Open Joint-Stock Company “NOMOS-BANK”

Consolidated Financial Statements
For the Years Ended 31 December 2010, 2009 and 2008

TABLE OF CONTENTS

Page

OPEN JOINT-STOCK COMPANY "NOMOS-BANK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Management is responsible for the preparation of the consolidated financial statements that presents fairly the financial position of Open Joint-Stock Company "NOMOS-BANK" (the "Bank") and its subsidiaries (the "Group") as at 31 December 2010, 2009 and 2008 and the consolidated results of its operations, cash flows and changes in shareholders' equity for the three years period, in compliance with International Financial Reporting Standards ("IFRS").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Stating whether IFRS has been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation ("RF");
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the years ended 31 December 2010, 2009 and 2008 were authorized for issue by the Supervisory Board of the Bank on 18 March 2011.

On behalf of the Supervisory Board

President	**Chief Accountant**
18 March 2011 Moscow	18 March 2011 Moscow

ZAO "Deloitte & Touche CIS"
5 Lesnaya Street
Moscow, 125047
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
www.deloitte.ru

INDEPENDENT AUDITORS' REPORT

To: Shareholders and the Board of Directors of Open Joint-Stock Company "NOMOS-BANK":

We have audited the accompanying financial statements of Open Joint-Stock Company "NOMOS-BANK" and its subsidiaries (the "Group"), which comprise the statements of financial position as at December 31, 2010, 2009 and 2008 and the income statements, consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2010, 2009 and 2008 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

20 March 2011
Moscow

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008
(in thousands of Russian Roubles, except for earnings per share which are in Roubles)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	6, 38	29,350,357	36,424,747	26,331,824
Interest expense	6, 38	(14,988,622)	(18,905,058)	(13,136,565)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		**14,361,735**	**17,519,689**	**13,195,259**
Allowance for impairment losses on interest bearing assets	20, 22, 38	(4,148,455)	(12,048,082)	(5,274,833)
NET INTEREST INCOME		**10,213,280**	**5,471,607**	**7,920,426**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss:	7, 38	1,988,041	3,736,351	(571,783)
Securities		1,702,385	3,523,977	(424,461)
Derivatives on precious metals		80,323	700,211	207,575
Derivatives on foreign currency		276,372	(423.901)	(354,897)
Other derivatives		(71,039)	(63,936)	-
Net gain on foreign exchange operations	8, 38	624,769	1,283,315	673,422
Net gain on operations with precious metals	9	244,810	67,536	286,452
Net fee and commission income		2,116,303	1,752,802	1,606,367
Fee and commission income	10, 38	2,484,686	2,079,592	1,887,307
Fee and commission expense	10, 38	(368,383)	(326,790)	(280,940)
Net (loss)/gain on investments available-for-sale		(9,423)	669,085	9,785
Net gain/(loss) on disposal of loans	20	1,195,845	(171,899)	-
Recovery of allowance/(allowance) for impairment losses on other transactions	25, 30	245,955	(233,464)	(445,608)
Impairment of investments available for sale	21	(2,309)	(115,738)	(1,803)
Loss from revaluation of investment property	25	(94,471)	-	-
Other income	11, 38	821,563	435,583	269,177
NET NON-INTEREST INCOME		**7,131,083**	**7,423,571**	**1,826,009**
OPERATING INCOME		**17,344,363**	**12,895,178**	**9,746,435**
OPERATING EXPENSES	12, 38	(8,017,786)	(6,368,900)	(5,480,029)
Impairment of buildings and constructions	23	(115,973)	(986,663)	(78,422)
OPERATING PROFIT BEFORE INCOME TAX		**9,210,604**	**5,539,615**	**4,187,984**
Income tax expense	13	(1,784,899)	(1,278,692)	(957,447)
PROFIT FROM CONTINUING OPERATIONS		**7,425,705**	**4,260,923**	**3,230,537**
Income from discontinued operations		-	-	256,490
NET PROFIT		**7,425,705**	**4,260,923**	**3,487,027**
Attributable to:				
Equity holders of the parent (total)		7,384,820	4,253,388	3,469,539
Profit for the year from continuing operations		7,384,820	4,253,388	3,213,049
Profit for the year from discontinued operations		-	-	256,490
Non-controlling interest (total)	5	40,885	7,535	17,488
Profit for the year from continuing operations		40,885	7,535	17,488
Profit for the year from discontinued operations		-	-	-
EARNINGS PER SHARE attributable to equity holders of the parent, basic and diluted, in Roubles, from continuing and discontinued operations:	14	**87.53**	**51.88**	**44.01**
Continuing operations	14	**87.53**	**51.88**	**40.76**
Discontinued operations	14	-	**-**	**3.25**

On behalf of the Supervisory Board

President

18 March 2011
Moscow

Chief Accountant

18 March 2011
Moscow

The selected notes on pages 9-108 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008
(in thousands of Russian Roubles)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
NET PROFIT		**7,425,705**	**4,260,923**	**3,487,027**
OTHER COMPREHENSIVE INCOME				
Net change in fair value of investments available-for-sale		1	9,389	(2,250)
- deferred income tax effect	13	-	(1,878)	450
Revaluation of property, plant and equipment		102,082	(172,548)	(141,219)
- deferred income tax effect	13	(20,416)	34,510	28,385
- change of tax rates	13	-	-	60,960
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**81,667**	**(130,527)**	**(53,674)**
TOTAL COMPREHENSIVE INCOME		**7,507,372**	**4,130,396**	**3,433,353**
Attributable to:				
Equity holders of the parent		7,466,487	4,122,861	3,415,865
Non-controlling interest	5	40,885	7,535	17,488

On behalf of the Supervisory Board

President

18 March 2011
Moscow

Chief Accountant

18 March 2011
Moscow

The selected notes on pages 9-108 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010, 2009 AND 2008
(in thousands of Russian Roubles)

	Notes	31 December 2010	31 December 2009	31 December 2008
ASSETS				
Cash and balances with the Central Bank of the Russian Federation	15	40,488,751	14,075,379	11,021,373
Minimum reserve deposits with the Central Bank of the Russian Federation		2,817,306	1,192,375	237,976
Precious metals	16	4,676,504	4,615,197	3,309,468
Financial assets at fair value through profit or loss	17, 18, 38	55,522,040	57,666,284	34,949,910
Loans and advances to banks and other financial institutions	19, 38	41,577,498	26,814,738	22,271,778
Loans to customers	20, 38	339,301,912	162,649,733	187,721,316
Investments available-for-sale	21	25,763,294	173,807	91,080
Investments held to maturity	22	851,707	1,362,518	3,815,723
Property, plant and equipment	23	10,976,005	5,935,544	5,163,592
Goodwill	4	597,652	-	-
Intangible assets	24	2,601,513	85,092	34,513
Other assets	25	5,042,565	2,540,477	9,178,469
TOTAL ASSETS		**530,216,747**	**277,111,144**	**277,795,198**
LIABILITIES AND EQUITY				
LIABILITIES:				
Financial liabilities at fair value through profit or loss	18, 38	1,005,071	503,877	2,688,050
Due to banks and the Central Bank of the Russian Federation	26, 38	59,838,706	48,396,870	68,296,774
Customer accounts	27, 38	313,376,341	134,203,884	116,070,590
Bonds and Eurobonds	28	34,411,692	24,949,543	21,641,797
Promissory notes issued	29	33,168,097	7,501,173	25,302,687
Deferred income tax liabilities	13	1,182,284	911,200	370,563
Other liabilities	30, 38	2,209,305	1,368,278	1,160,655
Subordinated debt	31, 38	27,090,583	22,664,116	9,759,319
TOTAL LIABILITIES		**472,282,079**	**240,498,941**	**245,290,435**
EQUITY:				
Equity attributable to equity holders of the parent:				
Share capital		6,225,430	5,982,374	5,982,374
Preference treasury shares		(484,000)	-	-
Share premium	32	15,859,498	12,602,553	12,602,553
Property, plant and equipment revaluation reserve		716,931	592,328	730,366
Revaluation of investments available-for-sale		5,712	5,711	(1,800)
Retained earnings		24,559,511	17,388,512	13,117,044
Total equity attributable to equity holders of the parent		46,883,082	36,571,478	32,430,537
Non-controlling interest	5	11,051,586	40,725	74,226
Total equity		57,934,668	36,612,203	32,504,763
TOTAL LIABILITIES AND EQUITY		**530,216,747**	**277,111,144**	**277,795,198**

On behalf of the Supervisory Board

President

18 March 2011
Moscow

Chief Accountant

18 March 2011
Moscow

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Russian Roubles)

	Note	Share capital	Preference treasury shares	Share premium	Property, plant and equipment revaluation reserve	Revaluation of investments available-for-sale	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
31 December 2007		**5,655,985**	**-**	**8,228,942**	**782,240**	**-**	**9,696,283**	**24,363,450**	**118,752**	**24,482,202**
Net profit for the year		-	-	-	-	-	3,469,539	3,469,539	17,488	3,487,027
Total other comprehensive income for the period, net of tax		-	-	-	(51,874)	(1,800)	-	(53,674)	-	(53,674)
Share capital increase - ordinary shares		326,389	-	4,373,611	-	-	-	4,700,000	-	4,700,000
Effect of increase of the Group's shareholding in subsidiaries	5	-	-	-	-	-	11,722	11,722	(35,875)	(24,153)
Discontinued operations	5	-	-	-	-	-	-	-	(26,139)	(26,139)
Dividends declared and paid on preference shares		-	-	-	-	-	(60,500)	(60,500)	-	(60,500)
31 December 2008		**5,982,374**	**-**	**12,602,553**	**730,366**	**(1,800)**	**13,117,044**	**32,430,537**	**74,226**	**32,504,763**
Net profit for the year		-	-	-	-	-	4,253,388	4,253,388	7,535	4,260,923
Total other comprehensive income for the period, net of tax		-	-	-	(138,038)	7,511	-	(130,527)	-	(130,527)
Effect of increase of the Group's shareholding in subsidiaries	5	-	-	-	-	-	18,080	18,080	(41,036)	(22,956)
31 December 2009		**5,982,374**	**-**	**12,602,553**	**592,328**	**5,711**	**17,388,512**	**36,571,478**	**40,725**	**36,612,203**
Net profit for the year		-	-	-	-	-	7,384,820	7,384,820	40,885	7,425,705
Total other comprehensive income for the period, net of tax		-	-	-	81,666	1	-	81,667	-	81,667
Share capital increase (issue of ordinary shares)		243,056	-	3,256,945	-	-		3,500,001	-	3,500,001
Purchase of treasury shares		-	(484,000)	-	-	-	(147,908)	(631,908)	-	(631,908)
Acquisition of subsidiaries	5	-	-	-	-	-	-	-	10,944,206	10,944,206
Effect of increase/ decrease of the Group's shareholding in subsidiaries	5	-	-	-	42,937	-	(65,913)	(22,976)	25,770	2,794
31 December 2010		**6,225,430**	**(484,000)**	**15,859,498**	**716,931**	**5,712**	**24,559,511**	**46,883,082**	**11,051,586**	**57,934,668**

