Joint Stock Company
"The Ural Bank for Reconstruction and Development"

Consolidated Financial Statements in accordance with International Financial Reporting Standards and Independent Auditors' Report

31 December 2010

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Independent Auditors' Report

To the Board of Directors of Joint Stock Company "The Ural Bank for Reconstruction and Development"

We have audited the accompanying consolidated financial statements of Joint Stock Company "The Ural Bank for Reconstruction and Development" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

ZAO KPMG

ZAO KPMG

3 June 2011

In thousands of Russian Roubles	Notes	31 December 2010	31 December 2009 Restated	31 December 2008 Restated
ASSETS				
Cash and cash equivalents	6	8 434 707	7 057 943	6 444 501
Mandatory cash balances with the Central Bank of the Russian Federation		415 149	376 720	46 343
Trading securities	7	13 380	6 694	76 437
Other securities at fair value through profit or loss	8	20 636 595	13 383 591	-
Securities available-for-sale	9	990 725	6 326 578	-
Investment securities held-to-maturity		-	-	8 705 246
Receivables under reverse repo agreements	10	-	1 073 779	-
Due from other banks	11	62 358	29 992	28 142
Loans and advances to customers	12	33 469 276	23 541 045	25 605 930
Finance lease receivables	13	281 000	514 340	719 131
Goodwill		162 122	162 122	162 122
Property and equipment	14	4 897 410	4 293 491	5 695 242
Intangible assets	15	130 504	95 502	13 893
Advances to real estate developers	16	4 919 290	3 328 369	2 825 583
Current income tax asset		4 683	16 724	50 806
Deferred tax asset	29	313 394	221 849	-
Other assets	17	1 057 691	996 729	863 165
Assets held for sale	18	171 963	183 855	-
TOTAL ASSETS		**75 960 247**	**61 609 323**	**51 236 541**
LIABILITIES				
Due to other banks	19	13 900 041	13 063 759	14 596 951
Customer accounts	20	54 473 470	43 080 475	28 808 773
Debt securities in issue	21	735 576	375 585	1 830 081
Current income tax liability		17 393	1 087	11 752
Deferred tax liability	29	371 103	167 135	313 928
Other liabilities	22	167 882	136 549	168 849
Subordinated debt	23	1 556 425	1 545 296	1 521 631
TOTAL LIABILITIES		**71 221 890**	**58 369 886**	**47 251 965**
EQUITY				
Share capital	24	3 216 768	1 880 526	1 880 526
Additional capital	24	524 203	-	-
Revaluation reserve for property and equipment		1 469 825	1 128 648	2 048 672
Revaluation reserve for securities available-for-sale		10 493	(2 670)	(48 394)
Cumulative translation reserve		(10 169)	-	-
(Accumulated losses)/Retained earnings		(472 763)	232 933	103 772
TOTAL EQUITY		**4 738 357**	**3 239 437**	**3 984 576**
TOTAL LIABILITIES AND EQUITY		**75 960 247**	**61 609 323**	**51 236 541**

These consolidated financial statements were approved for issue and signed on behalf of the Board of Directors on 3 June 2011.

Открытое акционерное общество «Уральский банк реконструкции и развития» Joint Stock Company «The Ural Bank for Reconstruction and Development» ОАО «УБРиР» рег. № 429 г. Екатеринбург

Solovjev A.U.
President

Sirazov M.R.
Chief Accountant

The notes on pages 10-76 form an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Notes	2010	2009 Restated
Interest income	26	8 040 010	7 524 216
Interest expense	26	(5 703 525)	(5 641 164)
Net interest income		**2 336 485**	**1 883 052**
Provision for impairment:			
Loans and advances to customers	12	(349 546)	(1 532 563)
Finance lease receivables	13	(10 136)	(30 781)
Due from other banks	11	(4 753)	-
Net interest income after provision for impairment		**1 972 050**	**319 708**
Fee and commission income	27	740 278	494 278
Fee and commission expense	27	(118 202)	(98 731)
Income from trading securities		152 905	42 324
Income from other securities at fair value through profit or loss		138 448	1 304 402
Income/(loss) from securities available-for-sale		129 592	(17 175)
(Loss)/income from trading in foreign currencies		(443 031)	89 499
Income from trading in precious metals		4 576	22 592
Foreign exchange translation income/(loss)		641 369	(62 374)
Rental income		51 232	57 818
Income/(loss) from revaluation of property and equipment	14	108 021	(171 882)
Other operating income		4 865	45 712
Income/(loss) from termination of lease agreements		5 698	(8 284)
Administrative and other operating expenses	28	(2 693 727)	(1 981 619)
Profit before tax		**694 074**	**36 268**
Income tax (expense)/benefit	29	(99 501)	31 882
Profit		**594 573**	**68 150**

The notes on pages 10-76 form an integral part of these consolidated financial statements.

In thousands of Russian Roubles	**Notes**	**2010**	**2009 Restated**
Profit		**594 573**	**68 150**
Other comprehensive income/(loss) for the year			
Revaluation of securities available-for-sale		415 843	18 942
Realised revaluation reserve for securities available-for-sale		(399 389)	38 213
Revaluation of property and equipment	14	471 437	(1 073 766)
Cumulative translation reserve		(12 711)	-
Deferred income tax recorded in other comprehensive income	29	(95 036)	203 322
Other comprehensive income/(loss)		**380 144**	**(813 289)**
Comprehensive income/(loss)		**974 717**	**(745 139)**

In thousands of Russian Roubles	Notes	Share capital	Additional capital	Revaluation reserve for property and equipment	Revaluation reserve for securities available-for-sale	Cumulative translation reserve	(Accumulated losses)/ Retained earnings	Total equity
Balance as at 1 January 2009 Restated		**1 880 526**	**-**	**2 048 672**	**(48 394)**	**-**	**103 772**	**3 984 576**
Securities available-for-sale:								
- revaluation		-	-	-	18 942	-	-	18 942
- realised revaluation reserve		-	-	-	38 213	-	-	38 213
Property and equipment:								
- revaluation (restated)	14	-	-	(1 073 766)	-	-	-	(1 073 766)
- realised revaluation reserve		-	-	(76 264)	-	-	76 264	-
Deferred income tax recorded in other comprehensive income (restated)	29	-	-	230 006	(11 431)	-	(15 253)	203 322
Other comprehensive income/(loss) Restated		**-**	**-**	**(920 024)**	**45 724**	**-**	**61 011**	**(813 289)**
Profit (restated)		-	-	-	-	-	68 150	68 150
Comprehensive income/(loss) (restated)		**-**	**-**	**(920 024)**	**45 724**	**-**	**129 161**	**(745 139)**
Balance as at 31 December 2009 (restated)		**1 880 526**	**-**	**1 128 648**	**(2 670)**	**-**	**232 933**	**3 239 437**

In thousands of Russian Roubles	Notes	Share capital	Additional capital	Revaluation reserve for property and equipment	Revaluation reserve for securities available-for-sale	Cumulative translation reserve	(Accumulated losses)/ Retained earnings	Total equity
Securities available-for-sale:								
- revaluation		-	-	-	415 843	-	-	415 843
- realised revaluation reserve		-	-	-	(399 389)	-	-	(399 389)
Property and equipment:								
- revaluation	14	-	-	471 437	-	-	-	471 437
- realised revaluation reserve		-	-	(44 966)	-	-	44 966	-
Foreign currency translation difference		-	-	-	-	(12 711)	-	(12 711)
Deferred income tax recorded in other comprehensive income	29	-	-	(85 294)	(3 291)	2 542	(8 993)	(95 036)
Other comprehensive income/(loss)		**-**	**-**	**341 177**	**13 163**	**(10 169)**	**35 973**	**380 144**
Profit		-	-	-	-	-	594 573	594 573
Comprehensive income/(loss)		**-**	**-**	**341 177**	**13 163**	**(10 169)**	**630 546**	**974 717**
Transactions with owners, recorded directly in equity								
Shares issued through capitalisation of reserves	24	1 336 242	-	-	-	-	(1 336 242)	-
Additional capital	24	-	524 203	-	-	-	-	524 203
Balance as at 31 December 2010		**3 216 768**	**524 203**	**1 469 825**	**10 493**	**(10 169)**	**(472 763)**	**4 738 357**

In thousands of Russian Roubles	Notes	2010	2009
Cash flows from operating activities			
Interest received		7 793 382	7 433 206
Interest paid		(5 666 107)	(5 553 268)
Fees and commissions received		738 671	471 732
Fees and commissions paid		(115 004)	(92 821)
Receipts from trading securities		146 149	31 135
Receipts from other securities at fair value through profit or loss		518 287	800 448
Receipts from securities available-for-sale		129 592	-
(Payments)/receipts from foreign currencies		(400 683)	38 597
(Payments)/receipts from precious metals		(45 342)	37 789
Administrative and other operating expenses paid		(2 391 829)	(1 787 646)
Income tax paid		(53 767)	(110 021)
Other operating income received		56 940	107 305
Cash flows from operating activities before changes in operating assets and liabilities		**710 289**	**1 376 456**
(Increase)/decrease in operating assets			
Mandatory cash balances with the Central Bank of the Russian Federation		(38 429)	(330 377)
Trading securities		52	79 514
Other securities at fair value through profit or loss		(7 611 061)	(12 606 892)
Securities available-for-sale		5 195 936	2 254 621
Receivables under reverse repo agreements		1 073 782	(1 072 999)
Due from other banks		(26 498)	36 923
Loans and advances to customers		(10 108 450)	410 599
Finance lease receivables		223 204	174 009
Advances to real estate developers		(1 090 484)	(502 786)
Other assets		(10 316)	(70 758)
Assets held for sale		11 892	(183 855)
Increase/(decrease) in operating liabilities			
Due to other banks		845 502	(1 528 621)
Subordinated debt		(387)	(54 191)
Customer accounts		12 089 968	13 934 786
Promissory notes in issue (included in debt securities in issue)		357 957	(972 563)
Other liabilities		(10 779)	24 856
Net cash from operating activities		**1 612 178**	**968 722**
Cash flows from investing activities			
Proceeds from investment securities held-to-maturity		-	231 370
Acquisition of property and equipment		(336 845)	(151 902)
Proceeds from disposal of property and equipment		23 351	9 907
Acquisition of intangible assets		(44 782)	(84 715)
Net cash (used in)/from investing activities		**(358 276)**	**4 660**
Cash flows from financing activities			
Increase of additional capital		140 193	-
Proceeds from bonds issued on domestic market (included in debt securities in issue)		-	420 991
Repayment/acquisition of bonds issued on domestic market (included in debt securities in issue)		-	(902 504)
Net cash from/(used in) financing activities		**140 193**	**(481 513)**
Effect of exchange rate changes on cash and cash equivalents		**(17 331)**	**121 573**
Net increase in cash and cash equivalents		**1 376 764**	**613 442**
Cash and cash equivalents at the beginning of the year		7 057 943	6 444 501
Cash and cash equivalents at the end of the year	**6**	**8 434 707**	**7 057 943**

The notes on pages 10-76 form an integral part of these consolidated financial statements.

1 Introduction

These consolidated financial statements of Joint Stock Company "The Ural Bank for Reconstruction and Development" (the Bank) and its subsidiaries, special purpose entities and a mutual investment fund (together referred to as the Group) are prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is an open joint-stock company set up in accordance with regulations of the Russian Federation.

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Russian Federation. The Bank operates under a general banking license issued by the Central Bank of the Russian Federation (the CBRF) on 28 September 1990. The Bank is a member of the state deposit insurance system, which was introduced by the Federal Law #174-FZ "Deposits of individuals insurance in Russian Federation" dated 13 October 2008. The State Deposit Insurance System guarantees repayment of 100% of individual deposits up to RUB 700 thousand per individual in case of the withdrawal of a license of a bank or the CBRF imposed moratorium on payments.

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

As at 31 December 2010 and 2009 the Group has the following consolidated subsidiaries, special purpose entities and a mutual investment fund:

Name	Country of incorporation	Nature of business	% of ownership	
			2010	2009
Subsidiaries				
OOO "UBRiR-Finance"	Russian Federation	issue of bonds on domestic market	100	100
OOO "UBRiR-leasing"	Russian Federation	leasing company	100	100
OOO "Fininvest K"	Russian Federation	ownership of Group property and equipment	100	100
OOO "Investleasing"	Russian Federation	leasing company	100	100
Special purpose entities				
Sebright Finance Limited	United Kingdom	ownership of Group property and equipment	-	-
OOO "Invest Techno"	Russian Federation	ownership of Group property and equipment	-	-
OOO "Uralstroyinvestservice"	Russian Federation	ownership of Group property and equipment	-	-
OOO UK "Invest-Ural" (acquired in 2010)	Russian Federation	investment funds management	-	-
OOO "FinTrust"	Russian Federation	financial intermediation	-	-
Mutual investment fund				
Closed unit investment fund "UBRR -Nedvizhimost"	Russian Federation	ownership of Group property and equipment	100	100

1 Introduction (continued)

In 2009 the Group established Closed unit investment fund "UBRR-Nedvizhimost" in the amount of RUB 500 000 thousand, managed by LCC UK "Standart-invest" (in 2010 managing company LCC UK "AVS Finans" was changed to managing company LCC UK "Standart-invest"). In return for shares the Group transferred property and equipment with fair value amounting to RUB 499 600 thousand at the date of transfer and cash in amount of RUB 400 thousand. In 2010 the Group increased its share to RUB 665 046 thousand by transfer of property and equipment with fair value amounting to RUB 165 020 thousand at the date of transfer and cash in amount of RUB 26 thousand.

As at 31 December 2010 the main shareholder of the Bank, Mr. I.A. Altushkin, affiliated with ZAO "Russian Copper Company", ultimately controls 71.15% of the share capital. As at 31 December 2009 two individuals (Mr. S.V. Dymshakov and Mr. I.A. Altushkin) ultimately controlled 91.1% of the share capital of the Bank.

The Bank has 10 (2009: 10) branches and 68 (2009: 66) additional offices in the Russian Federation.

The average number of employees during 2010 is 3 334 (2009: 2 745).

Registered address and place of business. The Bank's registered address and place of business is 620014, 67, Sakko and Vancetti st., Yekaterinburg, Russian Federation.

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles (RUB thousand).

2 Operating environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. The Government continues economic reforms together with legal, tax and regulatory developments. Current measures undertaken by the Government are aimed to improve working efficiency and output quality as well as increase the share of science intensive industries. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government.

During 2010 the Government of the Russian Federation undertook measures to improve the economic situation after the world-wide credit crunch of 2008. The gradual revival of the economic situation is in line with stabilization in financial markets and decrease in unemployment. Demand for credit resources from corporate clients has increased since the second quarter of 2010. Growth of consumer income caused an increase in demand for credit resource from individuals. The liquidity ratios of Russian financial industry reached same level as before the crisis, this resulted in increase of competition on the financial markets and decrease of interest rates. In spite of the recovery signs in the economy of the Russian Federation it is still uncertain whether the Group and its counterparties are able to attract new borrowings on acceptable price terms, which in turn can affect the Group's financial position, results of operations and further development. The economy of the Russian Federation is very susceptible to negative developments on the financial markets, and the risk of volatility in Russian financial markets still exists.

In spite of this management believes it is taking all the necessary measures to support the sustainability and growth of business in the current circumstances. The negative factors mentioned above can have adverse impact on business activity of the Group. These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

3 Summary of significant accounting policies

Basis of preparation. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, except that premises, financial instruments at fair value through profit or loss and securities available-for-sale are stated at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied to all the periods presented, unless otherwise stated (refer to note 5).

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

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The Group elects on transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognsied amount of the identifiable net assets of the acquiree, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group’s interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

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.

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.

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 of assets and liabilities.

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 of instrument. 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 (refer to income and expense recognition policy).

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or 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.

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 and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; recognised in profit or loss for trading securities, derivatives and other financial assets at fair value through profit or loss.

