**
Non-financial assets	**-**	**-**	**-**	**-**	**1 503 944**
Total assets	**61 633 082**	**15**	**10 784 107**	**100 074**	**74 021 222**

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.

33 Presentation of Financial Instruments by Measurement Category (Continued)

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

	Loans and receivables	Available-for sale assets	Trading assets	Assets desig-nated at FVTPL	Total
Assets					
Cash and cash equivalents	6 971 958	-	-	-	6 971 958
Mandatory cash balances with CBRF	249 853	-	-	-	249 853
Trading securities	-	-	8 309 818	-	8 309 818
Loans and advances to customers		-	-		0
- Loans to legal entities	36 861 247	-	-	-	36 861 247
- Loans to individuals	4 800 706	-	-	-	4 800 706
Investment securities available for sale	-	858 369	-	-	858 369
Repurchase receivable		-	-	-	0
Other financial assets	58 319	-	-	51 979	110 298
Total financial assets	**48 942 083**	**858 369**	**8 309 818**	**51 979**	**58 162 249**
Non-financial assets	**-**	**-**	**-**	**-**	**1 500 566**
Total assets	**48 942 083**	**858 369**	**8 309 818**	**51 979**	**59 662 815**

34 Related Party Transactions

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

At 31 December 2010, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Gross amount of loans and advances to customers (contractual interest rate: 9%-11.0%)	-	997	274
Impairment provisions for loans and advances to customers at 31 December 2010	-	5	3
Due to other banks (contractual interest rate: 3.4 -5.8%)	3 110 457	-	290 989
Customer accounts (contractual interest rate: 3.5- 15.0%)	859 507	1 241	80 833
Commitments on credit lines	947	-	-

34 Related Party Transactions (Continued)

The income and expense items with related parties for 2010 were as follows:

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Interest income	1 933	142	(51)
Interest expense	169 579	-	22 130
Provision for loan impairment	-	5	3
Fee and commission income	39	4	67
Fee and commission expense	-	-	4
Administrative and other operating expenses:	58 402	9 260	54 789
- salary	58 402	9 260	1 536
- rent	-	-	53 253

Aggregate amounts lent to and repaid by related parties during 2010 were:

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Amounts lent to related parties during the year	527	895	350
Amounts repaid by related parties during the year	47 850	1 965	87 576

At 31 December 2009, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Gross amount of loans and advances to customers (contractual interest rate: 9.3%-12.0%)	47 323	2 357	87 500
Impairment provisions for loans and advances to customers at 31 December	-	-	-
Due to other banks (contractual interest rate: 3.6 -6.2%)	432 912	-	371 270
Customer accounts (contractual interest rate: 5.8- 16.0%)	829 699	1 020	8 451
Subordinated debt (contractual interest rate 8,5%)	456 765	-	-
Commitments on credit lines	3 206	-	-

The income and expense items with related parties for 2009 were as follows:

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Interest income	4 969	286	15 548
Interest expense	161 962	562	25 585
Provision for loan impairment	-	-	-
Fee and commission income	33	20	48
Administrative and other operating expenses:	50 584	14 225	69 864
- salary	50 584	14 225	1 313
- rent	-	-	68 551

34 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by related parties during 2009 were:

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Amounts lent to related parties during the period	2 754	2 527	87 500
Amounts repaid by related parties during the period	11 674	3 849	300 000

Compensation to key management (including shareholders) is presented below:

In thousands of Russian Roubles	2010 Expenses	2009 Expenses
Short-term benefits:		
- Salaries	61 466	63 848
- Short-term bonuses	7 733	2 273
Total	**69 199**	**66 121**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

Other related parties are represented by parent company of one of key shareholders and company owned by one of key management personnel.

35 Events After the End of the Reporting Period

On 22 March 2011 the Group successfully placed second tranche of bonds on domestic market in amount of RR 1 800 000 thousand. The bonds have maturity period of 1 820 days and a coupon rate of the 8.15%. The structure of issue stipulates put option in a year and a half at the price of 100% to nominal.

On 11 March 2011 IFC acquired 20% interest in CIS Factors Holding B.V. in the amount of EUR 1 341 130.