On behalf of the Supervisory Board

President

18 March 2011
Moscow

Chief Accountant

18 March 2011
Moscow

The selected notes on pages 9-108 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

(in thousands of Russian Roubles)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before income tax including profit from discontinued operations		9,210,604	5,539,615	4,444,474
Adjustments for:				
Allowance for impairment losses on interest bearing assets		4,148,455	12,048,082	5,274,833
Allowance for impairment losses on other transactions		(245,955)	233,464	445,608
Foreign currency revaluation (gain)/loss	8	(190,959)	6,341	829,141
(Gain)/loss on disposal of loans	20	(1,195,845)	171,899	-
Impairment of investments available-for-sale	21	2,309	115,738	1,803
Precious metals revaluation gain	9	(159,939)	(461,727)	(387,995)
Discontinued operations		-	-	(137,062)
Depreciation and amortization expense	12	435,046	394,773	269,936
Amortization of intangible assets	12	83,044	59,721	32,145
Change in interest accruals, net		(2,126,716)	(248,724)	(710,406)
Change in other accruals, net		703,024	14,455	(26,128)
Gain on disposal of property, plant and equipment	11	(29,195)	(4,914)	(42,459)
Impairment of buildings and construction	23	115,973	986,663	78,422
Goodwill written-off on acquisition		-	134,317	(284)
Loss from revaluation of investment property	25	94,471	-	-
Net change in fair value of assets and liabilities at fair value through profit or loss	7	(510,844)	847,804	(620,715)
Cash flows from operating activities before changes in operating assets and liabilities		**10,333,473**	**19,837,507**	**9,451,313**
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Minimum reserve deposit with the Central Bank of the Russian Federation		(673,674)	(938,091)	1,745,182
Precious metals		1,038,534	(296,213)	(1,748,850)
Financial assets at fair value through profit or loss		5,405,492	(23,916,857)	(4,934,131)
Loans and advances to banks and other financial institutions		(2,585,415)	2,515,094	(6,012,414)
Loans to customers		(72,428,532)	18,557,168	(50,909,686)
Other assets		462,808	5,281,009	(3,110,447)
Increase/(decrease) in operating liabilities:				
Due to banks and the Central Bank of the Russian Federation		(2,872,698)	(20,763,180)	17,944,374
Bonds and Eurobonds issued		13,770,715	12,552,185	-
Promissory notes issued/(redeemed), net		8,430,020	(18,883,441)	4,213,834
Customer accounts		76,297,406	11,957,139	26,912,480
Other liabilities		(214,061)	104,339	(337,589)
Cash inflows/(outflows) from operating activities before taxation		**36,964,068**	**6,006,659**	**(6,785,934)**
Income tax paid		(1,900,966)	(733,585)	(1,370,648)
Net cash inflows/(outflows) from operating activities		**35,063,102**	**5,273,074**	**(8,156,582)**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds on investments held to maturity repayment		-	2,046,463	-
Purchase of property, plant and equipment	23	(449,120)	(633,463)	(4,090,343)
Purchase of intangible assets	24	(93,340)	(110,300)	(33,007)
Proceeds on sale of property, plant and equipment		118,020	125,296	1,783,268
Proceeds on sale of investments available-for-sale		-	7,511	441,789
Purchase of investments available-for-sale		(1,086,439)	(190,157)	(420,598)
Discontinued operations		-	-	341,272
Disposal of subsidiaries, net of cash disposed	4	-	51,275	-
Increase of share of subsidiaries		-	(22,956)	(24,153)
Acquisition of subsidiaries, net of cash acquired	4	2,304,248	(131,564)	(165,835)
Net cash (outflows)/inflows from investing activities		**793,369**	**1,142,105**	**(2,167,607)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

(in thousands of Russian Roubles)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of ordinary share capital		243,056	-	326,389
Share premium		3,256,945	-	4,373,611
Purchase of treasury shares		(631,908)	-	-
Subordinated debt received		12,249,612	12,763,492	-
Subordinated debt repayment		(12,863,492)	-	-
Repayment of bonds and Eurobonds issued		(10,231,698)	(10,163,076)	-
Issuance of bonds and Eurobonds issued		-	-	8,022,667
Disposal of non-controlling interest		230,814	-	-
Acquisition of non-controlling interest		(228,020)	-	-
Dividends paid		-	-	(60,500)
Net cash (outflow)/inflow from financing activities		**(7,974,691)**	**2,600,416**	**12,662,167**
Effect of changes in foreign exchange rate on cash and cash equivalents		(74,233)	116,443	238,370
NET INCREASE IN CASH AND CASH EQUIVALENTS		**27,807,547**	**9,132,038**	**2,576,347**
CASH AND CASH EQUIVALENTS, beginning of period	**15**	**27,452,301**	**18,320,263**	**15,743,916**
CASH AND CASH EQUIVALENTS, end of period	**15**	**55,259,848**	**27,452,301**	**18,320,263**

Interest paid and received by the Group during the year ended 31 December 2010, included in cash from operating activities amounted to RUB 15,354,885 thousand and RUB 27,584,287 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2009, included in cash from operating activities amounted to RUB 17,086,784 thousand and RUB 34,357,749 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2008, included in cash from operating activities amounted to RUB 12,740,482 thousand and RUB 25,225,335 thousand, respectively.

On behalf of the Supervisory Board

President

18 March 2011
Moscow

Chief Accountant

18 March 2011
Moscow

The selected notes on pages 9-108 form an integral part of these consolidated financial statements.

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008
(in thousands of Russian Roubles)

1. ORGANISATION

OJSC "NOMOS-BANK" (the "Bank") is a joint-stock bank incorporated in the Russian Federation in 1992. The Bank is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under general license number 2209. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, providing loans and guarantees.

The registered office of the Bank is located at 3, Verhnaya Radishevskaya st., Moscow, 109240, Russia.

As at 31 December 2010 the Bank had 51 branches operating in the Russian Federation, 2 representative office in the Russian Federation and 1 representative office abroad.

The accompanying consolidated financial statements comprise the accounts of Open joint stock company "NOMOS-BANK" and its subsidiaries (together the "Group").The consolidated financial statements include the following incorporated subsidiaries:

Name	Country of incorporation	Notes	The Bank's ownership interest/control (*) 31 December 2010 %	31 December 2009 %	31 December 2008 %	Type of activity
OJSC "NOMOS-Bank"	Russian Federation		Parent company	Parent company	Parent company	Banking activity
OJSC "NOMOS-REGIOBANK"	Russian Federation		100/100	98.04/98.04	95.98/95.98	Banking activity
OJSC "NOMOS Siberia"	Russian Federation		100/100	100/100	-	Banking activity
LLC "Inbank"	Russian Federation		74.15/74.15	99.00/99.00	-	Banking activity
OJSC "Khanty-Mansiysk Bank"	Russian Federation	4	51.29/51.29	-	-	Banking activity
BKM Finance Limited	Ireland	4	(contractual agreement)	-	-	Issue of securities
LLC "Yugra-Leasing"	Russian Federation	4	51.29/100	-	-	Finance lease of equipment
LLC "GPF"	Russian Federation	4	51.29/100	-	-	Construction
OJSC "Novosibirsk Municipal Bank"	Russian Federation	4	38.53/75.13	-	-	Banking activity
LLC "NM-Expert"	Russian Federation	4	19.90/100	-	-	Construction
LLC "Promgazcomplekt"	Russian Federation		100/100	100/100	100/100	Office building ownership
OJSC "Promestate"	Russian Federation		100/100	100/100	100/100	Office building ownership
CJSC "Sovfintrast"	Russian Federation		100/100	100/100	100/100	Investment management
CJSC "Upravlyaushaya compania aktivami"	Russian Federation		100/100	100/100	100/100	Asset management
Nomos Capital Plc.	Ireland		(contractual agreement)	(contractual agreement)	(contractual agreement)	Issue of Eurobonds
CJSC "Erada"	Russian Federation		100/100	100/100	100/100	Office building ownership
LLC "NM-Garant"	Russian Federation		99.9/99.9	99.9/99.9	99.9/99.9	Investment management
LLC "Leasing-Project"	Russian Federation		100/100	100/100	100/100	Finance lease of equipment
LLC "BFK-Invest"	Russian Federation		100/100	100/100	100/100	Office building ownership
LLC "Baltaktiv"	Russian Federation		100/100	100/100	-	Wholesale commerce
LLC "Finance and investments"	Russian Federation		-	100/100	-	Investment management
CJSC "Upravlyaushaya compania "Universal"	Russian Federation		-	-	100/100	Asset management
LLC "Upravlyaushaya compania NOMOS BANK"	Russian Federation		100/100	100/100	-	Asset management
LLC "KN-Estate"	Russian Federation	4	100/100	-	-	Office building ownership
LLC "IST-Capital"	Russian Federation	4	100/100	-	-	Investment management

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

(*) The Ownership and control represent the following:

- Ownership represents the effective ownership interest in the subsidiary by the ultimate parent company – OJSC Nomos Bank;
- Control represents the total % of shares controlled, either directly or indirectly, by the entities of the Group;

Additionally, the Group exercises 100 per cent control over the following investment funds, as contractually stipulated:

- ZPIFVI “Venchurny fond investitsionnogo i proektnogo finansirovaniya”,
- ZPIFRE “Universal – Real estate fund”,
- ZPIF “KhMB-Capital“.

As at 31 December 2010 the Group also had holdings (50%) in ZAO PK HESCARD that does not conduct active operations and is immaterial in terms of the Group’s financial statements.

As at 31 December 2010, 2009 and 2008 Group had 9,408 employees, 4,882 employees and 5,232 employees, respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within Russian Federation. As at 31 December 2010, 2009 and 2008 the Group had respectively 300, 140 and 158 points of sale including branches, supplementary offices and currency exchange offices.

The information about acquisitions and disposals of subsidiaries during years ended 31 December 2010, 2009 and 2008 is presented in Note 4.