Cash and cash equivalents. Cash and cash equivalents comprise cash, correspondent accounts with CBRF and other banks as well as short-term highly liquid investments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value such as interbank placements with initial 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 day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Trading securities. Trading securities are securities, 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 used for short-term trading. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase. Trading securities are carried at fair value.

Other securities at fair value through profit or loss. Other securities at fair value through profit or loss are securities designated, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

3 Summary of significant accounting policies (continued)

Securities available-for-sale. This category comprises financial assets defined as available-for-sale and not classified as loans and receivables, investment securities held-to-maturity or other securities at fair value through profit or loss. Securities available for sale are carried at fair value.

Investment securities held-to-maturity. Investment securities held-to-maturity are quoted non-derivative financial assets with fixed or determinable payments and fixed maturity dates which in accordance with intention and ability of the Group will be held until maturity. Management classifies investment securities held-to-maturity upon initial recognition. Investment securities held-to-maturity are carried at amortised cost.

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. When financial assets are renegotiated and the renegotiated terms and conditions differ substantially from the previous terms, the new asset is initially recognised at its fair value.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events (loss events) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The following principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any instalment is overdue
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the Group obtains
- the borrower considers bankruptcy or a financial reorganisation
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower
- 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 have influence on the current period.

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.

3 Summary of significant accounting policies (continued)

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, the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss. Uncollectible assets are written off against the related impairment allowance after all the necessary procedures to recover the asset, partly or in full, have been completed and the amount of the loss has been determined.

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.

Sale and repurchase agreements. 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. Securities acquired under repo agreements are classified as receivables under reverse repo agreements or due from other banks. The corresponding liabilities are presented within amounts due to other banks.

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 subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

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 imposing additional restrictions on the sale.

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 from acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. 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 a reporting 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.

Property and equipment. Property 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, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

3 Summary of significant accounting policies (continued)

Land and premises are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the land and premises being revalued. The revaluation reserve for land and premises included in other comprehensive income is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Construction in progress is carried at cost. Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets. Upon completion, assets are transferred to property and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use. All other items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

If impaired, property and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

Depreciation. Land is not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their carrying amounts at the following annual rates:

Premises	2.5%
Equipment	11.8 – 33.3%

Intangible assets. All intangible assets have a definite useful life and primarily include capitalised computer software.Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the 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 its expected useful life of 4 years.

Advances to real estate developers. Advances to real estate developers are prepayments advanced under construction contracts whereby the Group is entitled to receive real estate items upon completion of construction. Investments in the real estate property are carried at cost (being the amount of prepayments made under the terms of the contract) less provision for impairment where required. Upon completion the received real estate items are included in investment property or assets held for resale, depending on the Group's intentions in respect of these items.

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

3 Summary of significant accounting policies (continued)

Finance leases. 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. Impairment losses are recognised in profit or loss when incurred as a result of one or more loss events that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine that there is objective evidence that an impairment loss has occurred as for described above loans carried at amortised costs.

Assets held for sale. Assets held for sale represent assets that are expected to be recovered primarily through sale within 12 months after the reporting date. These assets are measured at the lower of their residual value and fair value less cost to sell as at the reclassification date. Assets held for sale are not depreciated.

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, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

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

Subordinated debt. Subordinated debt is carried on the statement of financial position at amortised cost. Obligations to repay interest are recorded through profit or loss. Subordinated debts rank after all other creditors in case of liquidation.

Derivative financial instruments. Derivative financial instruments are carried at their fair value. All derivative instruments are recognised 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. The Group does not apply hedge accounting.

Term deals with precious metals. Term deals with precious metals include forward contracts for purchase/sale of precious metals settled in cash. Term deals with precious metals at the reporting date are disclosed in the notes to these consolidated financial statements. Balances on these transactions are measured at fair value through profit or loss and the result is recorded in the gain less losses/ (losses less gains) arising from precious metals.

Income tax. Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Income taxes are provided for in the consolidated financial statements in accordance with the legislation of the Russian Federation enacted or substantively enacted by the reporting date.

3 Summary of significant accounting policies (continued)

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

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

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

Provisions for liabilities and charges. A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

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

Other reserves. Other reserves of the Group comprise revaluation reserve for property and equipment, revaluation reserve for securities available-for-sale and cumulative translation reserve. Revaluation reserve for property and equipment is transferred directly to retained earnings through depreciation, sale or other disposal. Revaluation reserve for securities available-for-sale is transferred to profit or loss in case it is disposed through sale or repayment of securities. In case of subsidiary or SPE disposal, the functional currency of which differs from the presentation currency of these consolidated financial statements, foreign currency differences, previously recognised in cumulitive translation reserve in respect of this company, are reclassified to profit or loss for the period.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit calculated in accordance with Russian Accounting Rules.

Income and expense recognition. Interest income and expense are recorded in profit or loss for all financial instruments on an accrual basis. This method includes, 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.

3 Summary of significant accounting policies (continued)

The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual 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.

Foreign currency translation. The functional currency of each consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank’s functional currency and the Group’s presentation currency is the national currency of the Russian Federation, the Russian Rouble. Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign currency differences arising on retranslation of balances in statement of financial position and profit and loss account of a subsidiary or SPE from its functional currency to presentation currency of these consolidated financial statements are recognised in cumulative translation reserve in other comprehensive income.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income, and differences recognized in cumulative translation reserve. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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 as fee and commission income in profit or loss.

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.

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**.** An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Comparative information. Some comparative information is reclassified to conform to changes in presentation in the current year.

3 Summary of significant accounting policies (continued)

In preparing these financial statements as at 31 December 2010, management identified certain adjustments relating to the recognition of expenses for reporting periods prior to 1 January 2009 and valuation of land and buildings as at 31 December 2009. In 2010 management adjusted comparative information as at 1 January 2009 and 31 December 2009 in order to correctly recognise these expenses and revaluation of land and buildings as follows:

In thousands of Russian Roubles	**Balance as at 1 January 2009 Previously reported**	**Adjustment**	**Balance as at 1 January 2009 Restated**
Consolidated statement of financial position			
Other assets	1 197 893	(334 728)	863 165
Deferred tax liability	(380 874)	66 946	(313 928)
(Retained earnings)/accumulated losses	(371 554)	267 782	(103 772)

In thousands of Russian Roubles	**Balance as at 31 December 2009 Previously reported**	**Adjustment**	**Balance as at 31 December 2009 Restated**
Consolidated statement of financial position			
Property and equipment	4 927 080	(633 589)	4 293 491
Other assets	1 331 457	(334 728)	996 729
Deferred tax liability	(360 799)	193 664	(167 135)
Revaluation reserve for property and equipment	(1 549 102)	420 454	(1 128 648)
(Retained earnings)/accumulated losses	(587 132)	354 199	(232 933)

In thousands of Russian Roubles	**2009 Previously reported**	**Adjustment**	**2009 Restated**
Consolidated income statement			
Net income/(loss) from revaluation of property and equipment	(63 861)	(108 021)	(171 882)
Income tax (expense)/benefit	10 278	21 604	31 882
Consolidated statement of comprehensive income			
Revaluation of property and equipment	(548 198)	(525 568)	(1 073 766)
Deferred income tax recorded in other comprehensive income	98 208	105 114	203 322

4 Critical accounting estimates and judgements in applying accounting policies

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates. Estimates and assumptions that affect significantly the amounts recognised in the consolidated financial statements include:

Revaluation of land and premises. Over 31% (31 December 2009: 34%) of equity is represented by revaluation reserve for land and premises. Management revalued land and premises as at 31 December 2010 (refer to note 14).

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, 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 and leases before the decrease can be identified with an individual loan or lease 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.

Special purpose entities. Judgement is also required to determine whether the substance of the relationship between the Group and a special purpose entity (SPE) indicates that the SPE is controlled by the Group. The Group uses the following criteria: ability to control financial and operating policies of SPE, whether the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE’s operation, whether the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an ‘autopilot’ mechanism, the Group has delegated these decision-making powers and extent of exposure to risks and rewards related to activities of the SPE.

5 New or revised standards and interpretations

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2010, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of the new standard on its financial position or performance.

Revised IAS 24 *Related Party Disclosures (2009)* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011.

IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010.

The remaining parts of the standard are expected to be issued during the first half of 2011. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group’s consolidated financial statements.

5 New or revised standards and interpretations (continued)

Improvements to IFRSs 2010 resulting from the International Accounting Standards Board's third annual improvements project are to be dealt with on a standard-by-standard basis. The effective date of each amendment is included in the IFRSs affected.

6 Cash and cash equivalents

In thousands of Russian Roubles	2010	2009
Placements with other banks with original maturities of less than three months	3 140 757	2 292 024
Cash on hand	2 560 667	1 829 569
Cash and balances with the CBRF (other than mandatory cash balances)	2 331 850	1 574 855
Correspondent accounts and overnight placements with banks:		
- Russian Federation	302 032	53 512
- other countries	76 116	1 122 564
Settlement accounts with trading systems	23 285	185 419
Total	**8 434 707**	**7 057 943**

Correspondent accounts, overnight placements and placements with other banks with original maturities of less than three months are placed with large Russian and OECD banks.

Geographical, currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in note 31.

7 Trading securities

In thousands of Russian Roubles	2010	2009
Corporate shares	13 380	6 694
Total	**13 380**	**6 694**

As at 31 December 2010 and 2009 corporate shares are represented by shares of a Russian regional energy company traded in the domestic market.

As at 31 December 2010 and 2009 these shares are not rated by any international rating agency.

Geographical, currency, maturity and interest rate analyses of trading securities are disclosed in note 31.

Reclassifications out of financial assets at fair value through profit or loss

As at 1 July 2008 the Group reclassified certain quoted securities into assets held-to-maturity following amendments to IAS 39 and IFRS 7. The Group identified securities eligible under the amendments, for which it had changed its intent such that it no longer held these securities for the purpose of selling in the short term. For quoted securities identified for reclassification, the Group determined that the deterioration of the financial markets during the third quarter of 2008 constituted rare circumstances that permit reclassification out of the trading category to category of securities held-to-maturity starting from 1 July 2008.

During 2009 the Group sold a significant portion of its portfolio of investment securities held-to-maturity. As at 14 December 2009 the Group reclassified these quoted securities out of held-to-maturity category to assets available-for-sale following the requirements of IAS 39 (further information concerning this reclassification is disclosed in note 9).

7 Trading securities (continued)

The table below sets out the securities reclassified and their carrying and fair values as at 31 December 2010 and 2009.

In thousands of Russian Roubles	31 December 2010 Carrying value	31 December 2010 Fair value	31 December 2009 Carrying value	31 December 2009 Fair value
Quoted securities reclassified to investment securities held-to-maturity/securities available-for-sale	-	-	1 433 536	1 433 536

The table below sets out the amounts that would have been recognised in the periods following reclassification during 2008, if the reclassifications had not been made, as well the actual amounts of income and expense recognised in profit or loss and consolidated statement of comprehensive income in respect of reclassified securities.

	2010		2009	
In thousands of Russian Roubles	**Recognised for reclassified assets**	**Would have been recognized if the reclassifications were not made**	**Recognised for reclassified assets**	**Would have been recognized if the reclassifications were not made**
Income from trading securities	-	5 964	-	109 590
Income/(loss) from securities available-for-sale	15 697	-	(57)	-
Total amount recognised in profit or loss for the period (before tax)	**15 697**	**5 964**	**(57)**	**109 590**
Revaluation of securities available-for-sale	5 623	-	9 733	-
Realised revaluation reserve for securities available-for-sale	(15 356)	-	-	-
Total amount recognized within a consolidated statement of comprehensive income for the period (before tax	**5 964**	**5 964**	**9 676**	**109 590**

8 Other securities at fair value through profit or loss

In thousands of Russian Roubles	2010	2009
Corporate bonds	20 207 104	6 470 303
Municipal bonds	354 602	4 868 449
Russian government bonds	74 889	2 044 839
Total	**20 636 595**	**13 383 591**

8 Other securities at fair value through profit or loss (continued)

The Group irrevocably classified these securities, which are not a part of the trading portfolio, as securities at fair value through profit or loss. These securities meet the requirements for classification as carried at fair value through profit or loss due to the fact that management evaluates results from these of investments based on their fair value in accordance with a documented strategy.

As at 31 December 2010 corporate bonds are represented by Russian Rouble denominated securities issued by Russian banks, a mortgage lending agency, industrial and retail companies. These bonds have maturity dates ranging from February 2011 to September 2028, coupon rates ranging from 7.00% to 18.00% p.a. and yields to maturity as at 31 December 2010 ranging from 4.51% to 14.87 % p.a. depending on the type of bond issue.

As at 31 December 2010 municipal bonds are represented by Russian Rouble denominated securities issued by the governments of Sakha Republic, and the regional administrations of Irkutsk, Samara, Krasnoyarsk, Udmurtia, Tver, Tomsk and Volgograd regions. These bonds mature from August 2011 to December 2013 with coupon rates ranging from 7.00% to 11.39% p.a. and yields to maturity as at 31 December 2010 ranging from 6.40% to 7.66% p.a. depending on the type of bond issue.

As at 31 December 2010 Russian government bonds are represented by Rouble denominated securities issued by the Ministry of Finance of the Russian Federation. These bonds mature in October 2018 with coupon rates 13% p.a. and yield to maturity as at 31 December 2010 6.94% p.a.

As at 31 December 2009 corporate bonds are represented by Russian Rouble denominated securities issued by Russian banks, industrial companies, and others. These bonds have maturity dates ranging from February 2010 to September 2020, coupon rates ranging from 7.30% to 19.00% p.a. and yields to maturity as at 31 December 2009 ranging from 5.28% to 12.16 % p.a. depending on the type of bond issue.

As at 31 December 2009 municipal bonds are represented by Russian Rouble denominated securities issued by the governments of Sakha Republic, the regional administration of Khanty-Mansiysk, and the regional administrations of Irkutsk, Moscow, Samara, Krasnoyarsk, Udmurtia and Volgograd regions and the administration of Moscow. These bonds mature from March 2010 to April 2014 with coupon rates ranging from 7.25% to 15.00% p.a. and yields to maturity as at 31 December 2009 ranging from 6.49% to 12.90% p.a. depending on the type of bond issue.

As at 31 December 2009 Russian government bonds are represented by Rouble denominated securities issued by the Ministry of Finance of the Russian Federation. These bonds mature from May 2010 to January 2012 with coupon rates ranging from 5.80% to 11.90% p.a. and yields to maturity as at 31 December 2009 ranging from 6.05% to 7.15% p.a. depending on the type of bond issue.

Analysis by credit quality of other securities at fair value through profit or loss outstanding at 31 December 2010 is as follows:

In thousands of Russian Roubles	Corporate bonds	Municipal bonds	Russian government bonds	Total
- Rated BBB	10 614 895	-	74 889	10 689 784
- Rated from BB- to BB+	3 201 793	309 358	-	3 511 151
- Rated from B- to B+	6 354 813	45 244	-	6 400 057
- Not rated	35 603	-	-	35 603
Total	**20 207 104**	**354 602**	**74 889**	**20 636 595**

8 Other securities at fair value through profit or loss (continued)

Analysis by credit quality of other securities at fair value through profit or loss outstanding at 31 December 2009 is as follows:

In thousands of Russian Roubles	Corporate bonds	Municipal bonds	Russian government bonds	Total
- Rated BBB	4 297 037	4 775 956	2 044 839	11 117 832
- Rated from BB- to BB+	2 095 349	91 486	-	2 186 835
- Rated from B- to B+	77 880	1 007	-	78 887
- Not rated	37	-	-	37
Total	**6 470 303**	**4 868 449**	**2 044 839**	**13 383 591**

Ratings presented in the tables above are defined in accordance with the accepted definitions of the international rating agency Standard & Poor's.

Geographical, currency, maturity and interest rate and analyses of other securities at fair value through profit and loss are disclosed in note 31.