As at 31 December 2010, 2009 and 2008, the following shareholders owned the issued shares of the Bank:

Shareholders	31 December 2010, %	31 December 2009, %	31 December 2008, %
Shareholders of the Bank (Shareholders of the first level):			
“Russia Finance Corporation B.V.”	28.24	29.91	29.91
“Lobston Enterprises limited” (Cyprus)	18.87	19.99	19.99
“Vitalpeake limited”	18.66	19.77	19.77
“Lordlaine limited”	10.04	10.64	10.64
“Viewrock limited”	10.04	10.64	10.64
“Arrowzone limited”	8.46	8.96	8.96
CJSC “Eniseyskaya investment company”	5.60	0.00	0.00
Other	0.09	0.09	0.09
Total	**100.00**	**100.00**	**100.00**

Shareholders	31 December 2010, %	31 December 2009, %	31 December 2008, %
Ultimate shareholders of the Bank:			
Mr. Kellner P.	28.24	29.91	29.91
Mr. Korbachka R.	18.87	19.99	19.99
Mr. Nesis A.N.	18.66	19.77	19.77
Mr. Dobrinov N.I.	12.03	10.64	10.64
Mr. Gudaytis A.A.	12.03	10.64	10.64
Mr. Finogenov I.V.	4.15	4.39	4.39
Mr. Sokolov D.V.	4.15	4.39	4.39
Mr. Terzian N.	1.71	-	-
Mr. Petropavlovsky A.F.	0.16	0.18	0.18
Other	-	0.09	0.09
Total	**100.00**	**100.00**	**100.00**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

As at 31 December 2010, 2009 and 2008 the following companies owned the outstanding preference shares of the Bank:

Shareholders of outstanding preference shares	31 December 2010, %	31 December 2009, %	31 December 2008, %
Shareholders of outstanding preference shares the Bank (Shareholders of the first level):			
“Lobston Enterprises limited” (Cyprus)	100.00	20.00	20.00
“Arrowzone limited” (Cyprus)	-	50.00	50.00
“Russia Finance Corporation B.V.”	-	30.00	30.00
Total	**100.00**	**100.00**	**100.00**

Shareholders of outstanding preference shares	31 December 2010, %	31 December 2009, %	31 December 2008, %
Ultimate shareholders of outstanding preference shares the Bank:			
Mr. Korbachka R.	100.00	20.00	20.00
Mr. Kellner P.	-	30.00	30.00
Mr. Finogenov I.V.	-	24.50	24.50
Mr. Sokolov D.V.	-	24.50	24.50
Mr. Petropavlovsky A.F.	-	1.00	1.00
Total	**100.00**	**100.00**	**100.00**

In December 2010 the 100% owned subsidiary company of the Group, LLC “Promgazcomplekt” has repurchased 9,680,000 of the Group’s preference shares. The deal was performed in terms of the Group’s organization structure optimization. The Group has no intention to sell back these shares in the foreseeable future.

These consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 18 March 2011.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held for trading, and financial assets and liabilities designated at fair value through profit or loss, which have all been measured at fair value.

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy and based on historical experience that short-term obligations will be refinanced in the normal course of business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (“RAS”), foreign consolidated companies of the Bank maintain their accounting records in accordance with the laws and regulations of the countries, in which they operate. Necessary translation adjustments are applied in consolidation process to ensure convergence to IFRS.

Nomos Capital Plc. and BKM Finance Limited maintain the accounting records in US dollars and in accordance with IFRS.

Functional currency

The functional currency of a majority of the entities within the Group is Russian Roubles ("RUB"). Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The presentational currency of the consolidated financial statements of the Group is the RUB. All values are rounded to the nearest thousand Roubles, except when otherwise indicated.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

This consolidated financial statements incorporates the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The ownership interest of Bank and/or the proportion of voting power of Bank in the significant subsidiaries as at 31 December 2010, 2009 and 2008 are presented in Note 1.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. From 1 January 2010, acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In a business combination achieved in stages, the previously held equity interest is remeasured at the acquisition-date fair value with the resulting gain or loss recognised in the income statement. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are treated as transactions between equity holders and are reported in equity.

Entities that are controlled by the Group are consolidated until the date that control ceases.

From 1 January 2010, the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss. For acquisitions before 1 January 2010, contingent consideration was recorded when its amount become probable and reliably measurable.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating of interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned and paid on assets and liabilities at fair value is classified within interest income and interest expense, respectively.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct incremental costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct incremental costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in profit or loss when the syndication has been completed. All other commission income are recognized when services are provided.

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on the sale of the above instruments is recognized as interest income or expense in the income statement based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as assets at fair value through profit or loss when the asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- It has been acquired or incurred principally for the purpose of repurchasing or selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset (other than a financial asset held for trading) may also be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset or liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 “Financial Instruments: Recognition and Measurement” permits the entire combined contract to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset or interest paid on the financial liability, which are included in the interest income or interest expense in the consolidated income statement.

Reclassification of financial assets

Non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) may be reclassified out of the fair value through profit or loss category in the following circumstances:

- Financial assets that would have met the definition of loans and receivables at initial recognition (if the financial asset had not been required to be classified as held for trading) may be reclassified out of the fair value through profit or loss category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity; and
- Financial assets (except financial assets that would have met the definition of loans and receivables at initial recognition) may be reclassified out of the fair value through profit or loss category and into another category in rare circumstances.

When a financial asset is reclassified as described in the above circumstances, the financial asset is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in the income statement is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Investments held to maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Group has positive intent and ability to hold to maturity are classified as held to maturity investments. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

Investments available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Debt and equity investments held by the Group that are traded in an active market are classified as available for sale and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as available for sale financial assets because the management of the Group considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recorded in other comprehensive income and accumulated in the revaluation of the investments available-for-sale reserve, with the exception of the impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation of the investments available-for-sale reserve is reclassified to the profit or loss. With the exception of equity investments available-for-sale, if, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed though profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of equity investments available-for-sale, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in consolidated other comprehensive income.

Dividends on available-for-sale equity instruments are recognized in profit or loss in other income when the Group's right to receive the dividends is established.

Loans and advances to banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks and other financial institutions. Loans and advances to banks and other financial institutions are initially recognized at fair value, plus incremental direct transactions costs. Loans and advances to banks and other financial institutions are subsequently measured at amortized cost using the effective interest method. Amounts of loans and advances to banks and other financial institutions are carried net of any allowance for impairment losses.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated income statement according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Securities repurchase and reverse repurchase agreements

In the normal course of business, the Group enters into financial assets sale and repurchase agreements ("repos") and financial asset purchase and sellback agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within balances due to banks/customer accounts.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit collateralized by securities and other assets and are classified within balances due from banks/loans to customers.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the consolidated income statement.

The Group enters into securities repurchase agreements and securities reverse repurchase agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Russian Federation and other Commonwealth of Independent States ("CIS"), the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. The Group accounts for impairment of financial assets not recorded at fair value when there is an objective evidence of impairment of a financial asset or a group of financial assets as a result of one or more events that occurred after the initial recognition of the financial asset.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. The Group accounts for impairment of financial assets not recorded at fair value when there is an objective evidence of impairment of a financial asset or a group of financial assets as a result of one or more events that occurred after the initial recognition of the financial asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For listed and unlisted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For available-for-sale securities, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation. The impairment of available-for-sale financial assets represents a difference between the carrying value of the asset and its current fair value.

Once an impairment loss has been recognised on an available-for-sale financial asset, the subsequent accounting treatment for changes in the fair value of that asset differs depending on the nature of the available-for-sale financial asset concerned:

- For an available-for-sale debt security, a subsequent decline in the fair value of the instrument is recognised in the income statement when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised in other comprehensive income. If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement to the extent of the increase in fair value;
- For an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income. Impairment losses recognised on the equity security are not reversed through the income statement. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in the income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security.

For the financial instruments recorded at amortized cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

For financial assets carried at amortized cost, the impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually. Collectively assessed corporate financial assets are grouped on industry basis and retail financial assets are grouped by type of products.

The change in the impairment is included into consolidated income statement using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). Assets recorded in the consolidated statement of financial position are reduced by the amount of the impairment. The factors the Group evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets. Cash recoveries of loans previously written off are recorded as “other income”.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated income statement in the period of recovery.

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the Central Bank of the Russian Federation and correspondent accounts with banks margin deposits for operations with plastic cards, which may be converted to cash within a short period of time (less than 90 days).

Minimum reserve deposits with the Central Bank of the Russian Federation

Minimum reserve deposits with the Central Bank of the Russian Federation (CBR) represent the amount of obligatory reserves deposited with the Central Bank of the Russian Federation in accordance with requirements established by the Central Bank of the Russian Federation. The minimum reserve deposits with the Central Bank of the Russian Federation are subject to restrictions on its availability, therefore for purposes of determining cash flows, the minimum reserve deposit required by the Central Bank of the Russian Federation is not included as a cash equivalent. The Bank is required to maintain the minimum reserve deposit with the Central Bank of the Russian Federation at the constant basis.

Precious metals

Assets and liabilities denominated in precious metals are translated into Roubles at the current rate computed based on the second fixing of the London Metal Exchange rates, using the RUB/USD exchange rate effective at the date. Changes in the bid prices are recorded in net (loss)/gain on operations with precious metals.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Other financial liabilities

Due to banks, customer accounts, debt securities issued and subordinated debt

Due to banks, customer accounts, debt securities issued and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings, using the effective interest method.

Derivative financial instruments

The Group enters into variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk, including forwards, swaps and options on foreign currency, precious metals and securities. Derivative financial instruments entered by the Group are not designated as hedges and do not qualify for hedge accounting.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently stated at their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in net gain (loss) on financial assets and liabilities at fair value through profit or loss in the consolidated income statement.

Derivative instruments embedded in other financial instruments or other host contracts are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value through profit or loss. An embedded derivative is a component of a hybrid financial instrument that includes both the embedded derivative and the underlying host.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor

The Group as a lessor presents finance leases as loans and initially measures them at an amount equal to the net investment in the lease. Subsequently, the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment in the finance lease.

Before commencement date property, plant and equipment purchased for future transfer to finance lease is recognized in the consolidated financial statements as property, plant and equipment purchased to transfer to finance lease at cost.

The Group as a lessee

At the commencement of the lease term, the Group as a lessee recognizes finance leases as assets and liabilities in its consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present values of the minimum lease payments. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are charged as expenses in the periods in which they are incurred. Depreciation of the lease property is charged in accordance with depreciation policy that is applied to property owned by the Group.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are charged as expenses in the periods in which they are incurred. Depreciation of the lease property is charged in accordance with depreciation policy that is applied to property owned by the Group.

Property, plant and equipment and intangible assets

Property, plant and equipment (except for land and buildings and constructions) and intangible assets, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss. Property, plant and equipment (except for land and buildings and constructions) and intangible assets, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss.

Depreciation is charged on the carrying value of property, plant and equipment and is designed to write off assets (less their residual value) over their useful economic lives. Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Buildings and constructions	2%-2.63%
Furniture and equipment	20%
Other property, plant and equipment	20%-25%
Intangible assets	16%-25%

Leasehold improvements are amortized over the life of the related leased asset or the lease period whichever is shorter.

Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Land, buildings and constructions held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land, buildings and constructions is credited to the property, plant and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to profit or loss for the period to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property, plant and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the consolidated income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property, plant and equipment revaluation reserve is transferred directly to retained earnings.

Market value of property is assessed using three methods:

- The comparable sales method which involves analysis of market sales prices for similar real estate property;
- The income-based method which assumes a direct relationship between revenues generated by the property and its market value;
- The costs method, which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The amortization period for intangible assets vary from 5 to 6 years.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

The current tax expense is based on an estimate of taxable profit for the period. Taxable profit differs from net profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are non-taxable or non-deductible. The Group's current tax expense is calculated using tax rates that have been enacted for the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and deferred income tax liabilities are offset and reported net in the consolidated statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

The Russian Federation and Ireland also have various other taxes not based on income, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Non-current assets held for sale

Non-current assets held for sale represent repossessed collateral for overdue loans to customers.

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated income statement as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Investment property

Investment property, comprising office and commercial buildings, is held to earn future rentals or for capital appreciation. Investment property is initially measured at cost, including transactions costs. Subsequent to initial recognition, investment property is measured at the fair value amount, determined from market-based evidence by appraisal undertaken by professional independent appraisers. Gains and losses arising from changes in the fair value of investment property are included in income statement in the period in which they arise.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations.

During the reporting period the Bank changed the methodology of estimation of provisions for guarantees and other off-balance sheet commitments. Currently to determine the value of provisions for guarantees and other off-balance sheet commitments the Group performs the analysis of historical trends based on collected statistical information on collective basis. Based on the statistics on actual loss incurred by the Group during previous periods the calculation of estimated future losses is performed.

Previously the Group was analysing guarantees on an individual basis and performed assessment for impairment. Impairment losses were recognized as the difference between the carrying value of the guarantee and the discounted value of estimated future cash repayments and proceeds. These estimates took into account the strength of the client's financial solvency and liquidity as well as their historic guarantee servicing.

Contingencies

Contingent liabilities, which include certain guarantees, letters of credit and commitments loans and unused credit lines, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Share capital and share premium

Share capital and share premium amounts received before 1 January 2003 are recognized at the amount received restated for inflation and after 1 January 2003 are recognized at the amount received. Share premium represents the excess of the amount received over the nominal value of the shares issued.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Holders of preference shares with non-fixed rate dividend income are entitled to: participate in the General Meeting of shareholders with voting rights addressing issues of reorganization and liquidation of the Bank and addressing issues on introducing amendments and additions to the Charter restricting the rights of holders of preferred shares. Each preference share entitles the holder to receive dividends on an equal basis with holders of ordinary shares.

Dividends on ordinary shares and preference shares classified as equity are recognized, as a distribution of equity in the period in which they are approved by shareholders.

Goodwill

The goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill on acquisitions of subsidiaries is disclosed on face of the statement of financial position.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was RUB 597,652 thousand.

As the goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount when there are indicators that the investment is impaired. An impairment loss recognized is not allocated to any asset, including goodwill. Any reversal of impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. The recoverable amount of an investment in an associate is assessed for each associate, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the Group.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Retirement and other benefit obligations

In accordance with the requirements of the Russian Federation legislation, pension payments are calculated by an employer as certain percentages of salary expenses and transferred to the Pension fund of the Russian Federation, which transfers them to pension funds selected by employees. The Group does not have obligation to transfer pension payments directly to pension funds selected by employees. This expense is charged to profit or loss in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds selected by employees. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The contributions to the defined contribution plan are included in staff costs on accrual basis. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency and precious metals transactions are accounted for at the foreign exchange rates prevailing at the date of the transaction. Profits and losses arising from the translations are included in net gains on foreign exchange transactions and net gains on transactions with precious metals.

Rates of exchange

The exchange rates used by the Group to translate foreign currency balances and balances denominated in precious metals are as follows:

	31 December 2010	**31 December 2009**	**31 December 2008**
RUB/1 US Dollar	30.4769	30.2442	29.3804
RUB/1 Euro	40.3331	43.3883	41.4411
RUB/Gold bullion (1 ounce)	42,980.05	33,389.60	25,414.05

Fiduciary activities

The Group also provides depositary services to its customers, which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group measures information about operating segments in accordance with IFRS. Information about operating segment meets any one of the following quantitative thresholds:

- Its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; or
- The absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- Its assets are 10 per cent or more of the combined assets of all operating segments.

Operating segments not meeting above quantitative thresholds may be aggregated to produce a reportable segment if they share similar economic characteristics and meet the aggregation criteria as defined.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

If the total external revenue reported by operating segments constitutes less than 75 per cent of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the Group's revenue is included in reportable segments.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The following estimates and judgments are considered key significant judgments and estimation uncertainty in relation to the financial position and performance of the Group:

	31 December 2010	31 December 2009	31 December 2008
Allowance for impairment losses on loans to customers	15,557,694	17,026,959	11,696,307
Allowance for impairment losses for investments held to maturity	1,129,362	683,941	184,758
Allowance for impairment losses for other assets	398,850	283,400	56,209
Land, buildings and constructions at revalued amount	8,900,555	4,797,228	4,137,886
Provision for guarantees and other off-balance sheet commitments	324,213	591,430	585,157

Fair value estimates were considered as critical accounting policies of the Group's financial statements.

Allowance for impairment of loans

Loans to customers are measured at amortized cost less allowance for impairment losses. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate. The estimation of allowances for impairments involves the exercise of significant judgment. The Group estimates allowances for impairment with the objective of maintaining balance sheet provisions at a level believed by management to be sufficient to absorb losses incurred in the Group's loan portfolio. The calculation of provisions on impaired loans is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience. These determinations are supplemented by the application of management judgment.

Loans, above the minimum level determined by the Group's Management are individually assessed for impairment. Impairment losses are recognized as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any collateral held. These estimates take into account the strength of the client's financial solvency and liquidity as well as their historic loan servicing, general business risks and national and local economic tendencies and conditions, all of which may be affected by future economic conditions.

The Group estimates the impairment allowance for loans to individuals based on its past loss experience for these types of loans. The significant assumptions used in determining the impairment allowance for loans to individuals are as follows:

- Management assumes that loss migration rates can be estimated based on historic loss migration pattern using historical data;
- Management adjusts its past historical loss experience taking into account the current economic situation and the impact of the economic crisis on the quality of the loan portfolio.

The Group considers accounting estimates related to provisions for loans key sources of estimation uncertainty because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of losses relating to impaired loans and advances are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses (as reflected in the provisions) and actual losses will require the Group to take provisions which, if significantly different, could have a material impact on its future income statement and its statement of financial position. The Group's assumptions about estimated losses are based on past performance, past customer behaviour, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Allowance for impairment losses for investments held to maturity

The Group accounts for impairment of investments held to maturity when there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition.

For the financial instruments recorded at amortized cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument.

Allowance for impairment losses for other assets

The impairment for other assets is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding other assets being material individually and on the basis of an individual or joint evaluation of other assets not being material individually.

Valuation of land, buildings and investment property

The Group uses the valuation performed by its external appraisers as the fair value of its land, buildings and investment properties.

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The investment property valuation contains a number of assumptions upon which the external appraisers has based its valuation of the Group's properties. Those assumptions include, but are not limited to, matters such as ground conditions at the properties, structural condition of the properties, prevailing market yields and comparable market transactions, inflation rate, tenure and tenancy details for the properties. These assumptions are market standard: however, if any assumptions made by the property appraiser prove to be false, this may mean that the value of the Group's properties differs from their valuation, which could have a material effect on the Group's financial condition.

Provision for guarantees and other off-balance sheet commitments

The accounting estimates and judgments related to the provision for off-balance sheet commitments is an area of significant management judgment because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's results of operations.

During the reporting period the Bank changed the methodology of estimation of provisions for guarantees and other off-balance sheet commitments. Currently to determine the value of provision for guarantee and other off-balance sheet commitments the Group performs the analysis of historical trends based on collected statistical information. Based on the statistics on actual loss incurred by the Group during previous periods the calculation of estimated future losses is performed.

Fair value estimates

Certain of the Group's financial instruments are carried at fair value with changes in fair value recognized in income statement.

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale.

In reaching estimates of fair value management judgment needs to be exercised. The areas requiring significant management judgment are identified, documented and reported to senior management as part of the valuation control framework and the standard monthly reporting cycle.

The level of management judgment required in establishing fair value of financial instruments for which there is a quoted price in an active market is minimal. Similarly there is little subjectivity or judgment required for instruments valued using valuation models that are standard across the industry and where all parameter inputs are quoted in active markets.

The level of subjectivity and degree of management judgment required is more significant for those instruments valued using specialized and sophisticated models and those where some or all of the parameter inputs are not observable. Management judgment is required in the selection and application of appropriate parameters, assumptions and modelling techniques. In particular, where data are obtained from infrequent market transactions extrapolation and interpolation techniques must be applied. In addition, where no market data are available parameter inputs are determined by assessing other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Where different valuation techniques indicate a range of possible fair values for an instrument, management has to establish what point within the range of estimates best represents fair value.

Adoption of new and revised standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and mandatorily effective for annual reporting periods beginning on or after 1 January 2010.

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the amounts reported for the current or prior years except where, if applicable, referred to in the notes or statements described above.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.
Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)	The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans (annual periods beginning on or after January 1, 2011).
Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements (annual periods beginning on or after January 1, 2011).

IFRS 3 (as revised in 2008) Business Combinations

IFRS 3(2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after January 1, 2010 in accordance with the relevant transitional provisions. Its adoption has affected the accounting for business combinations in the current year.

The impact of the application of IFRS 3(2008) is as follows.

- IFRS 3(2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as ‘minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.
- IFRS 3(2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.
- IFRS 3(2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.
- IFRS 3(2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.
- IFRS 3 (2008) requires the acquirer not to recognize a separate valuation allowances of the acquisition date for assets acquired in a business combination that are measured at their acquisition date fair values.

Results in future periods may be affected by future impairment losses relating to the increased goodwill, and by changes in the fair value of contingent consideration recognised as a financial liability.

IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of IAS 27(2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes in accounting policies have been applied prospectively from January 1, 2010 in accordance with the relevant transitional provisions.

Standards and interpretations issued and not yet adopted

At the date of authorization of these condensed interim consolidated financial statements, other than the Standards and Interpretations adopted by the Group in advance of their effective dates, the following Interpretations were in issue but not yet effective.

Improvements to IFRS 2010 – In May 2010, the IASB issued amendments to IFRS, which resulted from the IASB’s annual improvement project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Group is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

IAS 24 – In November 2009, the IASB issued a revised version of IAS 24, “Related Party Disclosures” (“IAS 24 R”). IAS 24 R provides a partial exemption from the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Group is currently evaluating the potential impact that the adoption of IAS 24 R will have on its consolidated financial statements.

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Groups’ financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Reclassifications

Pursuant to the Group's initiative to enhance the transparency of its financial statements, the Group has tabulated below the following conforming reclassification and disaggregation of line items to the consolidated financial statements as at 31 December 2009 and 2008 to bring them in line with the 2010 presentation:

Nature of reclassification	Amount for the year ended 31 December 2009	Amount for the year ended 31 December 2008	Statement of financial position, income statement line as per the previous report	Statement of financial position, income statement line as per current report
Reclassification of provision for investments held to maturity	(499,183)	(184,758)	Provision and impairment on other operations	Provision for impairment losses on interest bearing assets
Disaggregation of minimum reserve deposits with the Central Bank of the Russian Federation from Cash and balances with the Central Bank of the Russian Federation into a separate line	1,192,375	237,976	Cash and balances with the Central Bank of the Russian Federation	Minimum reserve deposits with the Central Bank of the Russian Federation

4. ACQUISITIONS AND DISPOSALS

Acquisitions and disposal during the year ended 31 December 2010

In November 2010 the Group acquired 100% share in LLC "IST-Capital" which owns 19.98% of OJSC "Khanty-Mansiysk Bank".