9 Securities available-for-sale

In thousands of Russian Roubles	2010	2009
Municipal bonds	989 648	1 756 462
Corporate bonds	1 077	3 215 195
Russian government bonds	-	1 354 921
Total	**990 725**	**6 326 578**

As at 31 December 2010 municipal bonds are represented by Russian Rouble denominated securities issued by the governments of Sakha Republic, and the regional administrations of Irkutsk, Samara, Nizhniy Nivgorod and Lipetsk regions. These bonds mature from July 2011 to December 2013 with coupon rates ranging from 6.98% to 9.65% p.a. and yields to maturity as at 31 December 2010 ranging from 6.35% to 8.32% p.a. depending on the type of bond issue.

As at 31 December 2010 corporate bonds are represented by Russian Rouble denominated securities issued by a Russian bank. These bonds mature in October 2011, have a coupon rate of 11.50% p.a. and yield to maturity as at 31 December 2010 of 6.33 % p.a.

As at 31 December 2009 municipal bonds are represented by Russian Rouble denominated securities issued by the governments of Bashkortostan Republic and Sakha Republic, and the regional administrations of Irkutsk, Moscow, Samara, Nizhniy Nivgorod and Lipetsk regions. These bonds mature from May 2010 to December 2013 with coupon rates ranging from 6.75% to 10.0% p.a. and yields to maturity as at 31 December 2009 ranging from 4.91% to 13.13% p.a. depending on the type of bond issue.

As at 31 December 2009 corporate bonds are represented by Russian Rouble denominated securities issued by Russian banks, industrial companies, retail trade companies and others. These bonds have maturity dates ranging from February 2010 to September 2020, coupon rates ranging from 7.1% to 13.25% p.a. and yields to maturity as at 31 December 2009 ranging from 5.31% to 9.33 % p.a. depending on the type of bond issue.

As at 31 December 2009 Russian government bonds are represented by Rouble denominated securities issued by the Ministry of Finance of the Russian Federation. These bonds mature from May 2010 to January 2011 with coupon rates ranging from 5.8% to 6.1% p.a. and yields to maturity as at 31 December 2009 ranging from 6.05% to 6.57% p.a. depending on the type of bond issue.

9 Securities available-for-sale (continued)

Analysis by credit quality of securities available-for-sale outstanding at 31 December 2010 is as follows:

In thousands of Russian Roubles	Municipal bonds	Corporate bonds	Total
- Rated BBB	-	1 077	1 077
- Rated from BB- to BB+	915 532	-	915 532
- Rated from B- to B+	74 116	-	74 116
Total	**989 648**	**1 077**	**990 725**

Analysis by credit quality of securities available-for-sale outstanding at 31 December 2009 is as follows:

In thousands of Russian Roubles	Corporate bonds	Municipal bonds	Russian government bonds	Total
- Rated BBB	3 199 185	-	1 354 921	4 554 106
- Rated from BB- to BB+	16 010	1 205 639	-	1 221 649
- Rated from B- to B+	-	550 823	-	550 823
Total	**3 215 195**	**1 756 462**	**1 354 921**	**6 326 578**

Ratings presented in the tables above are defined in accordance with the accepted definitions of the international rating agency Standard & Poor's.

Geographical, currency, maturity and interest rate analyses of securities available for sale are disclosed in note 31.

Reclassifications to assets available-for-sale

During 2009 the Group sold a significant portion of its portfolio of investment securities held-to-maturity. In accordance with IAS 39 the Group reclassified all the remaining investment securities held-to-maturity to financial assets available-for-sale. Due to the sales of investment securities held to maturity the Group is not allowed to classify any financial assets as held-to-maturity before 1 January 2012.

The reclassifications of investment securities held-to-maturity were made as at 14 December 2009 at carrying value at that date. The table below sets out the quoted securities reclassified and their carrying value.

In thousands of Russian Roubles	Carrying value as at 14 December 2009
Quoted securities reclassified to assets available-for-sale	6 276 309

10 Receivables under reverse repo agreements

The table below sets out receivables under reverse repo agreements showing individual types of securities received as a collateral under repo agreements outstanding as at 31 December 2010 and 2009:

In thousands of Russian Roubles	2010	2009
Municipal bonds	-	581 648
Corporate bonds	-	492 131
Total	**-**	**1 073 779**

10 Receivables under reverse repo agreements (continued)

An analysis by credit quality of securities received as a collateral under reverse repo agreements outstanding at 31 December 2009 is as follows:

In thousands of Russian Roubles	**Municipal bonds**	**Corporate bonds**	**Total**
- Rated BBB	670 361	420 893	1 091 254
- Rated from BB- до BB+	-	108 336	108 336
Total	**670 361**	**529 229**	**1 199 590**

Ratings presented in the table above are defined in accordance with the accepted definitions of the international rating agency Standard & Poor's.

Geographical, currency, maturity and interest rate analyses of receivables under reverse repo agreements are disclosed in note 31. Information on related party transactions is disclosed in note 36.

11 Due from other banks

In thousands of Russian Roubles	**2010**	**2009**
Short-term placements with other banks with original maturities of more than three months	67 111	29 992
Allowance for impairment	(4 753)	-
Total	**62 358**	**29 992**

At 31 December 2010 and 2009 due from other banks are represented by Russian Rouble denominated current term deposits and promissory notes of other banks placed in the Russian Federation.

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

In thousands of Russian Roubles	**2010**	**2009**
Allowance for impairment as at 1 January	**-**	**-**
Charge of provision	4 753	-
Allowance for impairment as at 31 December	**4 753**	**-**

An analysis by credit quality of due from other banks as at 31 December 2010 and 2009 is as follows:

In thousands of Russian Roubles	**2010**	**2009**
- Rated from A- to A+	1 399	1 636
- Rated BBB	60 954	20 725
- Rated from BB- to BB+	-	4 646
- Rated CCC	4	4
- Not rated	4 754	2 981
Total	**67 111**	**29 992**

Ratings presented in the table above are defined in accordance with the accepted definitions of the international rating agency Standard & Poor's.

11 Due from other banks (continued)

Due from other banks are not collateralized.

Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in note 31.

12 Loans and advances to customers

In thousands of Russian Roubles	2010	2009
Loans to legal entities		
- Related parties	7 615 306	6 234 910
- Corporate loans	12 279 120	7 335 286
- Small and medium size businesses	836 873	572 019
Total loans to legal entities	**20 731 299**	**14 142 215**
Loans to individuals		
- Express loans	7 451 677	5 127 416
- Loans to employees participating in payroll projects	2 131 863	2 426 358
- Unsecured consumer loans	5 513 913	3 928 094
- Collateralised consumer loans	959 645	916 205
Total loans to individuals	**16 057 098**	**12 398 073**
Total loans and advances to customers before allowance for impairment	**36 788 397**	**26 540 288**
Allowance for impairment	(3 319 121)	(2 999 243)
Total	**33 469 276**	**23 541 045**

Movements in the allowance for impairment for loans to legal entities during the year 2010 are as follows:

In thousands of Russian Roubles	Related parties	Corporate loans	Small and medium size businesses	Total
Allowance for impairment as at 1 January 2010	**23 305**	**362 774**	**151 630**	**537 709**
Charge/(recovery) of provision	605	1 525	(17 466)	(15 336)
Write offs	-	(13 536)	(14 660)	(28 196)
Allowance for impairment as at 31 December 2010	**23 910**	**350 763**	**119 504**	**494 177**

12 Loans and advances to customers (continued)

Movements in the allowance for impairment for loans to individuals during the year 2010 are as follows:

In thousands of Russian Roubles	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collateralised consumer loans	Total
Allowance for impairment as at 1 January 2010	**1 566 210**	**224 188**	**598 292**	**72 844**	**2 461 534**
Charge/(recovery) of provision	459 529	(50 793)	(50 940)	7 086	364 882
Write offs	-	(658)	(814)	-	(1 472)
Allowance for impairment as at 31 December 2010	**2 025 739**	**172 737**	**546 538**	**79 930**	**2 824 944**

Movements in the allowance for impairment for loans to legal entities during the year 2009 are as follows:

In thousands of Russian Roubles	Related parties	Corporate loans	Small and medium size businesses	Total
Allowance for impairment as at 1 January 2009	**77 887**	**117 241**	**84 036**	**279 164**
(Recovery)/charge of provision	(54 582)	247 392	67 594	260 404
Write offs	-	(1 859)	-	(1 859)
Allowance for impairment as at 31 December 2009	**23 305**	**362 774**	**151 630**	**537 709**

Movements in the allowance for allowance impairment for loans to individuals during the year 2009 are as follows.

In thousands of Russian Roubles	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collateralised consumer loans	Total
Allowance for impairment as at 1 January 2009	**766 308**	**105 528**	**279 485**	**38 286**	**1 189 607**
Charge of provision	799 902	118 660	319 039	34 558	1 272 159
Write offs	-	-	(232)	-	(232)
Allowance for impairment as at 31 December 2009	**1 566 210**	**224 188**	**598 292**	**72 844**	**2 461 534**

The Group has estimated loan impairment for loans to customers based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified. In determining the impairment allowance for loans to customers, management makes key assumptions in respect of historic annual loss rates for different types of loans, migration rates based on historic loss migration pattern for the past 12 months, discounts of between 10% and 30% to the value of the property pledged and delay in obtaining proceeds from the foreclosure of collateral.

12 Loans and advances to customers (continued)

Changes in these estimates could effect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment allowance on loans to customers as at 31 December 2010 would be RUB 334 693 thousand lower/higher (31 December 2009: RUB 235 410 thousand).

The loan portfolio structure as at 31 December by economic sectors is as follows:

	2010		2009	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	16 057 098	44	12 398 073	47
Metallurgy and metals trade	7 809 060	21	6 986 029	26
Trade	5 135 319	14	3 373 297	13
Manufacturing	4 168 008	11	1 126 061	4
Construction	486 570	1	464 347	2
Services	380 364	1	559 934	2
Other	2 751 978	8	1 632 547	6
Total loans and advances to customers before allowance for impairment	**36 788 397**	**100**	**26 540 288**	**100**

As at 31 December 2010 the Group had a significant credit risk concentration in respect of one group of related borrowers, which are also considered as related parties. The aggregate amount of these loans is RUB 7 591 396 thousand, or 21% of the gross loan portfolio (31 December 2009: RUB 6 211 605 thousand, or 23% of the gross loan portfolio).

At 31 December 2010 the Group has 17 borrowers (31 December 2009: 16 borrowers) with aggregated loan amounts above RUB 250 000 thousand. The total aggregate amount of these loans is RUB 14 738 179 thousand, or 40% of the gross loan portfolio (31 December 2009: RUB 10 087 891 thousand, or 38% of the gross loan portfolio).

12 Loans and advances to customers (continued)

Information in respect of collateral for loans and advances to customers as at 31 December 2010 is as follows:

In thousands of Russian Roubles	**Unsecured loans**	**Real estate**	**Motor vehicles**	**Guarantees**	**Goods in turnover**	**Other collateral**	**Total loans and advances to customers before allowance for impairment**
Loans to individuals							
Express loans	7 419 401	-	-	32 276	-	-	7 451 677
Loans to employees participating in payroll projects	1 847 242	-	-	284 621	-	-	2 131 863
Unsecured consumer loans	5 513 913	-	-	-	-	-	5 513 913
Collateralised consumer loans	-	257 787	83 081	573 432	44 495	850	959 645
Total loans to individuals	**14 780 556**	**257 787**	**83 081**	**890 329**	**44 495**	**850**	**16 057 098**
Loans to legal entities							
Related parties	670 170	-	-	-	98 180	6 846 956	7 615 306
Corporate loans	1 578 287	6 175 671	46 867	2 367 445	1 442 306	668 544	12 279 120
Small and medium size businesses	113 865	280 520	87 689	268 008	86 791	-	836 873
Total loans to legal entities	**2 362 322**	**6 456 191**	**134 556**	**2 635 453**	**1 627 277**	**7 515 500**	**20 731 299**
Total	**17 142 878**	**6 713 978**	**217 637**	**3 525 782**	**1 671 772**	**7 516 350**	**36 788 397**

12 Loans and advances to customers (continued)

Information in respect of collateral for loans and advances to customers as at 31 December 2009 is as follows:

In thousands of Russian Roubles	**Unsecured loans**	**Real estate**	**Motor vehicles**	**Guarantees**	**Goods in turnover**	**Other collateral**	**Total loans and advances to customers before allowance for impairment**
Loans to individuals							
Express loans	5 090 054	-	-	37 362	-	-	5 127 416
Loans to employees participating in payroll projects	2 153 521	338	-	272 499	-	-	2 426 358
Unsecured consumer loans	3 928 094	-	-	-	-	-	3 928 094
Collateralised consumer loans	-	217 362	73 001	625 842	-	-	916 205
Total loans to individuals	**11 171 669**	**217 700**	**73 001**	**935 703**	**-**	**-**	**12 398 073**
Loans to legal entities							
Related parties	245 763	-	-	-	4 903 423	1 085 724	6 234 910
Corporate loans	807 031	2 898 551	15 922	1 834 802	1 625 114	153 866	7 335 286
Small and medium size businesses	85 383	242 271	76 116	127 179	33 237	7 833	572 019
Total loans to legal entities	**1 138 177**	**3 140 822**	**92 038**	**1 961 981**	**6 561 774**	**1 247 423**	**14 142 215**
Total	**12 309 846**	**3 358 522**	**165 039**	**2 897 684**	**6 561 774**	**1 247 423**	**26 540 288**

Other collateral is represented by pledge of deposits, securities and other property.

Amounts in the tables above represent the carrying amount of the loans and not the fair value of the underlying collateral.

12 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at 31 December 2010 is as follows:

In thousands of Russian Roubles	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collateralised consumer loans	Total loans to individuals
Loans to individuals					
Current and not past due:	4 344 675	1 807 914	4 414 432	746 475	11 313 496
- with credit history of less than 90 days	1 778 513	427 352	1 090 107	352 625	3 648 597
- with credit history of more than 90 days	2 566 162	1 380 562	3 324 325	393 850	7 664 899
Past due:	3 107 002	323 949	1 099 481	213 170	4 743 602
- loans past due less than 30 days	468 247	43 982	188 324	35 318	735 871
- loans past due 31 to 90 days	332 052	17 056	65 218	17 921	432 247
- loans past due 91 to 210 days	357 668	16 961	77 928	73 305	525 862
- loans past due 211 to 360 days	419 839	25 108	86 131	24 013	555 091
- loans past due over 360 days	1 529 196	220 842	681 880	62 613	2 494 531
Total loans to individuals before allowance for impairment	**7 451 677**	**2 131 863**	**5 513 913**	**959 645**	**16 057 098**
Allowance for impairment	(2 025 739)	(172 737)	(546 538)	(79 930)	(2 824 944)
Total	**5 425 938**	**1 959 126**	**4 967 375**	**879 715**	**13 232 154**
Allowance for impairment to gross loans, %	27.19	8.10	9.91	8.33	17.59

In thousands of Russian Roubles	Related parties	Corporate loans	Small and medium size businesses	Total loans to legal entities
Loans to legal entities				
Current and individually not impaired	7 615 306	11 344 717	645 361	19 605 384
Past due:	-	934 403	191 512	1 125 915
- loans past due less than 30 days	-	291	11 498	11 789
- loans past due 31 to 90 days	-	10 148	6 406	16 554
- loans past due 91 to 180 days	-	-	10 809	10 809
- loans past due 181 to 360 days	-	16 089	12 295	28 384
- loans past due over 360 days	-	907 875	150 504	1 058 379
Total loans to legal entities before allowance for impairment	**7 615 306**	**12 279 120**	**836 873**	**20 731 299**
Allowance for impairment	(23 910)	(350 763)	(119 504)	(494 177)
Total	**7 591 396**	**11 928 357**	**717 369**	**20 237 122**
Allowance for impairment to gross loans, %	0.31	2.86	14.28	2.38

12 Loans and advances to customers (continued)

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

In thousands of Russian Roubles	Express loans	Loans to employees participating in payroll projects	Unsecured consumer loans	Collateralised consumer loans	Total loans to individuals
Loans to individuals					
Current and not past due:	2 621 679	2 026 729	2 866 935	754 511	8 269 854
- with credit history of less than 90 days	1 037 964	740 719	247 128	232 292	2 258 103
- with credit history of more than 90 days	1 583 715	1 286 010	2 619 807	522 219	6 011 751
Past due:	2 505 737	399 629	1 061 159	161 694	4 128 219
- loans past due less than 30 days	221 560	70 875	143 021	52 282	487 738
- loans past due 31 to 90 days	221 456	32 965	92 018	24 639	371 078
- loans past due 91 to 210 days	266 022	37 368	99 521	8 248	411 159
- loans past due 211 to 360 days	400 360	68 142	190 269	35 813	694 584
- loans past due over 360 days	1 396 339	190 279	536 330	40 712	2 163 660
Total loans to individuals before allowance for impairment	**5 127 416**	**2 426 358**	**3 928 094**	**916 205**	**12 398 073**
Allowance for impairment	(1 566 210)	(224 188)	(598 292)	(72 844)	(2 461 534)
Total	**3 561 206**	**2 202 170**	**3 329 802**	**843 361**	**9 936 539**
Allowance for impairment to gross loans, %	30.55	9.24	15.23	7.95	19.85

In thousands of Russian Roubles	Related parties	Corporate loans	Small and medium size businesses	Total loans to legal entities
Loans to legal entities				
Current and individually not impaired	6 234 910	6 136 748	314 376	12 686 034
Past due:	-	1 198 538	257 643	1 456 181
- loans past due less than 30 days	-	141 712	30 592	172 304
- loans past due 31 to 90 days	-	45 050	13 557	58 607
- loans past due 91 to 180 days	-	178 999	24 532	203 531
- loans past due 181 to 360 days	-	619 844	62 383	682 227
- loans past due over 360 days	-	212 933	126 579	339 512
Total loans to legal entities before allowance for impairment	**6 234 910**	**7 335 286**	**572 019**	**14 142 215**
Allowance for impairment	(23 305)	(362 774)	(151 630)	(537 709)
Total	**6 211 605**	**6 972 512**	**420 389**	**13 604 506**
Allowance for impairment to gross loans, %	0.37	4.95	26.51	3.80

12 Loans and advances to customers (continued)

As at 31 December 2010 interest and commission accrued on impaired loans amount to RUB 190 803 thousand (31 December 2009: RUB 153 739 thousand).