As at 16 December 2010 the Group completed an acquisition of the controlling 51.29% stake in Khanty-Mansiysky Bank Group (further – "BKM Group") by buying additional 31.33 % of BKM Group of RUB 12,121,535 thousand. The consideration was paid in cash.

The estimated revenue amount and net profit since the date of acquisition is immaterial to disclose.

The BKM Group comprises the Khanty-Mansiysk Bank, Open Joint Stock Company, and its subsidiaries – BKM Finance Limited, LLC "Yugra-Leasing", LLC "GPF", OJSC "Novosibirsk Municipal Bank". The Khanty-Mansiysk Bank, Open Joint Stock Company (Khanty-Mansiysk Bank OAO) is an open joint-stock company, which was incorporated in the Russian Federation in 1992. The Bank's primary business consists of corporate, small business and retail banking primarily in the Khanty-Mansiysk Autonomous District and Tyumen region. As at 31 December 2010 the Bank had 17 branches in the Russian Federation, 1 representative office in the Russian Federation and 1 representative office abroad, and 150 additional offices, operating offices and operating cash desks.

The format of this transaction does not mean a merger of its participants. OJSC "Nomos-Bank" and OJSC "Khanty-Mansiysk Bank" will continue to operate as separate legal entities and will operate under their original brands.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The fair value of the net assets of the companies as of the acquisition date is presented below:

	LLC "IST-Capital" and BKM Group
Assets	
Cash and balances with the Central Bank of the Russian Federation	8,518,950
Minimum reserve deposits with the Central Bank of the Russian Federation	951,257
Precious metals	15,923
Financial assets at fair value through profit or loss	2,732,652
Loans and advances to banks	22,233,454
Loans to customers	100,752,725
Investments available-for-sale	24,460,940
Property, plant and equipment	4,880,540
Intangible assets	2,506,028
Other assets	3,348,040
Total assets	**170,400,509**
Financial liabilities at fair value through profit or loss	529,955
Deposits from banks	14,955,581
Customer accounts	102,569,855
Bonds and Eurobonds	6,132,259
Promissory notes	17,522,015
Deferred income tax liabilities	390,162
Other liabilities	841,176
Subordinated debt	4,991,417
Total liabilities	**147,932,420**
Net assets	**22,468,089**
Parent company's ownership interest (%)	51.29%
Consideration paid	**12,121,535**
Plus: non-controlling interest	**10,944,206**
Less: Net assets	**22,468,089**
Goodwill	**597,652**

The goodwill is primarily attributable to the profitability of the acquired business of BKM Group, the synergies from revenues and from cost savings expected to arise from the integration of the BKM Group into Nomos Bank.

The management of the Group assessed the amount of the revaluation of the equity interest previously held immediately before the acquisition date and considers this amount to be immaterial.

The fair values of assets and liabilities acquired are based on discounted cash flow models and other valuation techniques and were determined by an independent appraiser. Non-controlling interest was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The following table presented the cash flow from this acquisition:

Consideration paid	12,121,535
Less: cash and cash equivalents acquired	(14,675,833)
Total	**(2,554,298)**

Had these business combinations been effected as at 1 January 2010, the revenue of the Group from continuing operations would have been RUB 30,845,174 thousand, and the profit for the year from continuing operations would have been RUB 10,444,580 thousand, the financial result relating to comprehensive loss would have amounted to RUB 76,234 thousand. The management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following table represents the fair value and the uncollectable amount of acquired receivables as well as the gross contractual amount of receivables:

	Fair value	Gross contractual amounts receivable	Amount not expected to be received
ASSETS:			
Correspondent accounts with the Central Bank of the Russian Federation	2,966,536	2,966,536	-
Loans and advances to banks and other financial institutions	22,233,455	22,222,157	664
Loans to customers	100,752,725	107,044,856	6,211,864
Other assets	3,348,652	3,546,534	235,113
	129,301,368	**135,780,083**	**6,447,641**

In December 2010 Group acquired 100% share in LLC "KN-Estate". The company's principal activity is office building ownership. The cash outflow relating to the acquisition of shares amounted to RUB 250,050 thousand. The fair value of the net assets of the company as of the acquisition date is presented below:

	LLC "KN-Estate"
Assets	
Loans and advances to banks	74,184
Property, plant and equipment	248,563
Intangible assets	95
Other assets	48,036
Total assets	**370,878**
Customer accounts	120,020
Other liabilities	808
Total liabilities	**120,828**
Net assets	**250,050**
Parent company's ownership interest (%)	100%
Parent company's ownership interest	250,050
Consideration paid	**250,050**
Goodwill	**-**

In November 2010 the management of LLC "Inbank" had made the decision of expansion of capital stock and decrease its share from 99.00% as at 31 December 2009 to 74.15% as at 31 December 2010 (See note 5). The cash inflow relating to the disposal of shares amounted to RUB 37,500 thousand.

In April 2010 the Group has sold shares to non-controlling shareholders of OJSC "NOMOS-Regiobank" and decreased its share from 98.04% as at 31 December 2009 to 88.03% as at 30 June 2010. The cash inflow relating to the disposal of shares amounted to RUB 97,313 thousand.

In August 2010 the Group has purchased shares from non-controlling shareholders of OJSC "NOMOS-Regiobank" and increased its share from 88.03% as at 30 June 2010 to 98.39% as at 30 September 2010. The cash outflow relating to the acquisition of shares amounted to RUB 111,309 thousand.

In December 2010 the Group has purchased shares from non-controlling shareholders of OJSC "NOMOS-Regiobank" and increased its share from 98.39% as at 30 September 2010 to 100 % as at 31 December 2010 (See Note 5). The cash outflow relating to the acquisition of shares amounted to RUB 17,533 thousand.

In May 2010 the Group has sold shares to non-controlling shareholders of OJSC "NOMOS Siberia" and decreased its share from 100% as at 31 December 2009 to 87.99% as at 30 September 2010. The cash inflow relating to the disposal of shares amounted to RUB 96,000 thousand.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

In November 2010 the Group has purchased shares from non-controlling shareholders of OJSC "NOMOS Siberia" and increased its share from 87.99% as at 30 September 2010 to 100% as at 31 December 2010 (See Note 5). The cash outflow relating to the acquisition of shares amounted to RUB 99,190 thousand.

The effect of these acquisitions and disposals are reflected in the statement of changes in equity.

In February 2010 the Group obtained control over LLC "Upravlyaushaya compania NOMOS BANK" through enlargement of share capital of the company. As at 31 December 2010 the Group's share amounts to 100.00%.

Acquisitions and disposal during the year ended 31 December 2009

In December 2009 the Group obtained control over ZPIFRE "Universal – Real estate fund". The principal activity of the entity is investment management. The fair value of the net assets of the entity as of the acquisition date was equal to consideration paid and consisted of cash.

In December 2009 the Group acquired LLC "Baltaktiv" with a share of 100% which owned 99.0% of LLC "Inbank". The companies' principal activities are wholesale commerce and banking activity, respectively. The total goodwill of RUB 134,737 thousand was written-off to the consolidated income statement for the year ended 31 December 2009 as it was considered insignificant. The fair value of the net assets of the companies as of the acquisition date is presented below:

	LLC "Baltaktiv"	LLC "Inbank"	Total
Assets			
Cash and balances with the Central Bank of the Russian Federation	-	100,405	100,405
Financial assets at fair value through profit or loss	-	735,103	735,103
Loans and advances to banks	4	30,392	30,396
Loans to customers	-	80,596	80,596
Investments available-for-sale	7,920	-	7,920
Investments held to maturity	-	24,980	24,980
Property, plant and equipment	-	11,026	11,026
Other assets	112	13,276	13,388
Total assets	**8,036**	**995,778**	**1,003,814**
Customer accounts	-	626,728	626,728
Deferred income tax liabilities	-	3,789	3,789
Other liabilities	3,282	3,212	6,494
Total liabilities	**3,282**	**633,729**	**637,011**
Net assets	**4,754**	**362,049**	**366,803**
Parent company's ownership interest (%)	100%	99%	
Share in net assets	**4,754**	**358,429**	**363,183**
Consideration paid	**490,000**	**7,920**	**497,920**
(Goodwill)/Excess of fair value of assets acquired/liabilities assumed over consideration paid	**(485,246)**	**350,509**	**(134,737)**

In April 2009 the CBR by its order entrusted the Deposit Insurance Agency ("DIA") to act as provisional administration to manage the distressed bank "VEFK Siberia" for a term of six months. Simultaneously with the appointment as administrator, according to the CBR decision the Group took control over the "VEFK Siberia", the authorized capital of "VEFK Siberia" was decreased to RUB 1 and an additional share issue of "VEFK Siberia" in the amount of RUB 800,000 thousand was placed. The additional issue was purchased by a NOMOS-BANK's subsidiary – LLC "Promgazkomplekt". Additional issue amount was eliminated on the consolidated level in these consolidated financial statements as equity of a subsidiary. The difference between consideration paid of RUB 1 and net assets received was insignificant and was written off to the consolidated income statement. In August 2009 CJSC "VEFK Siberia" was renamed into CJSC "NOMOS Siberia". The main strategy of the Group in its management of CJSC "NOMOS Siberia" is an expansion of its customer base in the region and developing its share in small and medium business segment. The expansion will be reached by the combination of resources using the experience of the Bank in the banking industry.

The fair value of the net assets of the company as of the acquisition date is presented below:

	CJSC "NOMOS Siberia" 30 April 2009 (RUB thousand)
Assets	
Cash and balances with the Central Bank of the Russian Federation	282,259
Financial assets at fair value through profit or loss	347,713
Loans and advances to banks	399,971
Loans to customers	2,088,507
Investments available-for-sale	388
Property, plant and equipment	623,331
Other assets	81,266
Total assets	**3,823,435**
Liabilities	
Due to banks	304,506
Customer accounts	3,362,999
Deferred income tax liabilities	84,089
Other liabilities	71,421
Total liabilities	**3,823,015**
Net assets	**420**

In February 2009 and July 2009 the Group has purchased additional shares from minority shareholders of OJSC "NOMOS-REGIOBANK". The cash outflow relating to the acquisition of shares amounted to RUB 22,956 thousand (See Note 5).

In September 2009 the Group sold CJSC "Upravlyaushaya compania "Universal" to the third party. The gain of the company from 1 January 2009 through the disposal date were RUB 1,190 thousand. No gain or loss was recorded on the disposition.

Acquisitions and disposal during the year ended 31 December 2008

In June 2008 the Group sold OJSC "Nomos-Leazing" and OJSC "NM-Trust" to third parties. The resulting gain on disposals of RUB 107,332 thousand and RUB 26,250 thousand, respectively, was recognized in the Group's consolidated income statement. The aggregated gain of the companies as of the disposal date is RUB 103,506 thousand.

In December 2008 the Group sold Nomos Investment (Cyprus) Limited to a third party. The resulting gain on disposal of RUB 3,480 thousand was recognised in the Group's consolidated income statement. The gain of the company as of the disposal date is RUB 15,922 thousand.

In February 2008 the Group acquired 100% share in CJSC "Upravlyaushaya compania "Universal". The company's principal activity is asset management. The gain of the company at the date of the acquisition is RUB 237 thousand. The management had made the decision to write off goodwill as a result of impairment on the date of acquisition.

In October 2008 the Group acquired 100% share LLC "BFK-Invest". The company's principal activity is investment management. The gain of the company from the beginning of the year to the date of the acquisition was RUB 1,972 thousand. The excess of fair value of assets acquired/liabilities assumed over consideration paid of RUB 705 thousand was written-off to consolidated income statement for the year ended 31 December 2008.

In May 2008, August 2008 and October 2008 the Group has purchased additional shares of OJSC "NOMOS-Regiobank" from minority shareholders (See Note 5). The cash outflows relating to the acquisition of shares amounted to RUB 23,450 thousand.

In March 2008 the Group founded LLC "NM-Garant". Share of the Group in the capital of LLC "NM-Garant" is 99.9%. The company's principal activity is investment management. Cash outflows relating to the foundation of the company amounted to RUB 100 thousand.

In October 2008 the Group founded LLC "Leasing-Project". Share of the Group in the capital in LLC "Leasing-Project" is 100%. The company's principal activity is finance lease of equipment. The cash outflows relating to the foundation of the company amounted to RUB 5,000 thousand.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

5. NON-CONTROLLING INTEREST

Non-controlling interest comprises:

	OJSC "NOMOS-REGIOBANK"	OJSC "NOMOS Siberia"	LLC "Inbank"	OJSC "KHANTY-MANSIYSK BANK"	OJSC "NM- Trust"	Total
31 December 2007	**90,740**	**-**	-	**-**	**28,012**	**118,752**
Profit /(loss) attributable to non-controlling interest	19,361	-	-	-	(1,873)	17,488
Disposal of subsidiaries	-	-	-	-	(26,139)	(26,139)
Effect of increase in share of subsidiaries purchased from non-controlling interest	(35,875)	-	-	-	-	(35,875)
31 December 2008	**74,226**	**-**	-	**-**	**-**	**74,226**
Effect of increase in share of subsidiaries purchased from non-controlling interest	(41,036)	-	-	-	-	(41,036)
Profit attributable to non-controlling interest	7,535	-	-	-	-	7,535
31 December 2009	**40,725**	**-**	-	**-**	**-**	**40,725**
Effect of (increase)/decrease in share of subsidiaries (purchased from)/sold to non-controlling interest	(63,021)	(18,589)	107,380	-	-	25,770
Acquisition of subsidiary	-	-	-	10,944,206	-	10,944,206
Profit attributable to non-controlling interest	22,296	18,589	-	-	-	40,885
31 December 2010	**-**	**-**	**107,380**	**10,944,206**	**-**	**11,051,586**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

6. NET INTEREST INCOME

Net interest income comprises:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Interest income comprises:			
Interest income on assets recorded at amortized cost	24,702,016	29,236,644	23,232,117
Interest income on investments available-for-sale	122,575	613,448	4,416
Interest income on assets at fair value through profit or loss	4,525,766	6,574,655	3,095,291
Total interest income	**29,350,357**	**36,424,747**	**26,331,824**
Interest income on assets recorded at amortized cost:			
Interest income on loans to customers	22,069,096	26,344,082	21,979,278
Interest income on reverse repurchase transactions	2,100,909	1,457,804	549,533
Interest income on loans and advances to banks and other financial institutions	425,114	865,577	611,472
Interest on investments held to maturity	106,897	569,181	91,834
Total interest income on assets recorded at amortized cost	24,702,016	29,236,644	23,232,117
Interest income on assets at fair value through profit or loss:			
Interest income on financial assets at fair value through profit or loss held-for-trading	4,525,766	6,574,655	3,095,291
Total interest income on assets at fair value through profit or loss	4,525,766	6,574,655	3,095,291
Interest income on investments available-for-sale	122,575	613,448	4,416
Total interest income on investments available-for-sale	122,575	613,448	4,416
Interest expense comprises:			
Interest expense on liabilities recorded at amortized cost	14,988,622	18,905,058	13,136,565
Total interest expense	**14,988,622**	**18,905,058**	**13,136,565**
Interest expense on liabilities recorded at amortized cost comprise:			
Interest expense on customer accounts	8,603,454	9,019,082	5,607,015
Interest expense on subordinated debt	2,212,717	1,841,397	492,520
Interest expense on Bonds and Eurobonds issued	1,949,269	2,174,331	1,553,261
Interest expense on due to banks and the Central Bank of the Russian Federation	1,271,233	4,525,106	3,438,613
Interest expense on promissory notes issued	825,188	702,858	1,497,826
Interest expense on repurchase transactions	126,761	642,284	547,330
Total interest expense on financial liabilities recorded at amortized cost	14,988,622	18,905,058	13,136,565
Net interest income before provision for impairment losses on interest bearing assets	**14,361,735**	**17,519,689**	**13,195,259**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

7. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Net gain /(loss) on operations with financial assets and liabilities at fair value through profit or loss comprise:			
Realized gain/(loss) on operations with securities at fair value through profit or loss	1,215,887	4,371,781	(793,674)
Realized gain/(loss) on operations with derivative financial instruments	261,310	212,374	(398,824)
Unrealized gain/(loss) with financial assets and liabilities at fair value through profit or loss	510,844	(847,804)	620,715
Total net gain / (loss) on financial assets and liabilities at fair value through profit or loss	**1,988,041**	**3,736,351**	**(571,783)**

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Dealing, net	433,810	1,393,417	1,740,933
Translation differences, net	190,959	(110,102)	(1,067,511)
Total net gain on foreign exchange operations	**624,769**	**1,283,315**	**673,422**

9. NET GAIN ON OPERATIONS WITH PRECIOUS METALS

Net gain on operations with precious metals comprises:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Dealing, net	84,871	(394,191)	(101,543)
Translation differences, net	159,939	461,727	387,995
Total net gain on operations with precious metals	**244,810**	**67,536**	**286,452**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

10. NET FEE AND COMMISSION INCOME

Net fee and commission income comprise:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Fee and commission income:			
Settlements	907,532	711,739	653,225
Documentary operations	820,214	611,530	572,007
Cash operations	496,271	405,587	193,155
Operations with precious metals	120,375	143,205	46,379
Brokerage operations	23,037	39,153	121,041
Depositary services	5,624	13,310	3,541
Operations related to underwriting	12,125	18,129	193,732
Other	99,508	136,939	104,227
Total fee and commission income	**2,484,686**	**2,079,592**	**1,887,307**
Fee and commission expense:			
Settlements	184,544	145,492	124,122
Cash operations	65,179	67,669	55,777
Documentary operations	44,864	60,203	33,584
Securities operations	19,521	23,389	22,135
Depositary services	15,168	13,966	10,495
Other	39,107	16,071	34,827
Total fee and commission expense	**368,383**	**326,790**	**280,940**
Net fee and commission income	**2,116,303**	**1,752,802**	**1,606,367**

11. OTHER INCOME

Other income comprises:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Income on recovery on writen-off loans to customers	395,116	-	-
Penalties received	108,588	253,501	110,123
Income on early deposits withdrawal	108,592	67,667	-
Rental income	48,274	30,735	9,193
Dividends received	35,485	922	9,785
Gain on disposal of property, plant and equipment	29,195	4,914	42,459
Income on debt securities issued pre-term redeemed	21,454	10,091	48,730
Other	74,859	67,753	48,887
Total other income	**821,563**	**435,583**	**269,177**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

12. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Payroll and bonuses	4,439,964	3,120,286	2,793,228
Unified social tax	513,932	448,189	385,786
Depreciation of property, plant and equipment	435,046	394,773	269,936
Rent expenses	341,529	402,574	468,997
Taxes other than income tax	324,898	325,306	275,902
Professional services	318,352	158,082	149,164
Property, plant and equipment maintenance	300,919	265,133	249,966
Security expenses	204,167	189,102	78,209
Payments to the Deposit Insurance Fund	209,739	174,928	138,402
Telecommunications	162,151	155,914	107,602
Stationery and other office expenses	115,780	131,171	163,521
Advertising expenses	144,198	167,105	190,932
Amortization of intangible assets	83,042	59,721	32,145
Representation expenses	73,543	50,595	66,818
Insurance expenses	24,111	15,758	20,486
Goodwill written off on acquisition of subsidiaries (Note 5)	-	134,317	-
Other expenses	326,415	175,946	88,935
Total operating expenses	**8,017,786**	**6,368,900**	**5,480,029**

13. INCOME TAX

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the statutory tax regulations, which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2010, 2009 and 2008 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets and liabilities.