The gross balance of restructured loans and advances to customers at 31 December 2010 is as follows:

- legal entities – RUB 159 847 thousand (31 December 2009: RUB 275 408 thousand)
- individuals – RUB 2 019 162 thousand (31 December 2009: RUB 1 442 298 thousand).

Restructured loans are shown as current and not individually impaired unless the borrower is not able to meet the restructured terms.

The loans to individuals are mostly represented by express loans and unsecured consumer loans. Express loans are loans issued to individuals at points-of-sale with minimum credit requirements. Unsecured consumer loans are issued to individuals in banking offices after a scoring review. Management structures the credit analysis procedures with the aim to minimise the credit risk on unsecured consumer loans. Differences in credit quality of these products are reflected in higher interest rates on express loans.

The Group assesses the loans to individuals as current and not impaired if there were no overdue as at reporting date, and no evidence that individuals will not be able to meet their obligations on repayment of the loans in full and in time.

The Group assesses the credit quality of current and not impaired corporate loans by analyzing the following factors:

- there are no delays in repayment of principal and interest due to the financial insolvency of the borrower
- financial statements and other financial information of the borrowers are submitted to the Group timely and in accordance with the terms of the loan agreements, and that information is transparent and allows analysis of the financial position of the borrower
- the borrower is not sued for improper servicing of loans granted by other credit institutions
- the loan is secured by liquid collateral, the fair value of which covers the outstanding loan amount

Current and not impaired corporate loans are mostly represented by loans issued to large corporate entities which have a long credit history with the Group.

The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any.

The amount reported as past due under loan agreements of legal entities and individuals is the outstanding balance of such loans, not only the individual instalments that are past due.

The analysis of the fair value of collateral in respect of loans and advances to customers past due as at 31 December 2010 is as follows:

In thousands of Russian Roubles	**Collateralised consumer loans**
Loans to individuals	
- real estate	65 969
- motor vehicles	77 867
Total	**143 836**

12 Loans and advances to customers (continued)

In thousands of Russian Roubles	Corporate loans	Small and medium size businesses	Total
Loans to legal entities			
- real estate	579 135	131 109	710 244
- motor vehicles and equipment	193 550	39 449	232 999
- goods in turnover	143 385	-	143 385
- other collateral	69 742	10 856	80 598
Total	**985 812**	**181 414**	**1 167 226**

The analysis of fair value of collateral in respect of loans and advances to customers past due at 31 December 2009 is as follows:

In thousands of Russian Roubles	Collateralised consumer loans
Loans to individuals	
- real estate	29 846
- other	1 190
Total	**31 036**

In thousands of Russian Roubles	Corporate loans	Small and medium size businesses	Total
Loans to legal entities			
- real estate	836 061	93 501	929 562
- motor vehicles and equipment	93 409	16 090	109 499
- goods in turnover	58 670	1 449	60 119
- other collateral	50 511	2 080	52 591
Total	**1 038 651**	**113 120**	**1 151 771**

The actual net realizable value of the collateral on loans to legal entities and individuals can significantly differ from the shown above value due to possible unforeseeable difficulties in obtaining ownership rights over the borrower's property.

The fair value of residential real estate and other assets at the reporting date was estimated by the Bank's risk department using internal guidelines.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in note 31. Information on related party transactions is disclosed in note 36.

13 Finance lease receivables

Finance lease receivables as at 31 December 2010 of RUB 268 188 thousand (2009: RUB 424 862 thousand), RUB 120 668 thousand (31 December 2009: RUB 254 137 thousand) and RUB 36 696 thousand (31 December 2009: RUB 47 308 thousand) are represented by leases of equipment, motor vehicles and premises, respectively.

13 Finance lease receivables (continued)

Finance lease payments receivable (gross investment in the leases) and their present values at 31 December 2010 and 2009 are as follows:

In thousands of Russian Roubles	Less than 1 year	From 2 to 5 years	More than 5 years	Total
Finance lease payments receivable at 31 December 2010	**241 894**	**174 921**	**8 737**	**425 552**
Unearned finance income	(26 334)	(64 453)	(5 384)	(96 171)
Allowance for impairment	(33 454)	(13 079)	(1 848)	(48 381)
Present value as at 31 December 2010	**182 106**	**97 389**	**1 505**	**281 000**
Finance lease payments receivable at 31 December 2009	**390 322**	**335 985**	**-**	**726 307**
Unearned finance income	(41 297)	(129 311)	-	(170 608)
Allowance for impairment	(29 879)	(11 480)	-	(41 359)
Present value as at 31 December 2009	**319 146**	**195 194**	**-**	**514 340**

Analysis of changes in the allowance for impairment of finance lease receivables is as follows:

In thousands of Russian Roubles	2010	2009
Allowance for impairment as at 1 January	**41 359**	**10 578**
Charge/(recovery) of provision	10 136	30 781
Write-offs	(3 114)	-
Allowance for impairment as at 31 December	**48 381**	**41 359**

Analysis by credit quality of finance lease receivables outstanding at 31 December 2010 is as follows:

In thousands of Russian Roubles	Before allowance for impairment	Allowance for impairment	Net amount
Not overdue	257 826	(15 810)	242 016
Overdue:	71 555	(32 571)	38 984
- overdue less than 30 days	15 975	(5 281)	10 694
- overdue 31-90 days	13 043	-	13 043
- overdue 91-210 days	9 306	(243)	9 063
- overdue 211-360 days	4 282	(645)	3 637
- overdue more than 360 days	28 949	(26 402)	2 547
Total	**329 381**	**(48 381)**	**281 000**

13 Finance lease receivables (continued)

Analysis by credit quality of finance lease receivables outstanding at 31 December 2009 is as follows:

In thousands of Russian Roubles	Before allowance for impairment	Allowance for impairment	Net amount
Not overdue	402 873	(5 876)	396 997
Overdue:	152 826	(35 483)	117 343
- overdue less than 30 days	25 488	(5 408)	20 080
- overdue 31-90 days	17 933	(5 043)	12 890
- overdue 91-210 days	10 380	(2 137)	8 243
- overdue 211-360 days	52 340	(10 382)	41 958
- overdue more than 360 days	46 685	(12 513)	34 172
Total	**555 699**	**(41 359)**	**514 340**

Information about the fair value of collateral is as follows:

In thousands of Russian Roubles	31 December 2010	31 December 2009
Equipment	213 160	332 947
Motor vehicles	100 144	198 844
Premises	39 289	59 638
Total	**352 593**	**591 429**

Fair value of collateral as at 31 December 2010 and 2009 is estimated by the Bank's Risk department based on current market prices.

Geographical, currency, maturity and interest rate analyses of finance lease receivables are disclosed in note 31. The information on related party transactions is disclosed in note 36.

14 Property and equipment

In thousands of Russian Roubles	Notes	Land and premises Restated	Office and computer equipment	Construction in progress	Total Restated
Cost or valuation as at 1 January 2009		5 524 974	980 610	69 074	6 574 658
Accumulated depreciation		(511 450)	(367 966)	-	(879 416)
Carrying amount as at 1 January 2009		**5 013 524**	**612 644**	**69 074**	**5 695 242**
Additions		30 134	91 199	30 569	151 902
Transfers		45 180	322	(45 502)	-
Disposals – cost		(556)	(28 323)	(4 854)	(33 733)
Disposals - accumulated depreciation		309	17 771	-	18 080
Depreciation charge	28	(131 472)	(160 880)	-	(292 352)
Revaluation recognised in profit or loss		(171 882)	-	-	(171 882)
Revaluation recognised in other comprehensive loss		(1 073 766)	-	-	(1 073 766)
Carrying amount as at 31 December 2009		**3 711 471**	**532 733**	**49 287**	**4 293 491**
Cost or valuation as at 31 December 2009		4 270 199	1 043 808	49 287	5 363 294
Accumulated depreciation		(558 728)	(511 075)	-	(1 069 803)
Carrying amount as at 31 December 2009		**3 711 471**	**532 733**	**49 287**	**4 293 491**
Additions		47 431	200 059	52 533	300 023
Transfers		6 836	585	(7 421)	-
Disposals – cost		(11 101)	(37 377)	(113)	(48 591)
Disposals - accumulated depreciation		2 119	17 497	-	19 616
Depreciation charge	28	(100 153)	(146 434)	-	(246 587)
Revaluation recognised in profit or loss		108 021	-	-	108 021
Revaluation recognised in other comprehensive income		471 437	-	-	471 437
Carrying amount as at 31 December 2010		**4 236 061**	**567 063**	**94 286**	**4 897 410**
Cost or valuation as at 31 December 2010		4 902 443	1 207 075	94 286	6 203 804
Accumulated depreciation		(666 382)	(640 012)	-	(1 306 394)
Carrying amount as at 31 December 2010		**4 236 061**	**567 063**	**94 286**	**4 897 410**

14 Property and equipment (continued)

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

Land and premises are valued at 31 December 2010 and 2009. Fair values are estimated based on valuation techniques used for an active market. Based on valuation results the carrying amount of property and equipment is increased by RUB 471 437 thousand (31 December 2009: decreased by RUB 1 073 766 thousand) recognized in revaluation reserve for property and equipment. As at 31 December 2010 an increase of deferred tax liability of RUB 94 287 thousand (31 December 2009: a decrease of RUB 214 753 thousand) is recognised in other comprehensive income in respect of the revaluation. At 31 December 2010, the carrying amount of land and premises would have been RUB 3 111 100 thousand (31 December 2009: RUB 3 135 133 thousand) had the assets been carried at cost less depreciation and impairment losses.

15 Intangible assets

In thousands of Russian Roubles	**Notes**	**Software licenses**
Cost as at 1 January 2009		43 591
Accumulated amortisation		(29 698)
Carrying amount as at 1 January 2009		**13 893**
Additions		84 715
Disposals – cost		(3 236)
Disposals - accumulated amortisation		3 236
Amortisation charge	28	(3 106)
Carrying amount as at 31 December 2009		**95 502**
Cost as at 31 December 2009		125 070
Accumulated amortisation		(29 568)
Carrying amount as at 31 December 2009		**95 502**
Additions		44 782
Disposals – cost		(4)
Disposals - accumulated amortisation		4
Amortisation charge	28	(9 780)
Carrying amount as at 31 December 2010		**130 504**
Cost or valuation as at 31 December 2010		169 848
Accumulated amortisation		(39 344)
Carrying amount as at 31 December 2010		**130 504**

Additions to intangible assets represent capitalised software and license costs related to a new centralised operational banking system which is used as a basis for decision making and control of financial and operating activities at all management levels of the Group.

16 Advances to real estate developers

Advances to real estate developers represent investments under investment contracts for construction of apartment buildings, business centres, hotels and other properties in Ekaterinburg and Sochi. Upon completion of construction the Group is contractually entitled to receive the real estate property. The Group intends to sell the majority of these investments close to completion stage. The Group receives income from the amounts advanced to developers at imputed rates of interest. The income is received in the legal form of penalties payable by the developers for breaches of various terms of the contracts and recognised as interest income. The consolidated income statement for the year ended 31 December 2010 includes interest income of RUB 500 437 thousand (31 December 2009: RUB 396 845 thousand) relative to the above mentioned investments.

Geographical, currency, maturity and interest rate analyses of advances to real estate developers are disclosed in note 31.

17 Other assets

In thousands of Russian Roubles	Notes	2010	2009 Restated
Settlements on transactions with securities and precious metals		171 730	236 754
Precious metals forward contracts	34	151 564	91 899
Settlements on cash and other operations		68 573	54 583
Credit and debit cards receivables		20 356	15 521
Foreign exchange forward contracts	34	11 971	17 738
Other		8 487	8 491
Total other financial assets		**432 681**	**424 986**
Prepayments for administrative services		374 072	280 682
Equipment purchased for giving in finance lease		84 604	57 203
Prepayments for construction in progress		64 407	113 026
Prepaid taxes other than income tax		40 711	47 220
Precious metals		26 437	8 341
Deferred expenses		6 239	6 699
Other non-financial receivables		28 540	58 572
Total other non-financial assets		**625 010**	**571 743**
Total		**1 057 691**	**996 729**

Geographical, currency and maturity analyses of other assets are disclosed in note 31. The information on related party transactions is disclosed in note 36.

18 Assets held for sale

In thousands of Russian Roubles	2010	2009
Premises	162 889	165 177
Motor vehicles	4 724	14 831
Other property	4 350	3 847
Total	**171 963**	**183 855**

Included in assets held for sale is property obtained from borrowers as settlement for loans.

Management estimates that the fair value of assets held for sale as at 31 December 2010 and 2009 exceeds their carrying value.

18 Assets held for sale (continued)

In accordance with the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* these assets are accounted for in these consolidated financial statements at the lower of their carrying amount and fair value less costs to sale as at 31 December 2010 and 2009. These assets are expected to be sold within 1 year.

19 Due to other banks

In thousands of Russian Roubles	**2010**	**2009**
Sale and repurchase agreements on securities	11 948 608	12 163 023
Short-term deposits	1 437 821	555 201
Correspondent accounts and overnight placements	513 612	345 535
Total	**13 900 041**	**13 063 759**

As at 31 December 2009 included in due to other banks are obligations under direct repurchase agreements with the CBRF of RUB 5 079 749 thousand. As at 31 December 2010 there are no obligations under direct repurchase agreements with the CBRF.

Geographical, currency, maturity and interest rate of due to other banks are disclosed in note 31.

20 Customer accounts

In thousands of Russian Roubles	**2010**	**2009**
State and public organisations		
- Current/settlement accounts	4 874	20 499
Other legal entities		
- Current/settlement accounts	6 492 794	4 166 107
- Term deposits	3 785 362	5 724 143
Individuals		
- Current/demand accounts	3 560 333	2 541 041
- Term deposits	40 630 107	30 628 685
Total	**54 473 470**	**43 080 475**

State and public organisations exclude government owned profit oriented businesses.