During November 2008 the Government of the Russian Federation announced that the income tax rate will change from 24% to 20% effective from the 1 January 2009.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Temporary differences as at 31 December 2010, 2009 and 2008 comprise:

	31 December 2010	**Tax amount at 20%**	**31 December 2009**	**Tax amount at 20%**	**31 December 2008**	**Tax amount at 20%**
Deductible temporary differences:						
Other liabilities	1,458,414	291,683	-	-	870,087	174,017
Customer accounts	1,379,088	275,818	72,558	14,512	-	-
Investments held to maturity	1,055,766	211,153	548,407	109,681	92,924	18,585
Financial liabilities at fair value through profit or loss	969,673	193,935	212,460	42,492	2,688,050	537,610
Other assets	493,925	98,785	418,937	83,787	63,672	12,734
Precious metals	3,937	787	-	-	15,386	3,077
Investments available-for-sale (related to Income Statement)	-	-	538,094	107,619	33,977	6,795
Loans from banks	-	-	467,713	93,543	-	-
Bonds and Eurobonds	-	-	-	-	36,421	7,284
Subordinated debt	-	-	-	-	13,417	2,685
Investments available-for-sale (related to Equity)	-	-	-	-	2,250	450
Total deductible temporary differences	**5,360,803**	**1,072,161**	**2,258,169**	**451,634**	**3,816,184**	**763,237**
Taxable temporary differences:						
Property, plant and equipment (related to Income Statement)	4,524,853	904,971	641,368	128,274	368,170	73,634
Loans to customers	2,546,427	509,285	4,195,368	839,074	694,864	138,973
Financial assets at fair value through profit or loss	1,099,870	219,974	1,650,179	330,036	3,164,561	632,912
Investments available-for-sale (related to Income Statement)	718,039	143,608	-	-	-	-
Property, plant and equipment (related to Equity)	896,164	179,233	740,410	148,082	912,958	182,592
Loans from banks	299,856	59,971	-	-	98,341	19,668
Subordinated debt	328,998	65,800	16,806	3,361	-	-
Promissory notes issued	240,266	48,053	13,428	2,686	14,124	2,825
Bonds and Eurobonds	88,858	17,772	29,853	5,971	-	-
Loans and advances to banks	21,868	4,373	63,255	12,651	17,203	3,441
Investments available-for-sale (related to Equity)	7,140	1,428	7,139	1,428	-	-
Other liabilities	-	-	51,807	10,361	-	-
Precious metals	-	-	37,059	7,410	-	-
Customer accounts	-	-	-	-	7,776	1,554
Total taxable temporary differences	**10,772,339**	**2,154,468**	**7,446,672**	**1,489,334**	**5,277,997**	**1,055,599**
Net taxable temporary differences	(5,411,536)		(5,188,503)		(1,461,813)	
Tax loss carried-forward	361,072	72,214	1,014,632	202,926	-	-
Recognized net deferred liabilities	**(5,050,464)**		**(4,173,871)**		**(1,461,813)**	
Net deferred tax liabilities at the statutory rate effective from 1 January 2009 (20%)	(1,010,093)	(1,010,093)	(834,774)	(834,774)	(292,363)	(292,363)
Deferred tax asset not recognized	(158,400)	-	(57,118)	-	(78,200)	-
Net deferred tax liabilities (after offset)	**(1,182,284)**	**-**	**(911,200)**	**-**	**(370,563)**	**-**
Net deferred tax assets (after offset) (Note 25)	**13,791**	**-**	**19,308**	**-**	-	**-**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The effective tax rate reconciliation for the years ended December 31, 2010 and 2009 is explained as follows:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Profit before income tax	9,210,604	5,539,615	4,187,984
Statutory tax rate	20%	20%	24%
Tax at the statutory tax rate	1,842,121	1,107,923	1,005,116
Tax effect due to different tax rates	(31,817)	(42,050)	(33,827)
Change in unrecognized deferred tax assets	101,282	(21,082)	15,114
Tax effect due to change in tax rates	-	-	(63,401)
Additional tax charge related to 2008	-	18,580	-
Tax loss carried-forward	(202,926)	-	-
Non-deductible costs, non-taxable income and taxable income not recognized in accounting income	76,239	215,321	34,445
Income tax expense	**1,784,899**	**1,278,692**	**957,447**

The corporate income tax expense for the years ended 31 December 2010, 2009 and 2008 comprises:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Current income tax expense	1,905,086	812,609	1,220,504
Deferred tax (income)/expense	(120,187)	466,083	(263,057)
Income tax expense	**1,784,899**	**1,278,692**	**957,447**

Movements in deferred tax liabilities for the years ended 31 December 2010, 2009 and 2008 comprise:

Deferred income tax liabilities	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Year ended 31 December 2008**
At the beginning of the period	911,200	370,563	746,156
Deferred income tax liabilities of acquired subsidiaries	390,162	87,878	-
Deferred income tax liabilities of disposed subsidiaries	-	-	(22,741)
Change in deferred income tax liabilities recorded in equity other comprehensive income	20,416	(32 632)	(89,795)
Increase / (decrease) in deferred income tax liability for the period	(139,494)	485,391	(263,057)
At the end of the period	**1,182,284**	**911,200**	**370,563**

Movement in deferred tax assets for the years ended 31 December 2010, 2009 and 2008 comprises:

Deferred income tax assets	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Year ended 31 December 2008**
At the beginning of the period	19,308	-	-
Deferred income tax assets of acquired subsidiaries at the date of acquisition	13,791	-	-
(Decrease) / increase in deferred income tax asset for the period	(19,308)	19,308	-
At the end of the period	**13,791**	**19,308**	**-**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Movement in the tax loss carried-forward for the years ended 31 December 2010, 2009 and 2008 comprises

Tax loss carried-forward	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Tax loss at the beginning of the period	1,014,632	-	-
Increase of tax loss for the period	-	1,014,632	-
Tax loss used in the current period	(653,560)	-	-
			-
Tax loss at the end of the period	**361,072**	**1,014,632**	-

There were no losses expiring in the current year. The tax loss expires in 2019.

14. EARNINGS PER SHARE

Earnings per share are presented as follows:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Earnings per share related to continuing and discontinued operations:			
Profit:			
Net profit for the year	7,425,705	4,260,923	3,487,027
Less:			
Loss on redemption of preference shares	(147,908)	-	-
Non-controlling interest	(40,885)	(7,535)	(17,488)
Net profit less non-controlling interest	7,236,912	4,253,388	3,469,539
Weighted average number of ordinary shares for basic and diluted earnings per share	82,677,403	81,984,861	78,827,985
Earnings per share from continuing and discontinued operations – basic and diluted (RUB)	**87.53**	**51.88**	**44.01**

Earnings per share related to continuing operations:

	Year ended 31 December 2010	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Profit:			
Net profit attributable to equity holders of the parent	7,236,912	4,253,388	3,469,539
Less:			
Income from discontinued operations	-	-	(256,490)
Net profit attributable to equity holders of the parent	7,236,912	4,253,388	3,213,049
Weighted average number of ordinary shares for basic and diluted earnings per share	82,677,403	81,984,861	78,827,985
Earnings per share from continuing operations – basic and diluted (RUB)	**87.53**	**51.88**	**40.76**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Earnings per share related to discontinued operations:

	Year ended 31 December 2008
Profit:	
Profit for the year from discontinued operations	256,490
Weighted average number of ordinary shares for basic and diluted earnings per share	78,827,985
Earnings per share from discontinued operations – basic and diluted (RUB)	**3.25**

15. CASH AND BALANCES WITH THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Cash and balances with the Central Bank of the Russian Federation are presented as follows:

	31 December 2010	31 December 2009	31 December 2008
Cash on hand	11,078,464	4,909,737	3,848,719
Balances with the Central Bank of the Russian Federation	29,410,287	9,165,642	7,172,654
Total cash and balances with the Central Bank of the Russian Federation	**40,488,751**	**14,075,379**	**11,021,373**

For the purpose of cash flow statement preparation cash and cash equivalents comprise of the following components:

	31 December 2010	31 December 2009	31 December 2008
Cash and balances with the Central Bank of the Russian Federation	40,488,751	14,075,379	11,021,373
Correspondent accounts with banks (Note 19)	14,771,097	13,376,922	7,298,890
Total cash and cash equivalents	**55,259,848**	**27,452,301**	**18,320,263**

16. PRECIOUS METALS

Precious metals are presented as follows:

	31 December 2010	31 December 2009	31 December 2008
Gold in vault	3,565,404	4,091,612	3,158,452
Gold in transit	623,537	211,409	-
Silver in transit	145,864	284,709	99,137
Silver in vault	192,484	22,477	46,416
Other precious metals in vault	149,215	4,888	5,418
Other precious metals in transit	-	102	45
Total precious metals	**4,676,504**	**4,615,197**	**3,309,468**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are presented as follows:

	31 December 2010	31 December 2009	31 December 2008
Financial assets held-for-trading:			
Equity securities	1,973,397	2,335,297	185,796
Debt securities	50,334,834	54,824,849	31,991,829
Total financial assets held-for-trading	**52,308,231**	**57,160,146**	**32,177,625**
First to default credit linked notes	**1,816,972**	**-**	**-**
Total derivative financial instruments (Note 18)	**1,396,837**	**506,138**	**2,772,285**
Total financial assets at fair value through profit or loss	**55,522,040**	**57,666,284**	**34,949,910**

Financial assets held-for-trading comprise:

	Interest rate to nominal	31 December 2010	Interest rate to nominal	31 December 2009	Interest rate to nominal	31 December 2008
Bonds and Eurobonds issued by banks	4.25-12.0%	21,454,634	1.48-17.5%	17,257,972	7.1-12.5%	14,096,048
Corporate bonds and Eurobonds	5.09-18.5%	13,596,140	6.13-19.0%	22,547,339	7.5-16.0%	7,269,512
Promissory notes	-	7,038,015	-	-	-	-
RF Government Eurobonds	7.5%	5,299,899	7.5 %	1,605,589	12.75%	6,426,520
Municipal bonds	8.0-19.1%	2,893,865	7.25-16.0%	3,269,567	7.8-14%	2,746,909
Corporate shares	-	1,973,397	-	2,335,297	-	185,796
OFZ bonds	6.90-7.0%	52,281	6.10-13.0%	10,144,382	6.1-10.0%	1,452,840
Total financial assets held-for-trading		**52,308,231**		**57,160,146**		**32,177,625**

Bonds and Eurobonds issued by banks represent bonds and Eurobonds issued by Russian banks. As at 31 December 2010, 2009 and 2008 the bonds issued by banks have maturities from January 2011 to June 2035, January 2010 to November 2019 and from July 2009 to June 2018, respectively. As at 31 December 2010, 2009 and 2008 these securities amounting to RUB 4,004,710 thousand, RUB 839,885 thousand and RUB 3,762,790 thousand respectively, were pledged as security under overdraft and overnight credit agreements with the Central Bank of the Russian Federation. As at 31 December 2010, 2009 and 2008 the facilities were not used. As at 31 December 2008 bonds issued by banks totalling RUB 1,495,371 thousand were pledged under repurchase agreements with other banks (see Note 26).

Corporate bonds and Eurobonds are issued by Russian companies. As at 31 December 2010, 2009 and 2008 corporate bonds held by the Group have maturities from March 2011 to June 2035, February 2010 to February 2020 and January 2009 to November 2018. As at 31 December 2010 and 2009 these securities amounting to RUB 914,369 thousand and RUB 1,623,007 thousand, respectively, were pledged as security under overdraft and overnight credit agreements with Central Bank of Russian Federation. As at 31 December 2010 and 2009 the facilities were not used. As at 31 December 2009 and 2008 corporate bonds totalling RUB 855,653 thousand and RUB 1,063,873 thousand were pledged under repurchase agreements with other banks (see Note 24). As at 31 December 2008 corporate bonds totalling RUB 870,074 thousand were pledged under repurchase agreements with customers (see Note 27).

Promissory notes purchased represented by promissory notes issued by Russian banks. As 31 December 2010 the promissory notes purchased held by the Group have maturities from April 2011 to October 2011.

RF Government Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. As at 31 December 2010 and 2009 the Group portfolio consisted of 1 tranche maturing at March 2030. As at 31 December 2008 the Group portfolio consisted of 1 tranche maturing at June 2028. The interest on these bonds is payable semi-annually. As at 31 December 2010 and 31 December 2008 RF Government Eurobonds with fair value totalling RUB 927,283 thousand and RUB 5,209,734 thousand, respectively, were pledged under repurchase agreements with banks (see Note 26).