The economic sector concentrations as at 31 December within customer accounts are as follows:

	2010		**2009**	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	44 190 440	81	33 169 726	77
Services	4 347 841	8	3 560 985	8
Trade	2 501 176	5	2 253 952	5
Manufacturing	1 426 285	3	2 173 013	5
Construction	1 338 719	2	663 440	2
Other	669 009	1	1 259 359	3
Total	**54 473 470**	**100**	**43 080 475**	**100**

At 31 December 2010 the Group has 3 customers (31 December 2009: 9 customers) with balances above RUB 150 000 thousand. The aggregate balances from these customers are RUB 630 704 thousand (31 December 2009: RUB 3 089 309 thousand), or 1% (31 December 2009: 7%) of total customer accounts.

20 Customer accounts (continued)

At 31 December 2010 included in customer accounts are deposits of RUB 3 044 thousand (31 December 2009: RUB 5 603 thousand) held as collateral for irrevocable commitments under import letters of credit.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in note 31. The information on related party transactions is disclosed in note 36.

21 Debt securities in issue

In thousands of Russian Roubles	2010	2009
Promissory notes	735 576	375 585
Total	**735 576**	**375 585**

Geographical, currency, maturity and interest rate analyses of debt securities in issue are disclosed in note 31. The information on debt securities in issue held by related parties is disclosed in note 36.

22 Other liabilities

In thousands of Russian Roubles	Notes	2010	2009
Payables on mandatory insurance of deposits		41 296	29 521
Foreign currency forward contracts	34	39 177	2 596
Trade payables		27 576	33 563
Settlements on plastic cards		9 840	8 132
Precious metals forward contracts	34	5 051	9 093
Financial leasing liabilities		-	15 858
Other		5 239	6 893
Total other financial liabilities		**128 179**	**105 656**
Taxes other than income tax payable		33 561	27 411
Provision for financial guaranties contracts		4 269	978
Other		1 873	2 504
Total other non-financial liabilities		**39 703**	**30 893**
Total		**167 882**	**136 549**

Geographical, currency and maturity analyses of other financial liabilities are disclosed in note 31.

23 Subordinated debt

On 27 December 2007 the Group attracted a non-secured subordinated debt of USD 50 million for 10 years. The loan was granted by The Royal Bank of Scotland (previous name - ABN AMRO BANK N.V.) at a contractual interest rate of Libor plus 8.0% p.a. As at 31 December 2010 this subordinated debt was accounted for at amortised cost of RUB 1 556 425 thousand (31 December 2009: RUB 1 545 296 thousand).

In the event of the Bank’s liquidation the creditors under this subordinated debt would be the last ones entitled to receive repayment.

Geographical, currency, maturity and interest rate of subordinated debt are disclosed in note 31.

24 Share capital and additional capital

In thousands of Russian Roubles	Number of outstanding shares (in thousands)	Ordinary shares	Share premium	Total
At 1 January 2009	668 121	1 298 570	581 956	1 880 526
At 31 December 2009	668 121	1 298 570	581 956	1 880 526
At 31 December 2010	668 121	2 634 812	581 956	3 216 768

On 20 January 2010 the Department for the Licensing of the Activities and the Financial Rehabilitation of Credit Organizations of the CBRF registered the Bank’s issue of shares in the amount of RUB 2 004 363 thousand. The issue comprises placements of 668 121 thousand ordinary uncertificated registered shares with the nominal value of RUB 3 by means of conversion of earlier placed 668 121 thousand ordinary uncertificated registered shares with the nominal value of RUB 1, and capitalization of statutory retained earnings and other reserves in the amount of RUB 1 336 242 thousand. The share capital after the issue amounts to RUB 2 004 363 thousand.

Share capital contributions made before 1 January 2003, are adjusted by RUB 630 449 thousand according to changes in general purchasing power of the Russian Rouble as defined by IAS 29 *Financial Reporting in Hyperinflationary Economies*.

As at 31 December 2010 and 2009 all outstanding shares were authorised, issued and fully paid in.

As at 31 December 2010 all ordinary shares have a nominal value of RUB 3 per share (31 December 2009: RUB 1 per share). Each share carries one vote.

Share premium is the amount by which the contributions to share capital exceeded the nominal value of the shares issued.

As at 31 December 2010 additional capital in amount of RUB 524 203 thousand, included in equity, is represented by contribution made by the controlling shareholder through debt forgiveness.

25 Dividends

In accordance with the legislation of the Russian Federation, the Bank distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of the statutory accounting reports. The reserves under Russian Accounting Rules at 31 December 2010 are RUB 1 596 116 thousand (31 December 2009: RUB 2 812 152 thousand).

26 Interest income and expense

In thousands of Russian Roubles	**2010**	**2009**
Interest income		
Loans and advances to customers	5 320 158	5 128 771
Other securities at fair value through profit or loss	1 738 918	1 079 597
Advances to real estate developers	500 437	396 845
Securities available-for-sale	317 336	24 785
Finance lease receivables	117 480	151 507
Receivables under reverse repo agreements	26 867	34 222
Due from other banks	16 950	49 465
Correspondent accounts with other banks	1 864	1 826
Investment securities held-to-maturity	-	657 198
Total	**8 040 010**	**7 524 216**
Interest expense		
Term deposits of individuals	4 352 993	3 272 901
Term placements of legal entities	567 305	575 486
Sale and repurchase agreements	428 358	940 143
Subordinated debt	132 480	155 892
Debt securities in issue	88 212	113 745
Current/settlement accounts	73 806	74 236
Term placements of other banks	52 224	501 740
Correspondent accounts of other banks	6 723	1 446
Finance lease payables	1 424	5 575
Total	**5 703 525**	**5 641 164**
Net interest income	**2 336 485**	**1 883 052**

27 Fee and commission income and expense

In thousands of Russian Roubles	2010	2009
Fee and commission income		
Settlement transactions	301 950	207 079
Transactions with plastic cards and cheques	271 876	143 603
Cash transactions	85 645	81 430
Guarantees issued	12 646	3 297
Cash collection	10 202	9 145
Transactions with securities	8 530	11 520
Fiduciary activities	2 733	2 542
Other	46 696	35 662
Total	**740 278**	**494 278**
Fee and commission expense		
Settlement transactions	42 000	37 974
Transactions with plastic cards and cheques	32 640	24 995
Cash collection	24 806	18 235
Foreign exchange transactions	10 881	6 391
Transactions with securities	4 130	3 033
Transactions with precious metals	2 591	5 106
Trade finance transaction	6	2 997
Other	1 148	-
Total	**118 202**	**98 731**
Net fee and commission income	**622 076**	**395 547**

28 Administrative and other operating expenses

In thousands of Russian Roubles	Notes	2010	2009
Staff costs		1 472 475	1 013 451
Depreciation of property and equipment	14	246 587	292 352
Advertising and marketing services		199 392	125 377
Contributions to State deposit insurance system		151 418	121 142
Taxes other than income tax		103 688	118 426
Other costs of property and equipment		90 596	43 362
Operating lease expense for property and equipment		89 010	61 827
Security services		75 423	17 924
Information and communication services		52 375	10 385
Professional services		49 030	51 762
Acquisition of fittings and materials		43 373	31 075
Computer software maintenance		23 987	49 571
Insurance of employees and business property		12 172	8 739
Amortisation of intangible assets	15	9 780	3 106
Other		74 421	33 120
Total		**2 693 727**	**1 981 619**

Included in staff costs are statutory social security and pension contributions of RUB 199 766 thousand (2009: RUB 157 905 thousand).

29 Income tax expense

Income tax expense comprises the following:

In thousands of Russian Roubles	**2010**	**2009 Restated**
Current tax	138 321	133 438
Income tax over provided in prior years	(56 207)	-
Deferred tax	17 387	(165 320)
Income tax expense/(benefit) for the year	**99 501**	**(31 882)**

The income tax rate applicable to the majority of income is 20% (2009: 20%). A reconciliation between the expected and the actual tax benefit is provided below.

In thousands of Russian Roubles	**2010**	**2009 Restated**
Profit before tax	**694 074**	**36 268**
Theoretical tax at applicable rate	138 815	7 254
Non-deductible costs	12 325	4 717
Income on state securities taxed at lower tax rates	(13 667)	(43 630)
Income tax overprovided in prior years	(56 207)	-
Other differences	18 235	(223)
Income tax expense/(benefit)	**99 501**	**(31 882)**

As at 31 December 2010 an increase in deferred tax liability of RUB 95 036 thousand (31 December 2009: a decrease of RUB 203 322 thousand) is recorded directly in other comprehensive income in respect of the revaluation of land and premises, securities available-for-sale and cumulative translation reserve. Refer to notes 9 and 14.

Differences between IFRS and Russian statutory taxation regulations 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%).

29 Income tax expense (continued)

In thousands of Russian Roubles	Deferred tax asset 2010	Deferred tax asset 2009	Deferred tax liability 2010	Deferred tax liability 2009 Restated	Net position 2010	Net position 2009 Restated
Trading and other securities at fair value through profit or loss	48 769	3 865	(1 316)	(112 975)	47 453	(109 110)
Securities available-for-sale	-	12 032	(71 137)	-	(71 137)	12 032
Due from other banks	1 033	83	-	-	1 033	83
Loans and advances to customers	226 732	196 827	-	(46 527)	226 732	150 300
Finance lease receivables	10 872	7 007	-	(4 122)	10 872	2 885
Property and equipment	37 738	32 456	(329 895)	(206 131)	(292 157)	(173 675)
Intangible assets	-	-	(10 113)	(3 977)	(10 113)	(3 977)
Advances to real estate developers	-	-	(100 087)	-	(100 087)	-
Customer accounts	1 499	579	(938)	(243)	561	336
Debt securities in issue	7 289	7 602	-	-	7 289	7 602
Subordinated debt	-	-	(2 901)	(3 157)	(2 901)	(3 157)
Tax losses carry-forward	100 350	69 499	-	-	100 350	69 499
Translation differences	2 542	-	-	-	2 542	-
Other	21 854	101 896	-	-	21 854	101 896
Total	**458 678**	**431 846**	**(516 387)**	**(377 132)**	**(57 709)**	**54 714**
Including:						
Deferred tax asset					**313 394**	**221 849**
Deferred tax liability					**(371 103)**	**(167 135)**

Movements in temporary differences during the years ended 31 December 2010 and 2009 are presented as follows.

In thousands of Russian Roubles	31 December 2009 Restated	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2010
Trading and other securities at fair value through profit or loss	(109 110)	156 563	-	47 453
Securities available-for-sale	12 032	(79 878)	(3 291)	(71 137)
Due from other banks	83	950	-	1 033
Loans and advances to customers	150 300	76 432	-	226 732
Finance lease receivables	2 885	7 987	-	10 872
Property and equipment	(173 675)	(24 195)	(94 287)	(292 157)
Intangible assets	(3 977)	(6 136)	-	(10 113)
Advances to real estate developers	-	(100 087)	-	(100 087)
Customer accounts	336	225	-	561
Debt securities in issue	7 602	(313)	-	7 289
Subordinated debt	(3 157)	256	-	(2 901)
Tax losses carry-forward	69 499	30 851	-	100 350
Translation differences	-	-	2 542	2 542
Other	101 896	(80 042)	-	21 854
Total	**54 714**	**(17 387)**	**(95 036)**	**(57 709)**

29 Income tax expense (continued)

In thousands of Russian Roubles	31 December 2008 Restated	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2009 Restated
Trading and other securities at fair value through profit or loss	1 721	(110 831)	-	(109 110)
Securities available-for-sale	15 820	7 643	(11 431)	12 032
Due from other banks	1 732	(1 649)	-	83
Loans and advances to customers	107 747	42 553	-	150 300
Finance lease receivables	7 409	(4 524)	-	2 885
Property and equipment	(579 732)	191 304	214 753	(173 675)
Intangible assets	623	(4 600)	-	(3 977)
Customer accounts	-	336	-	336
Debt securities in issue	2 050	5 552	-	7 602
Subordinated debt	(1 472)	(1 685)	-	(3 157)
Tax losses carry-forward	32 881	36 618	-	69 499
Other	97 293	4 603	-	101 896
Total	**(313 928)**	**165 320**	**203 322**	**54 714**

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

30 Segment analysis

The Group has three reportable segments, which are represented by separate business units. The business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The Assets and Liabilities Management Committee reviews internal management reports on each business unit on at least a twice a month basis, analyses and monitors the efficiency and quality of performance, and insures coordination of business units in liquidity and profit management. The following summary describes the operations in each of the reportable segments.

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Financial markets – representing financial instruments trading, loans and deposits in the interbank market, dealing in foreign exchange, precious metals and derivative financial instruments.

Information regarding the results of each reportable segment is presented below. Performance is measured based on segment profit before income tax as included in the internal management reports based on the accounting data received in accordance with the Russian Accounting Rules (with adjustment of certain entries by economic substance) reviewed by the Assets and Liabilities Management Committee. Segment profit is used to measure its performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm’s length basis.

30 Segment analysis (continued)

Segment information for the reportable segments as at and for the year ended 31 December 2010 is set out below.

In thousands of Russian Roubles	Retail banking	Corporate banking	Financial markets	Total
Interest income from external operations	3 035 359	3 385 028	2 029 802	8 450 189
Interest expense	(4 356 342)	(748 384)	(616 031)	(5 720 757)
Gains/(losses) from operations with other segments	3 139 811	(790 507)	-	2 349 304
Fee and commission income	326 701	372 140	9 109	707 950
Net gain from operations with securities	-	-	538 771	538 771
Net gain from operations with foreign currencies and precious metals	43 113	73 607	94 847	211 567
Other operating income	76 526	22 391	-	98 917
Administrative and other operating expenses	(1 176 325)	(452 354)	(32 125)	(1 660 804)
Profit before tax	**1 088 843**	**1 861 921**	**2 024 373**	**4 975 137**
Segment assets	**15 374 648**	**27 776 996**	**23 062 276**	**66 213 920**
Segment liabilities	**43 922 729**	**11 410 031**	**15 614 910**	**70 947 670**

Segment information for the main reportable segments as at and for the year ended 31 December 2009 is set out below.

In thousands of Russian Roubles	Retail banking	Corporate banking	Financial markets	Total
Interest income from external operations	2 375 975	3 182 960	1 852 879	7 411 814
Interest expense	(3 274 434)	(752 933)	(1 637 498)	(5 664 865)
Gains/(losses) from operations with other segments	1 648 537	(840 950)	407 726	1 215 313
Fee and commission income	181 932	298 750	16 063	496 745
Net gain from operations with securities	-	-	478 211	478 211
Net gain/(loss) from operations with foreign currencies and precious metals	102 675	14 093	(80 031)	36 737
Other operating income	75 796	25 321	4 119	105 236
Administrative and other operating expenses	(836 851)	(345 590)	(31 938)	(1 214 379)
Profit before tax	**273 630**	**1 581 651**	**1 009 531**	**2 864 812**
Segment assets	**11 491 485**	**21 575 652**	**23 031 046**	**56 098 183**
Segment liabilities	**29 784 748**	**10 124 240**	**19 084 196**	**58 993 184**

Administrative and other operating expenses are allocated on the basis of the percentage of staff employed by each segment. Property and equipment is not allocated to segments in managemment accounts. Gains/(losses) from operations with other segments represent income and expense from lending and borrowing between segments and are determined by using a transfer rate defined by management.

30 Segment analysis (continued)

Reconciliations of reportable segment profit or loss, assets and liabilities as at and for the years ended 31 December 2010 and 2009 are as follows:

In thousands of Russian Roubles	**2010**
Segment profit before tax	**4 975 137**
Elimination of revenues on transactions with other segments	(2 349 304)
Other revenues	53 800
Allowance for impairment of loans and advances to customers per management accounts	(517 128)
Unallocated administrative and other operating expenses	(1 164 157)
Profit before taxation of subsidiaries, SPE and closed unit investment fund	(135 752)
IFRS accounting policy adjustments:	
- interest income on loans and advances to customers	(390 542)
- allowance for impairment of loans and advances to customers and finance lease receivables	157 446
- income from revaluation of property and equipment	108 021
- operating expenses based on accrual basis	(96 651)
- depreciation and amortisation of property and equipment and intangible assets	(42 351)
- effect of fair value of derivatives	(24 146)
- securities at fair value	(23 059)
- other adjustments	142 760
Consolidated profit before tax	**694 074**
Segment assets	**66 213 920**
Unallocated assets	13 987 096
Allowance for impairment of loans and advances to customers per management accounts	(4 100 889)
Assets of subsidiaries, SPE and closed unit investment fund	225 453
IFRS accounting policy adjustments:	
- interest income on loans and advances to customers	(1 534 391)
- allowance for impairment of loans and advances to customers and finance lease receivables	733 387
- securities at fair value	419 822
- depreciation and amortisation of property and equipment and intangible assets	(311 801)
- deferred income tax asset	313 394
- effect of fair value of derivatives	163 535
- recognition of goodwill	162 122
- revaluation of property and equipment	(85 115)
- other adjustments	(226 286)
Consolidated assets	**75 960 247**
Segment liabilities	**70 947 670**
Unallocated liabilities	28 691
Liabilities of subsidiaries and SPE and closed unit investment fund	(50 320)
IFRS accounting policy adjustments:	
- accounting for deferred tax liability	371 103
- operating expenses based on accrual basis	63 629
- effect of fair value of derivatives	44 228
- other adjustments	(183 111)
Consolidated liabilities	**71 221 890**

30 Segment analysis (continued)

In thousands of Russian Roubles	2009
Segment profit before tax	**2 864 812**
Elimination of revenues on transactions with other segments	(1 215 313)
Other revenues	55 679
Allowance for impairment of loans and advances to customers per management accounts	(1 440 361)
Unallocated administrative and other operating expenses	(907 682)
IFRS accounting policy adjustments:	
- securities at fair value	854 750
- loss from revaluation of property and equipment	(171 882)
- allowance for impairment of loans and advances to customers and finance lease receivables	(122 983)
- other operating income	49 878
- fee and commission income	(43 211)
- net interest income	28 134
- operations with foreign currencies and precious metals	6 563
- other adjustments	77 884
Consolidated profit before tax (restated)	**36 268**
Segment assets	**56 098 183**
Unallocated assets	9 038 325
Assets of subsidiaries,SPE and closed unit investment fund	112 319
Allowance for impairment of loans and advances to customers	(3 054 844)
IFRS accounting policy adjustments:	
- securities at fair value	504 613
- depreciation and amortisation of property and equipment and intangible assets	(440 923)
- deferred income tax asset	221 849
- deferral of fee and commission income on loans and advances to customers	(196 803)
- recognition of goodwill	162 122
- revaluation of property and equipment	(747 929)
- capitalisation of intangible assets	91 063
- allowance for impairment of loans and advances to customers and finance lease receivables	14 240
- other adjustments	(192 892)
Consolidated assets (restated)	**61 609 323**
Segment liabilities	**58 993 184**
Liabilities of subsidiaries,SPE and closed unit investment fund	83 011
IFRS accounting policy adjustments:	
- accounting for deferred tax liability	167 135
- accounting for subordinated debt at amortised cost	33 087
- other adjustments	(906 531)
Consolidated liabilities (restated)	**58 369 886**

Other adjustments as at 31 December 2009 are mainly caused by the fact that average balances for the 4th quarter of 2009 are analysed in the management accounts. In 2010 year the Group changed its approach on average balances and in 2010 segment assets and liabilitites are determined based on outstanding balances as at 31 December 2010.

30 Segment analysis (continued)

Geographical segments. The Group operates in the Russian Federation and foreign countires. Segment information for the main geographical segments is set out below for the years ended 31 December 2010 and 2009.

In thousands of Russian Roubles	Russia	Other countries	Total
2010			
Segment assets	60 927 949	5 285 971	66 213 920
External revenues	8 681 646	575 410	9 257 056
Credit related commitments	2 402 052	366 967	2 769 019
2009			
Segment assets	50 127 465	5 970 718	56 098 183
External revenues	7 682 526	448 037	8 130 563
Credit related commitments	832 301	151 221	983 522

In presenting geographical information the allocation of external revenues and assets and credit related commitments is based on the geographical location of counterparties. Cash on hand, precious metals, property and equipment and capital expenditure are allocated based on the country in which they are physically held.

31 Financial risk management

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

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

The maximum exposure to credit risk is reflected in the carrying amounts of financial assets in 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 33.

The Group controls credit risk by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and type of customer are approved regularly by management as part of current and strategic planning. Such risks are monitored on a regular basis and are subject to an annual or more frequent review. The financial model is annually approved by the Budget Committee and has a target structure of the corporate customer portfolio (by type of customers) and the individual customer portfolio (by type of products).

Thereby, the Group sets limits that are monitored by the Credit Committee (as part of credit risk management) and the Assets and Liabilities Management Committee (as part of loan yield management).

31 Financial risk management (continued)

Issuing loans to corporate customers

Credit limits for borrowers are approved at the following two decision-making levels:

- Board of Directors approves credit limits for customers related to the Russian Copper Company group
- Credit Committee considers and approves credit limits for all other customers.

Loan applications from client relationship managers are considered by the Legal Department and Security Service, and subsequently evaluated by the Risk Department and transferred to the Credit Committee for setting credit limits. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

In order to monitor credit risk exposures regular reports are produced by the Risk Department based on a structured analysis focusing on the customer's business and financial performance. Any significant exposures to customers with deteriorating creditworthiness are reported to and reviewed by the Credit Committee.

Work-out of problem corporate loans

The Group ensures the maximum possible repayment of corporate loans. The Group classifies loans as problem on the basis of the following criteria:

- the borrower has one delay in principal payment (under the loan agreement) exceeding 15 calendar days
- the borrower has one delay in interest payment exceeding 15 calendar days
- the payment is more than 15 calendar days overdue upon maturity of the loan agreement
- availability of reliable information that the pledge has been withdrawn or disposed of without the Group's consent
- a failure to fulfil, within 15 calendar days, the requirement to make accelerated repayment of the loan and interest in cases provided for by the loan agreement
- two consecutive delays in contractual lease payments
- violation of contractual requirements on the use of leased property
- facts confirming that the outstanding amount will not be duly repaid upon maturity (through a direct refusal to repay or impossibility to contact the borrower, or otherwise).

The Group applies two methods for collecting problem corporate loans: voluntary and compulsory.

Voluntary repayment of loan by problem borrowers stipulates the following actions on the part of the responsible staff in case of possibility to contact the borrower during a certain period of time.

If the loan is classified as problem the Group performs the following actions in respect of the borrower:

- contacting the problem borrower, negotiating
- reviewing the reasons for overdue balances (default)
- discussing payment options (methods, terms), check different types of collateral, property of the problem borrower (third parties) that may be provided to the Group for repayment of the loan, issuing an act on review of collateral
- collecting and reviewing information on third parties (in respect of which information was previously unavailable), including through inquiries to Security Service units
- in case of deteriorating repayment probability, the problem borrower is requested to voluntarily hand over collateral or other property to the Group for repayment of the overdue loan

31 Financial risk management (continued)

- organising transportation and removal of the problem borrower's property (including unpledged property) to the Group
- reviewing and evaluating the likelihood of voluntary repayment, searching for interested parties (problem borrower's creditors and collateral providers) for selling the debt.

In case of absence of any contact with the problem borrower (guarantor) the Group initiates litigation against the problem borrower.

Issuing loans to individuals

One of the main principles of managing consumer lending risks is management of the risk/reward ratio in respect of each credit product. The Group evaluates its credit products using the following two methods:

- on the basis of a review of the relationship of net operating income (interest, commission), received from gross loan placements, and forecasted losses (overdue amount without consideration of the recovery coefficient after the completion of all claims procedures) caused by overdue amount
- on the basis of a review of the relationship of net operating income, received from gross loan placements, and actual losses (past due amounts with consideration of the recovery coefficient).

The process of issuing loans to individuals is carried out via a system of consumer loan support.

The system includes the following three basic elements (software modules/automated work stations (AWS)): "Point of sales" (AWS "PS"), "Risk Manager" (AWS "RM") and "Claims Group" (AWS "CG").

- AWS "PS" is the place of input and storage of personal client data. Personal client data is entered by employees at points of sales on the basis of information provided by the client.
- AWS "RM" is a module of evaluation of individual loan applications on the basis of programme codes. The module comprises all information received as a result of application of client evaluation methods, evaluation results and limits.
- AWS "CG" is a working module of the services in charge of security and problem loan management. The module reflects the flow of loan applications considered by the Security Service staff who provides an opinion on these applications.

In case of a positive decision from the Security Service and a non-zero limit in AWS "RM" on the basis of evaluation of the loan application, loan issue is automatically confirmed in AWS "PS". Then the employee of the point of sale can generate all necessary documents for issuance of the loan from AWS "PS".

Individual clients are evaluated on the basis of scoring models developed with the help of special software on the basis of accumulated statistical data. These methods include procedures for calculation of scoring rates on the basis of personal data as a separate borrower evaluation factor.

The application is rejected or approved on the basis of automatic comparison of the borrower's scores and the established cut-off level.

The Group applies the system of monitoring of the individual loan portfolio. The Risk Department evaluates problem loan trends for the portfolio in general and for each product, evaluates the efficiency of various scoring models and changes in borrower profile by product, etc. The Credit Committee makes decisions relating to monitoring, modification of methodologies and terms of individual credit products on a monthly basis.

Problem loans recovery is based on two strategies depending on the type of the lending product: 1) the express loan strategy; and 2) the consumer loan strategy (above RUB 100 thousand).

Work with problem express loans recovery comprises the following three stages.

31 Financial risk management (continued)

1. In case of overdue mandatory payments (commission, interest, principal) the borrower is contacted by phone in an automatic regime (auto dial) until he/she pays the overdue amount (the delay should not exceed 30 calendar days).

2. If the payment is overdue by more than 30 days all procedures are passed to the Department for Problem Individual Loans:

- during 60 calendar days from the date of receipt of the problem loan agreement the issue is handled by the operative Response Unit of the Department. Responsible staff identifies problem borrowers, clarifies contact details and groups the borrowers for subsequent work on the basis of individual scenarios for each group, tries to settle the problem with the borrowers by means of primary negotiations. Management is provided monthly reports based on the results of this work.

- during subsequent 120 days problem loans are handled by the Department of Long-term Past Due Loans with participation of the Legal Department. Work with problem borrowers comprises the entire set of measures from telephone calls to visits and court proceedings.

3. Write-off of uncollectible loans.

Problem consumer loans recovery comprises the following three stages.

1. In case of overdue mandatory payments (commission, interest, principal) the borrower is contacted by phone in an automatic regime (auto dial) until he/she pays the overdue amount (the delay should not exceed 7 calendar days).

2. If the payment is overdue by more than 7 days all procedures are passed to the Group for Overdue Consumer Loans of the Department for Problem Individual Loans.

- during 60 calendar days from the date of transfer of the problem loan, responsible staff identifies problem borrowers, clarifies contact details and groups the borrowers for subsequent work on the basis of individual scenarios for each group, tries to settle the problem with the borrowers by means of primary negotiations. Management is provided monthly reports based on the results of this work.

- if the Group for Overdue Consumer Loans concludes that the loan cannot be collected on the basis of out-the-court procedures, all materials on the borrower are passed to the Legal Department for collecting the debt by judicial means.

3. Write-off of uncollectible loans.

The Risk Department performs an ageing analysis of outstanding loans and follows up past due balances. Management is provided with information on ageing analysis and other information relating to credit risk. The information on credit risk for loans is provided in note 12.

Credit risk for unrecognised financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assessment impairment as it does for recognised financial instruments through established credit approvals, risk control limits and monitoring procedures.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in currency, interest rate and equity products, all of which are exposed to general and specific market movements. The Assets and Liabilities Management Committee sets capital drawdown limits and allocates funds for forming a portfolio of operations exposed to market risk. The Treasury chooses an optimal portfolio structure and develops portfolio management regulations on the basis of the set limits. The Investment Committee together with representatives of the Risk Department and the Treasury approve the structure of the portfolio by instrument and position entry/exit rules. The Risk Department and the Treasury monitor limits set by the committees and financial results on a daily basis. If the decrease in capital, allocated for operations exposed to market risks, is 50% of the threshold level, limits on positions are automatically decreased by three times and the Investment Committee convenes in order to change the current portfolio management procedures.

31 Financial risk management (continued)

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. The table below summarises exposure to foreign currency exchange rate risk at 31 December 2010.

In thousands of Russian Roubles	RUB	USD	Euro	Precious metals	Other	Total
ASSETS						
Cash and cash equivalents	4 911 301	3 041 645	445 112	31 093	5 556	8 434 707
Mandatory cash balances with the CBRF	415 149	-	-	-	-	415 149
Trading securities	13 380	-	-	-	-	13 380
Other securities at fair value through profit or loss	20 636 595	-	-	-	-	20 636 595
Securities available-for-sale	990 725	-	-	-	-	990 725
Due from other banks	1 404	60 954	-	-	-	62 358
Loans and advances to customers	24 255 738	9 212 754	784	-	-	33 469 276
Finance lease receivables	281 000	-	-	-	-	281 000
Advances to real estate developers	3 998 028	921 262	-	-	-	4 919 290
Other financial assets	260 138	8 994	9	-	5	269 146
Total monetary assets	**55 763 458**	**13 245 609**	**445 905**	**31 093**	**5 561**	**69 491 626**
LIABILITIES						
Due to other banks	13 386 537	269 399	244 105	-	-	13 900 041
Customer accounts	49 864 915	2 075 486	2 314 262	162 793	56 014	54 473 470
Debt securities in issue	561 240	132 763	41 573	-	-	735 576
Subordinated debt	-	1 556 425	-	-	-	1 556 425
Other financial liabilities	83 951	-	-	-	-	83 951
Total monetary liabilities	**63 896 643**	**4 034 073**	**2 599 940**	**162 793**	**56 014**	**70 749 463**
Net position	**(8 133 185)**	**9 211 536**	**(2 154 035)**	**(131 700)**	**(50 453)**	**(1 257 837)**
Derivative financial instruments	**7 559 903**	**(9 768 055)**	**2 152 980**	**125 533**	**48 946**	**119 307**
Net position including derivative instruments	**(573 282)**	**(556 519)**	**(1 055)**	**(6 167)**	**(1 507)**	**(1 138 530)**

31 Financial risk management (continued)

The table below summarises the exposure to foreign currency exchange rate risk at 31 December 2009.

In thousands of Russian Roubles	RUB	USD	Euro	Precious metals	Other	Total
ASSETS						
Cash and cash equivalents	3 523 114	1 984 739	1 537 155	4 971	7 964	7 057 943
Mandatory cash balances with the CBRF	376 720	-	-	-	-	376 720
Trading securities	6 694	-	-	-	-	6 694
Other securities at fair value through profit or loss	13 383 591	-	-	-	-	13 383 591
Securities available-for-sale	6 326 578	-	-	-	-	6 326 578
Receivables under reverse repo agreements	1 073 779	-	-	-	-	1 073 779
Due from other banks	9 267	20 725	-	-	-	29 992
Loans and advances to customers	21 089 467	2 449 758	1 820	-	-	23 541 045
Finance lease receivables	514 340	-	-	-	-	514 340
Advances to real estate developers	2 407 107	921 262	-	-	-	3 328 369
Other financial assets	315 349	-	-	-	-	315 349
Total monetary assets	**49 026 006**	**5 376 484**	**1 538 975**	**4 971**	**7 964**	**55 954 400**
LIABILITIES						
Due to other banks	12 718 253	320 215	25 291	-	-	13 063 759
Customer accounts	36 384 139	2 725 096	3 795 821	71 145	104 274	43 080 475
Debt securities in issue	335 214	28 579	11 792	-	-	375 585
Subordinated debt	-	1 545 296	-	-	-	1 545 296
Other financial liabilities	93 967	-	-	-	-	93 967
Total monetary liabilities	**49 531 573**	**4 619 186**	**3 832 904**	**71 145**	**104 274**	**58 159 082**
Net position	**(505 567)**	**757 298**	**(2 293 929)**	**(66 174)**	**(96 310)**	**(2 204 682)**
Derivative financial instruments	**(949 568)**	**(1 461 991)**	**2 316 285**	**101 845**	**91 377**	**97 948**
Net position including derivative instruments	**(1 455 135)**	**(704 693)**	**22 356**	**35 671**	**(4 933)**	**(2 106 734)**

Derivatives in each column represent the fair value at the reporting date of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) with the counterparty. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 10% change in USD, euro and precious metals to Russian Rouble exchange rates is as follows.

31 Financial risk management (continued)

In thousands of Russian Roubles	2010 Profit or loss	2010 Equity	2009 Profit or loss	2009 Equity
10% appreciation of USD against RUB	(44 522)	(44 522)	(56 375)	(56 375)
10% depreciation of USD against RUB	44 522	44 522	56 375	56 375
10% appreciation of Euro against RUB	(84)	(84)	1 788	1 788
10% depreciation of Euro against RUB	84	84	(1 788)	(1 788)
10% appreciation of precious metals against RUB	(493)	(493)	2 854	2 854
10% depreciation of precious metals against RUB	493	493	(2 854)	(2 854)

Other price risk. The Group has limited exposure to equity price risk. Price risk inherent in trading operations with shares is managed through setting of a capital reduction threshold and also a threshold for possible deviations in the portfolio's value (30-day value at risk (VaR) with a 95% probability, given that the maximum period of holding the position does not exceed 30 days). In terms set by the Assets and Liabilities Management Committee for capital reduction thresholds, the Treasury develops and Investment Committee approves equity portfolio management rules. The Risk Department monitors the financial result from trading in shares on a daily basis and, if capital decreases by more than 50% of a maximum set level, reduces limits by three times, after which the Investment Committee holds a meeting for the purpose of changing the equity portfolio management rules.

The below table represents model limits and actual exposure for the year ended 31 December for the equity trading portfolio and potential exposure on profit or loss:

In thousands of Russian Roubles	Exposure during 2010	Exposure during 2009
Capital drawdown – limit	112 800	101 500
Capital drawdown – fact	63 139	74 061
30-day 95% VaR on portfolio (limits)	232 416	242 208

Interest rate risk. The Group is exposed to interest risk in case of change in the bond portfolio's value.

The Group manages interest rate risk associated with changes in the bond portfolio's value as a result of changes in market rates (bond yield) by limiting the bond portfolio's duration. The Assets and Liabilities Management Committee sets portfolio duration limits at least annually on the basis of the overall possible change in the portfolio's value. The Investment Committee approves the portfolio structure by instrument and the portfolio management strategy. The Treasury is in charge of direct portfolio management, supports its target structure and ensures compliance with the strategy for transactions with instruments in the portfolio. The Risk Department is in charge of regular monitoring of the level of possible losses of the portfolio in case of a negative change (increase) of market rates (yields).

The table below reflects the bond portfolio's sensitivity for the year ended 31 December 2010 to changes in interest rates.

In thousands of Russian Roubles	Exposure during 2010 Profit or loss	Exposure during 2010 Equity
Changes in portfolio's value in case of a 100 b.p. increase in rates at the year end	(123 241)	(129 660)

The table below reflects the bond portfolio's sensitivity for the year ended 31 December 2009 to changes in interest rates.

In thousands of Russian Roubles	Exposure during 2009 Profit or loss	Exposure during 2009 Equity
Changes in portfolio's value in case of a 100 b.p. increase in rates at the year end	(148 724)	(252 717)

31 Financial risk management (continued)

The sensitivity of financial assets and liabilities to changes in interest rates for financial assets and liabilities outstanding as at 31 December is as follows.

	2010		2009	
In thousands of Russian Roubles	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	2 230	2 230	(22 280)	(22 280)
100 bp parallel fall	(2 230)	(2 230)	22 280	22 280

The Group manages interest rate risk associated with changes in the margin through medium and long term planning. The main source of this risk is the excess of the rate of change in the value of liabilities over the rate of change in the asset yield. The Group does not have any assets and liabilities with floating rates, except subordinated debt, which limits the function of interest rate risk management to managing and maximising the level of margin subject to complying with adequate liquidity requirements. Rates on short-term funds are considered in interest rate calculations as the cost of coverage of liquidity gaps. For the purpose of margin management develops scenario-based models for a term of up to one year by month. Reviewing the planned figures on a monthly basis enables the Group to promptly respond to external and internal changes and implement additional scenario-based modelling in case of serious deviations.

The table below displays analysis of effective interest rates for major financial instruments. The analysis is performed based on effective interest rates as at the year end used for amortisation of the relevant assets and liabilities.

	2010				2009			
% p.a.	**RUB**	**USD**	**Euro**	**Other currencies**	**RUB**	**USD**	**Euro**	**Other currencies**
ASSETS								
Cash and cash equivalents	0.52	0.89	0.82	-	0.03	1.61	0.65	-
Other securities at fair value through profit or loss	9.66	-	-	-	12.50	-	-	-
Debt securities available-for-sale	9.66	-	-	-	12.50	-	-	-
Receivables under reverse repo agreements	-	-	-	-	8.40	-	-	-
Due from other banks	0.64	-	-	-	7.83	-	-	-
Loans and advances to customers	18.66	11.22	15.96	-	20.70	13.04	15.87	-
Finance lease receivables	31.97	-	-	-	31.23	-	-	-
Advances to real estate developers	16.00	-	-		17.00	-	-	-
LIABILITIES								
Due to other banks	5.17	-	-	-	6.02	1.99	1.61	-
Customer accounts								
- current and settlement accounts	1.23	0.32	0.32	-	1.20	0.10	0.10	-
- term deposits	12.22	6.66	6.61	5.23	15.32	9.93	9.06	8.17
Debt securities in issue	7.02	4.10	4.55	-	11.82	7.40	5.95	-
Subordinated debt	-	8.56	-	-	-	8.80	-	-

31 Financial risk management (continued)

Geographical risk concentrations. The geographical concentration of assets and liabilities at 31 December 2010 is set out below.

In thousands of Russian Roubles	Russia	Other countries	Total
ASSETS			
Cash and cash equivalents	6 468 709	1 965 998	8 434 707
Mandatory cash balances with the CBRF	415 149	-	415 149
Trading securities	13 380	-	13 380
Other securities at fair value through profit or loss	20 636 595	-	20 636 595
Securities available-for-sale	990 725	-	990 725
Due from other banks	1 404	60 954	62 358
Loans and advances to customers	30 232 887	3 236 389	33 469 276
Finance lease receivables	281 000	-	281 000
Advances to real estate developers	4 919 290	-	4 919 290
Other financial assets	410 051	22 630	432 681
Total financial assets	**64 369 190**	**5 285 971**	**69 655 161**
Total non-financial assets	**6 305 086**	**-**	**6 305 086**
TOTAL	**70 674 276**	**5 285 971**	**75 960 247**
LIABILITIES			
Due to other banks	13 900 041	-	13 900 041
Customer accounts	54 400 266	73 204	54 473 470
Debt securities in issue	727 224	8 352	735 576
Subordinated debt	-	1 556 425	1 556 425
Other financial liabilities	122 097	6 082	128 179
Total financial liabilities	**69 149 628**	**1 644 063**	**70 793 691**
Total non-financial liabilities	**428 199**	**-**	**428 199**
TOTAL	**69 577 827**	**1 644 063**	**71 221 890**
Net position	**1 096 449**	**3 641 908**	**4 738 357**
Credit related commitments	**2 402 052**	**366 967**	**2 769 019**

Assets, liabilities and credit related commitments are based mainly on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from off-shore companies of these Russian counterparties are allocated to the caption "Russia". Cash on hand, precious metals and property and equipment are allocated based on the country in which they are physically held.

31 Financial risk management (continued)

The geographical concentration of assets and liabilities at 31 December 2009 is set out below.

In thousands of Russian Roubles	Russia	Other countries	Total
ASSETS			
Cash and cash equivalents	4 114 414	2 943 529	7 057 943
Mandatory cash balances with the CBRF	376 720	-	376 720
Trading securities	6 694	-	6 694
Other securities at fair value through profit or loss	13 383 591	-	13 383 591
Securities available-for-sale	6 326 578	-	6 326 578
Receivables under reverse repo agreements	-	1 073 779	1 073 779
Due from other banks	9 267	20 725	29 992
Loans and advances to customers	21 623 921	1 917 124	23 541 045
Finance lease receivables	514 340	-	514 340
Advances to real estate developers	3 328 369	-	3 328 369
Other financial assets	409 425	15 561	424 986
Total financial assets	**50 093 319**	**5 970 718**	**56 064 037**
Total non-financial assets (restated)	**5 545 286**	**-**	**5 545 286**
TOTAL (RESTATED)	**55 638 605**	**5 970 718**	**61 609 323**
LIABILITIES			
Due to other banks	13 063 759	-	13 063 759
Customer accounts	42 612 492	467 983	43 080 475
Debt securities in issue	365 805	9 780	375 585
Subordinated debt	-	1 545 296	1 545 296
Other financial liabilities	104 717	939	105 656
Total financial liabilities	**56 146 773**	**2 023 998**	**58 170 771**
Total non-financial liabilities (restated)	**199 115**	**-**	**199 115**
TOTAL (RESTATED)	**56 345 888**	**2 023 998**	**58 369 886**
Net position (restated)	**(707 283)**	**3 946 720**	**3 239 437**
Credit related commitments	**832 301**	**151 221**	**983 522**

Liquidity risk. Liquidity risk is defined as the risk that the Group 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 draw downs, 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. The Group manages liquidity risk at two levels: the first level is the Assets and Liabilities Management Committee; the second level is the Treasury and the Asset and Liability Department.

31 Financial risk management (continued)

The Assets and Liabilities Management Committee determines the type of liquidity management strategy for up to one year with possible revision in response to certain events. The Treasury manages instant liquidity (up to three days) by forming liquid asset provisions in accordance with requirements of the Assets and Liabilities Management Committee. The Asset and Liability Department monitors 90-day transactions planned for execution, performs stress testing of liquidity and provides analytical support to the Assets and Liabilities Management Committee.

The Group seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and debt securities and invest 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 process includes: performing daily calculations of liquid assets necessary for covering resource base risks; reviewing the level and structure of liquid assets and available liquidity forming instruments; providing access to different finance sources; maintaining liquidity contingency plans; monitoring compliance with legal requirements to balance liquidity ratios.

Information on the required level and structure of liquid assets by age is provided to the Treasury. The Treasury provides for an adequate portfolio of liquid assets, largely made up of bonds available for sale and for sale and repurchase transactions, 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 Treasury Department is responsible for monitoring of the daily liquidity position. The Asset and Liability Department regularly carries out stress tests on the level of liquidity on the basis of various scenarios that cover both standard and more unfavourable market conditions.

The amounts disclosed in the tables below, except term deposits from individuals, are the contractual undiscounted cash flows, including amounts of assets, finance lease (before future finance costs), amounts at prices specified in deliverable forward agreements to purchase financial assets for cash, contractual amounts to be exchanged under a gross settled currency swaps, and gross loan commitments.

Management expects that contractual maturity dates of term deposits from individuals are not representative for analysis of liquidity position, as based on analysis of internal statistics, 80% of agreements are prolonged and based on past experience this ratio has never gone lower this limit. Accordingly, 80% of term deposits from individuals in categories “On demand and less than 1 month”, “From 1 to 3 month”, “From 3 to 12 months” and “From 1 to 3 years” are classified in the category “Over 3 years” to present more accurately expected cash flows.

31 Financial risk management (continued)

The analysis of financial assets, liabilities and commitments taking into account undiscounted cash flows by maturity as at 31 December 2010 is as follows.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
ASSETS						
Cash and cash equivalents	8 435 493	-	-	-	-	8 435 493
Trading securities	13 380	-	-	-	-	13 380
Other securities at fair value through profit or loss	20 688 475	-	-	-	-	20 688 475
Securities available-for-sale	993 250	-	-	-	-	993 250
Due from other banks	1 404	-	-	60 954	-	62 358
Loans and advances to customers	1 026 486	1 772 199	11 089 146	16 280 207	9 726 258	39 894 296
Finance lease receivables	50 258	45 342	146 293	155 175	28 484	425 552
Advances to real estate developers	52 787	-	2 298 502	2 568 001	-	4 919 290
Derivative financial instruments assets	16 278 686	-	-	-	-	16 278 686
Other financial assets	424 194	-	-	-	8 487	432 681
Total financial assets	**47 964 413**	**1 817 541**	**13 533 941**	**19 064 337**	**9 763 229**	**92 143 461**
LIABILITIES						
Due to other banks	13 632 967	6 241	37 274	181 553	118 387	13 976 422
Customer accounts,	11 084 464	1 555 845	8 503 695	4 556 962	32 216 167	57 917 133
including term deposits from individuals	3 971 717	968 038	7 397 359	2 757 907	32 216 167	47 311 188
Debt securities in issue	213 107	284 478	246 446	-	-	744 031
Subordinated debt	-	65 914	65 552	264 742	2 097 152	2 493 360
Derivative financial instruments liabilities	16 159 379	-	-	-	-	16 159 379
Operating lease commitments	7 832	15 246	51 448	38 998	19 645	133 169
Guarantees issued	27 600	10 484	189 564	18 522	-	246 170
Import letters of credit issued	9 380	131 659	235 308	-	-	376 347
Unused commitments to extend credit	2 146 502	-	-	-	-	2 146 502
Other financial liabilities	128 179	-	-	-	-	128 179
Total financial liabilities	**43 409 410**	**2 069 867**	**9 329 287**	**5 060 777**	**34 451 351**	**94 320 692**
Net liquidity gap taking into account undiscounted cash flows	**4 555 003**	**(252 326)**	**4 204 654**	**14 003 560**	**(24 688 122)**	**(2 177 231)**
Cumulative liquidity gap taking into account undiscounted cash flows	**4 555 003**	**4 302 677**	**8 507 331**	**22 510 891**	**(2 177 231)**	

31 Financial risk management (continued)

The analysis of financial assets, liabilities and commitments taking into account undiscounted cash flows by maturity as at 31 December 2009 is as follows.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
ASSETS						
Cash and cash equivalents	7 059 888	-	-	-	-	7 059 888
Trading securities	6 694	-	-	-	-	6 694
Other securities at fair value through profit or loss	13 431 784	-	-	-	-	13 431 784
Securities available-for-sale	6 343 045	-	-	-	-	6 343 045
Receivables under reverse repo agreements	1 077 588	-	-	-	-	1 077 588
Due from other banks	10 220	-	4	19 768	-	29 992
Loans and advances to customers	338 731	1 077 856	10 520 248	6 172 886	10 596 860	28 706 581
Finance lease receivables	73 780	63 429	253 113	306 811	29 174	726 307
Advances to real estate developers	-	-	-	3 328 369	-	3 328 369
Derivative financial instruments assets	7 616 873	-	-	-	-	7 616 873
Other financial assets	416 495	-	-	-	8 491	424 986
Total financial assets	**36 375 098**	**1 141 285**	**10 773 365**	**9 827 834**	**10 634 525**	**68 752 107**
LIABILITIES						
Due to other banks	13 084 137	-	-	-	-	13 084 137
Customer accounts,	8 929 947	2 583 018	5 387 537	6 530 911	24 257 015	47 688 428
including term deposits from individuals	2 790 949	572 869	3 494 128	6 500 641	24 257 015	37 615 602
Debt securities in issue	127 898	236 020	17 021	-	-	380 939
Subordinated debt	-	68 122	67 011	270 637	2 233 416	2 639 186
Derivative financial instruments liabilities	7 518 925	-	-	-		7 518 925
Operating lease commitments	3 347	6 691	29 940	34 985	49 381	124 344
Guarantees issued	6 361	12 361	134 235	-	-	152 957
Import letters of credit issued	9 388	5 603	153 173	-	-	168 164
Unused commitments to extend credit	662 401	-	-	-	-	662 401
Other financial liabilities	89 799	1 852	14 005	-	-	105 656
Total financial liabilities	**30 432 203**	**2 913 667**	**5 802 922**	**6 836 533**	**26 539 812**	**72 525 137**
Net liquidity gap taking into account undiscounted cash flows	**5 942 895**	**(1 772 382)**	**4 970 443**	**2 991 301**	**(15 905 287)**	**(3 773 030)**
Cumulative liquidity gap taking into account undiscounted cash flows	**5 942 895**	**4 170 513**	**9 140 956**	**12 132 257**	**(3 773 030)**	

31 Financial risk management (continued)

Payments under deliverable forward agreements (gross amount) will be accompanied by corresponding cash inflows. Current accounts and deposits from customers, except for term deposits from individuals, are recognised in the above analysis based on contractual maturities. In accordance with Civil Code of the Russian Federation, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2010, except for term deposits from individuals, which are shown by expected maturity dates.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
ASSETS						
Cash and cash equivalents	8 434 707	-	-	-	-	8 434 707
Mandatory cash balances with the CBRF	84 396	11 156	49 163	24 926	245 508	415 149
Trading securities	13 380	-	-	-	-	13 380
Other securities at fair value through profit or loss	20 636 595	-	-	-	-	20 636 595
Securities available-for-sale	990 725	-	-	-	-	990 725
Due from other banks	1 404	-	-	60 954	-	62 358
Loans and advances to customers	846 577	1 416 368	9 614 416	13 489 293	8 102 622	33 469 276
Finance lease receivables	30 399	40 166	111 541	89 761	9 133	281 000
Advances to real estate developers	52 787	-	2 298 502	2 568 001	-	4 919 290
Other financial assets	424 194	-	-	-	8 487	432 681
Total financial assets	**31 515 164**	**1 467 690**	**12 073 622**	**16 232 935**	**8 365 750**	**69 655 161**
LIABILITIES						
Due to other banks	13 617 392	6 177	35 624	152 829	88 019	13 900 041
Customer accounts	11 073 877	1 463 866	6 450 888	3 270 698	32 214 141	54 473 470
Debt securities in issue	212 667	281 964	240 945	-	-	735 576
Subordinated debt	-	65 105	62 023	224 998	1 204 299	1 556 425
Other financial liabilities	128 179	-	-	-	-	128 179
Total financial liabilities	**25 032 115**	**1 817 112**	**6 789 480**	**3 648 525**	**33 506 459**	**70 793 691**
Net liquidity gap as at 31 December 2010	**6 483 049**	**(349 422)**	**5 284 142**	**12 584 410**	**(25 140 709)**	**(1 138 530)**
Cumulative liquidity gap as at 31 December 2010	**6 483 049**	**6 133 627**	**11 417 769**	**24 002 179**	**(1 138 530)**	

31 Financial risk management (continued)

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2009, except for term deposits from individuals, which are shown by expected maturity dates.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
ASSETS						
Cash and cash equivalents	7 057 943	-	-	-	-	7 057 943
Mandatory cash balances with the CBRF	86 194	39 471	124 660	126 367	28	376 720
Trading securities	6 694	-	-	-	-	6 694
Other securities at fair value through profit or loss	13 383 591	-	-	-	-	13 383 591
Securities available-for-sale	6 326 578	-	-	-	-	6 326 578
Receivables under reverse repo agreements	1 073 779	-	-	-	-	1 073 779
Due from other banks	10 220	-	4	19 768	-	29 992
Loans and advances to customers	337 218	1 043 277	9 868 137	5 328 022	6 964 391	23 541 045
Finance lease receivables	59 197	57 119	202 830	182 740	12 454	514 340
Advances to real estate developers	-	-	-	3 328 369	-	3 328 369
Other financial assets	416 495	-	-	-	8 491	424 986
Total financial assets	**28 757 909**	**1 139 867**	**10 195 631**	**8 985 266**	**6 985 364**	**56 064 037**
LIABILITIES						
Due to other banks	13 063 759	-	-	-	-	13 063 759
Customer accounts	8 914 379	2 498 246	4 321 234	3 092 122	24 254 494	43 080 475
Debt securities in issue	127 575	231 931	16 079	-	-	375 585
Subordinated debt	-	67 262	63 303	228 935	1 185 796	1 545 296
Other financial liabilities	89 799	1 852	14 005	-	-	105 656
Total financial liabilities	**22 195 512**	**2 799 291**	**4 414 621**	**3 321 057**	**25 440 290**	**58 170 771**
Net liquidity gap as at 31 December 2009	**6 562 397**	**(1 659 424)**	**5 781 010**	**5 664 209**	**(18 454 926)**	**(2 106 734)**
Cumulative liquidity gap as at 31 December 2009	**6 562 397**	**4 902 973**	**10 683 983**	**16 348 192**	**(2 106 734)**	

31 Financial risk management (continued)

The Group maintains liquidity management when the bond portfolio, composed of liquid securities of issuers which have high credit quality, is used as an instrument for regulation of cash liquidity gaps and can be converted into cash in 1 month. Therefore other securities at fair value through profit or loss as well as securities available for sale as at 31 December 2010 and 2009 are classified as "Demand and less than 1 month". The fair value of securities which are classified to this category with maturity more than 12 months amounts to RUB 16 681 122 thousand (31 December 2009: RUB 17 835 488 thousand).

Management considers 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 and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customers 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.

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.

32 Capital management

The Group's objectives when managing capital are (i) to comply with capital requirements set by the CBRF, (ii) to safeguard the Group's ability to continue as a going concern, and (iii) to obtain return on capital on a long term basis. Compliance with capital adequacy ratios set by the CBRF is monitored monthly with reports outlining their calculation reviewed and signed by the President and Chief Accountant. Other objectives of capital management are evaluated quarterly.

Under the current capital requirements set by the CBRF, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2010, this minimum level is 10% (31 December 2010: 10%).

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

32 Capital management (continued)

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basle Accord as at 31 December 2010 and 2009:

In thousands of Russian Roubles	31 December 2010	31 December 2009 Restated
Tier 1 capital		
Share capital	3 216 768	1 880 526
Additional capital	524 203	-
(Accumulated losses)/Retained earnings	(472 763)	232 933
Less goodwill	(162 122)	(162 122)
Total Tier 1 capital	**3 106 086**	**1 951 337**
Tier 2 capital		
Revaluation reserve for property and equipment	1 469 825	1 128 648
Revaluation reserve for securities available-for-sale	10 493	(2 670)
Cumulative translation reserve	(10 169)	-
Qualifying subordinated debt	1 553 043	825 359
Total Tier 2 capital	**3 023 192**	**1 951 337**
Total capital	**6 129 278**	**3 902 674**
Capital adequacy ratio		
Risk weighted average of assets	66 014 950	45 060 448
Total capital	6 129 278	3 902 674
Tier 1 capital ratio	4.7%	4.3%
Tier 2 capital ratio	9.3%	8.7%

Revaluation reserve for property and equipment and for securities available-for-sale, cumulative translation reserve and long-term subordinated debt are included in calculation of capital adequacy ratios within limits set for tier 2 capital.

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

In May 2011 capital of the Bank was increased by additional finance in the form of the gratuitous financial aid from shareholder amounting to RUB 1 355 000 thousand. In 2011 management also plans to increase capital of the Bank by additional issuance of shares amounting to RUB 1 000 000 thousand (refer to note 37).

33 Contingencies and commitments

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

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

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

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

In thousands of Russian Roubles	**2010**	**2009**
Less than 1 year	74 526	39 978
From 1 to 5 years	50 579	73 122
More than 5 years	8 064	11 244
Total	**133 169**	**124 344**

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.

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

33 Contingencies and commitments (continued)

Outstanding credit related commitments as at 31 December are as follows:

In thousands of Russian Roubles	2010	2009
Commitments to extend credit	1 222 665	141 856
Unused limits on overdraft loans	923 837	520 545
Import letters of credit	376 347	168 164
Guarantees issued	246 170	152 957
Total	**2 769 019**	**983 522**

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.

Credit related commitments as at 31 December are denominated in the following currencies:

In thousands of Russian Roubles	2010	2009
Russian Roubles	2 391 226	708 618
USD	364 510	169 162
Euro	13 283	105 742
Total	**2 769 019**	**983 522**

Funds management and trust activities. The Group provides trust services to individuals, trusts, retirement benefit plans and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Trust assets are not assets of the Group and are not recognised in the consolidated statement of financial position. The Group is not exposed to any credit risk relating to such placements as it does not guarantee these investments.

Custody activities. The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

34 Derivative financial instruments and operations with precious metals

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.

34 Derivative financial instruments and operations with precious metals (continued)

The table below sets out fair values of currencies receivable or payable under foreign exchange forwards contracts entered into by the Group as at 31 December 2010 and 2009. The table reflects gross positions before the netting of any counterparty positions and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.

	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 forwards: fair values, at the reporting date, of				
- USD receivable on settlement	809 985	420 581	1 019 316	571 118
- USD payable on settlement	(2 038 641)	(8 980 960)	(1 704 076)	(1 329 310)
- Euro receivable on settlement	2 230 420	2 064 248	2 860 591	794 006
- Euro payable on settlement	(806 662)	(1 335 026)	(774 264)	(564 048)
- RUB receivable on settlement	39 653	8 188 763	-	480 986
- RUB payable on settlement	(239 593)	(428 920)	(1 383 829)	(46 725)
- Other currencies receivable on settlement	16 809	32 137	-	91 377
Net fair value of foreign exchange forwards	**11 971**	**(39 177)**	**17 738**	**(2 596)**
Forwards with precious metals: fair values, at the reporting date, of				
- USD receivable on settlement	984 288	193 293	756 125	100 401
- USD payable on settlement	(1 144 757)	(11 844)	(623 405)	(252 160)
- Precious metals receivable on settlement	1 286 756	11 753	699 859	243 094
- Precious metals payable on settlement	(974 723)	(198 253)	(740 680)	(100 428)
Net fair value of forwards with precious metals	**151 564**	**(5 051)**	**91 899**	**(9 093)**

35 Fair value of financial instruments

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

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

35 Fair value of financial instruments (continued)

Financial instruments carried at fair value. The Group measures fair values for financial instruments recorded on the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2010, by the level in the fair value hierarchy into which the fair value measurement is categorised:

In thousands of Russian Roubles	**Level 1**	**Level 2**	**Total**
Financial instruments at fair value through profit or loss:			
- debt fixed income instruments	20 636 595	-	20 636 595
- equity investments	13 380	-	13 380
- derivative assets	-	16 278 686	16 278 686
- derivative liabilities	-	(16 159 379)	(16 159 379)
Available-for-sale financial assets:			
- debt fixed income instruments	990 725	-	990 725
Total	**21 640 700**	**119 307**	**21 760 007**

The table below analyses financial instruments measured at fair value at 31 December 2009, by the level in the fair value hierarchy into which the fair value measurement is categorised:

In thousands of Russian Roubles	**Level 1**	**Level 2**	**Total**
Financial instruments at fair value through profit or loss:			
- debt fixed income instruments	13 383 591	-	13 383 591
- equity investments	6 694	-	6 694
- derivative assets	-	7 616 873	7 616 873
- derivative liabilities	-	(7 518 925)	(7 518 925)
Available-for-sale financial assets:			
- debt fixed income instruments	6 326 578	-	6 326 578
Total	**19 716 863**	**97 948**	**19 814 811**

For more detailed information by types of financial instruments measured at fair value, please, refer to notes 7, 8, 9 and 34.

35 Fair value of financial instruments (continued)

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

Loans and receivables carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.The estimated fair values of loans and receivables carried at amortised cost approximate their carrying values.

Liabilities carried at amortised cost. The fair value is based on quoted market prices where available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The estimated fair values of liabilities carried at amortised cost approximate their carrying values.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Their fair values are based on observable market prices (refer to note 34).

36 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 are as follows:

In thousands of Russian Roubles	**Shareholders**	**Companies under common control**	**Other related parties**
Gross amount of loans and advances to customers (contractual interest rates: 9%-18%)	193 671	7 615 306	9 999
Allowance for impairment of loans and advances to customers	(594)	(23 910)	(31)
Finance lease receivables (contractual interest rate: 23%)	-	7 267	-
Other assets	-	1 301	-
Customer accounts (contractual interest rates: 0%-17%)	38 863	22 965	97 470
Debt securities in issue (contractual interest rate: 10%)	-	8 352	-
Foreign exchange forward contracts	-	116 308	-
Precious metals forward contracts	-	3 394	-

36 Related party transactions (continued)

The income and expense with related parties for the year ended 31 December 2010 are as follows:

In thousands of Russian Roubles	**Shareholders**	**Companies under common control**	**Other related parties**
Interest income	4 729	737 417	13 854
Interest expense	(2 593)	(104 421)	(12 609)
Fee and commission income	200	9 926	184
Income from trading in foreign currencies	-	11 521	-
Income from trading in precious metals	-	166 038	-
Other operating income	6	891	647

At 31 December 2010 the other commitments with related parties are as follows:

In thousands of Russian Roubles	**Shareholders**	**Companies under common control**	**Other related parties**
Guarantees issued	-	151 496	-

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

In thousands of Russian Roubles	**Shareholders**	**Companies under common control**	**Other related parties**
Gross amount of loans and advances to customers (contractual interest rates: 10%-22%)	41 690	6 234 910	24 225
Allowance for impairment of loans and advances to customers	-	(23 305)	-
Receivables under reverse repo agreements (contractual interest rate: 8%)	-	480 371	-
Finance lease receivables (contractual interest rate: 23%)	-	18 365	-
Other assets	-	938	-
Customer accounts (contractual interest rates: 0%-13%)	22 134	17 928	10 698
Debt securities in issue (contractual interest rates: 0%-18%)	-	8 288	-
Foreign exchange forward contracts	-	35 318	-
Precious metals forward contracts	-	6 869	-

36 Related party transactions (continued)

The income and expense with related parties for the year ended 31 December 2009 year were as follows:

In thousands of Russian Roubles	Shareholders	Companies under common control	Other related parties
Interest income	2 524	672 065	3 291
Interest expense	(1 814)	(206 431)	(542)
Fee and commission income	20	-	4 903
Loss from trading in foreign currencies	-	(1 386)	-
Income from trading in precious metals	-	66 484	-
Other operating income	-	-	1 899

As at 31 December 2009 the Group has no commitments for other rights and obligations with related parties.

Other related parties represent eight members of the Management Board and five members of the Board of Directors of the Bank. In 2010 the remuneration of management comprises salaries, discretionary bonuses and other short-term benefits amounting to RUB 87 317 thousand (2009: RUB 51 702 thousand). Social security costs amount to RUB 971 thousand (2009: RUB 1 378 thousand) of the total remuneration of management. Short term bonuses were fully paid during the year ended 31 December 2010.

37 Events after the reporting period

On 29 April 2011 the second issue of bonds was placed on MICEX board (registration number 40200429B dd 9 February 2011). The bonds amounted to RUB 2 000 000 thousand with a 3 year maturity (1 098 days) and public offer in 1.5 years from date of placement. The par value of 1 bond is RUB 1 thousand with coupon period of 183 days. The issue of bonds was organized by OJSC “Promsvyazbank”.

According to results of trade book closing on 27 April 2011, the interest rate of the first three coupons was set at 9.5% p.a.. In offers from investors during book-building interest rate for first coupon was in the range of 9.0% p.a. to 9.8% p.a. Demand for bonds exceeded the offer. In total 25 applications were placed by investors during the book-building period.

On 26 April 2011 the Board of Directors approved the increase of share capital by RUB 1 000 000 thousand through the issue of 333 333 thousand ordinary shares with a par value RUB 3.

In May 2011 capital of the Bank was increased by additional finance in the form of the gratuitous financial aid from shareholder amounting to RUB 1 355 000 thousand.