Municipal bonds are bonds issued by local authorities of the Russian Federation. As at 31 December 2010, 2009 and 2008 municipal bonds held by the Group have maturities from April 2011 to October 2015, from March 2010 to July 2014 and April 2009 to April 2014. As at 31 December 2010 and 2009 these securities amounting to RUB 157,596 thousand and RUB 1,150,615 thousand, respectively, were pledged as security under overdraft and overnight credit agreements with the Central Bank of the Russian Federation. As at 31 December 2010 and 2009 the facilities were not used.

Corporate shares are mainly represented by shares of Russian companies. As at 31 December 2010 corporate shares totalling RUB 2,200,857 thousand were pledged under repurchase agreements with banks (see Note 26). As at 31 December 2010 and 2009 corporate shares totalling RUB 1,786,205 thousand and RUB 1,139,083 thousand, respectively, were pledged under repurchase agreements with customers (see Note 27).

Russian State Bonds (OFZ bonds) are Rouble-denominated government securities issued at discount to face value and guaranteed by the Ministry of Finance of the Russian Federation. As at 31 December 2010, 2009 and 2008 OFZ bonds held by the Group have maturity ranging from October 2018 to February 2036, January 2010 to February 2036 and January 2010 to October 2018. As at 31 December 2009 and 31 December 2008 these securities amounting to RUB 623,289 thousand and RUB 286,525 thousand were pledged as security under overdraft and overnight credit agreements with the Central Bank of the Russian Federation, respectively. As at 31 December 2009 and 2008 the facilities were not used. As at 31 December 2009 OFZ bonds totalling RUB 535,736 thousand were pledged under repurchase agreements with banks (see Note 26).

Following the adopted amendments to IAS 39 and IFRS 7 the management of the Bank has made the decision dated 31 October 2008 to reclassify certain debt securities from financial assets at fair value through profit or loss to investments held to maturity starting from 1 July 2008. The reclassified securities amounted to RUB 2,054,190 thousand at the date of reclassification. If the reclassification had not been made, the Group's income statement for the periods ended 31 December 2010, 2009 and 2008 would have included unrealized fair value losses on the reclassified debt securities of RUB 721,952 thousand, RUB 571,358 and RUB 668,085 thousand respectively.

First to default credit-linked notes are USD denominated floating coupon notes issued by major international financial institutions, repayment of which is dependent on certain corporate bonds being repaid by their issuers in full (the "reference bonds"). In case of default of any of the reference bonds, the major international financial institutions have the right to transfer to the Group defaulted bonds with a nominal amount equal to the nominal amount of first to default credit-linked notes held by the Group without any further payments to the Group for these notes.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

As at 31 December 2010 first to default credit-linked notes were as follows:

Nominal amount and margin calls: Nominal currency	Rouble equivalent	Maturity date	Coupon rate	Reference bonds	31 December 2010 Carrying amount
USD 20 million	609,538	March 20, 2011	LIBOR+ 12.75% per annum	OAO Bank VTB OAO Vympelkom OAO Severstal	676,655
USD 20 million	609,538	December 20, 2011	6 month LIBOR+ 6.6% per annum	OAO Gazprom OAO Severstal OAO Evrazholding OAO Mobile Telecommunication Systems OAO Vympelkom	574,913
USD 10 million	304,769	November 20, 2012	LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	278,964
USD 10 million	304,769	December 20, 2011	6 month LIBOR+ 9.25% per annum	AK Alrosa OAO TNK-BP OAO Severstal OAO Alfa-Bank OAO Vympelkom	286,440
					1,816,972

18. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are presented as follows:

The following table provides information on derivative financial instruments as at 31 December 2010:

	31 December 2010		
	Nominal amount	Fair value: Asset	Fair value: Liability
Derivative financial instruments:			
Foreign currency contracts			
Forwards	(182,151,659)	1,172,987	(750,517)
Options	-	34,684	(34,684)
Precious metals contracts			
Forwards	(6,615,722)	57,708	(12,727)
Dealing security contracts			
Forwards	(154,827)	1,374	-
Futures contracts	-	9,954	-
Other derivative instruments			
Swaps	-	120,130	(207,143)
Total derivative financial instruments		**1,396,837**	**(1,005,071)**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following table provides information on derivative financial instruments as at 31 December 2009:

	31 December 2009		
	Nominal amount	Fair value Asset	Fair value Liability
Derivative financial instruments:			
Foreign currency contracts			
Forwards	(34,537,875)	469,578	(411,127)
Options	-	9,690	(2,746)
Precious metals contracts			
Forwards	(7,028,319)	26,870	(29,435)
Other derivative instruments			
Swaps	-	-	(60,569)
Total derivative financial instruments		**506,138**	**(503,877)**

The following table provides information on derivative financial instruments as at 31 December 2008:

	31 December 2008		
	Nominal amount	Fair value Asset	Fair value Liability
Derivative financial instruments:			
Foreign currency contracts			
Forwards	(71,635,385)	2,715,881	(2,652,364)
Precious metals contracts			
Forwards	(3,953,866)	56,404	(35,686)
Total derivative financial instruments		**2,772,285**	**(2,688,050)**

Forwards and futures

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The Group has credit exposure to the counterparties of forward contracts. Forward contracts also result in market risk exposure.

Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honoured.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually net, with the difference being paid by one party to the other.

Interest rate swaps are used for interest rate risks management and presented as the exchange of interest payments for nominal amount, amortized during the time and nominated in RUB, EUR and USD. The Group uses interest rate swaps for exchange of fixed interest rate for floating interest rate and vice versa. The floating interest rate is tied to basic interest rate LIBOR on the different terms basis.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in the over-the-counter markets.

Options purchased by the bank provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

19. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions comprise:

	31 December 2010	31 December 2009	31 December 2008
Loans to banks	24,546,449	13,137,317	9,486,501
Correspondent accounts with banks	14,771,097	13,376,922	7,298,890
Loans under reverse repurchase agreements	2,259,952	300,499	5,486,387
Total loans and advances to banks and other financial institutions	**41,577,498**	**26,814,738**	**22,271,778**

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2010, 2009 and 2008 are presented as follows:

	31 December 2010		31 December 2009		31 December 2008	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
OFZ bonds	1,176,117	1,274,640	101,647	113,145	105,369	153,961
Bonds issued by banks	345,060	420,716	-	-	-	-
Bonds of Russian companies	333,335	409,248	147,200	199,498	2,008,332	2,064,985
Corporate shares	305,429	491,820	-	-	-	-
Municipal bonds	100,011	117,609	51,652	51,502	-	-
RF Government Eurobonds	-	-	-	-	3,372,686	3,511,065
Total	**2,259,952**	**2,714,033**	**300,499**	**364,145**	**5,486,387**	**5,730,011**

As at 31 December 2010, 2009 and 2008 included in loans and advances to banks and other financial institutions are guarantee deposits placed by the Group for its operations with the plastic cards in the amount of RUB 550,882 thousand, RUB 178,614 thousand and RUB 146,335 thousand, respectively.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

20. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2010	31 December 2009	31 December 2008
Loans to legal entities			
Corporate loans	251,460,707	138,827,700	172,162,326
Loans under reverse repurchase agreements	43,470,872	17,381,357	2,131,331
Small business loans to corporates	19,973,372	6,761,223	7,786,570
Net investments in finance lease	2,144,927	1,046,176	-
Lease contracts to individual entrepreneurs	138,997	-	-
Total loans to legal entities	**317,188,875**	**164,016,456**	**182,080,227**
Loans to individuals			
Mortgage loans	21,979,249	10,130,067	11,216,692
Consumer loans	13,194,382	4,234,655	4,481,866
Car loans	2,201,590	825,514	1,118,838
Loans to individual entrepreneurs	265,394	-	-
Other	30,116	470,000	520,000
Total loans to individuals	**37,670,731**	**15,660,236**	**17,337,396**
Gross loans to customers	**354,859,606**	**179,676,692**	**199,417,623**
Less – Allowance for impairment losses	(15,557,694)	(17,026,959)	(11,696,307)
Total loans to customers	**339,301,912**	**162,649,733**	**187,721,316**

The credit quality of loans to customers can be defined based on the Group internal credit quality assessment system which reflects the probability of default of an obligor, i.e. the likelihood that counterparty fails to pay interest, principal and other financial obligations to the Group.

As at 31 December 2010, 2009 and 2008 interest income on impaired loans to customers, including loans impaired collectively, amounted to RUB 15,179,152 thousand, RUB 17,616,106 thousand and RUB 13,829,019 thousand, respectively.

As at 31 December 2010, 2009 and 2008 interest income on collectively impaired loans to customers, amounted to RUB 9,712,074 thousand, RUB 11,138,687 thousand and RUB 5,806,162 thousand, respectively.

The Group has an internal classification of the loans without the individual indicators of impairment. The loans are classified as:

- Standard loans, representing loans without any indicators of impairment and thus representing the best level of credit quality;
- Watch list loans, representing loans with some minor indicators of deterioration in credit quality not yet resulting in the impairment of the loan. Such indicators may include minor breaches of loan covenants, some factors of deterioration of financial position of the borrower etc., not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 31 December 2010:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	269,454,614	5,114,591	264,340,023	1.90%
- watch list loans	13,723,032	478,865	13,244,167	3.49%
Total loans without individual indicators of impairment	283,177,646	5,593,456	277,584,190	1.98%
Loans with individual indicators of impairment:				
- not past due	4,426,941	1,549,996	2,876,945	35.01%
- overdue less than 90 days	2,565,381	889,055	1,676,326	34.66%
- overdue more than 90 days and less than 1 year	1,769,022	1,410,194	358,828	79.72%
- overdue more than 1 year	5,137,516	3,993,697	1,143,819	77.74%
Total loans with individual indicators of impairment	13,898,860	7,842,942	6,055,918	56.43%
Total corporate loans	**297,076,506**	**13,436,398**	**283,640,108**	**4.52%**
Small business loans to corporates				
Loans without individual indicators of impairment:				
- standard loans not overdue	18,161,278	230,102	17,931,176	1.27%
- watch list loans	759,973	18,583	741,390	2.45%
Total loans without individual indicators of impairment	18,921,251	248,685	18,672,566	1.31%
Loans with individual indicators of impairment:				
- not past due	329,260	167,308	161,952	50.81%
- overdue less than 90 days	68,896	51,591	17,305	74.88%
- overdue more than 90 days and less than 1 year	107,387	103,420	3,967	96.31%
- overdue more than 1 year	685,575	677,336	8,239	98.80%
Total loans with individual indicators of impairment	1,191,118	999,655	191,463	83.93%
Total small business loans to corporates	**20,112,369**	**1,248,340**	**18,864,029**	**6.21%**
Total loans to legal entities	**317,188,875**	**14,684,738**	**302,504,137**	**4.63%**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 31 December 2009:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	133,821,123	4,887,222	128,933,901	3.65%
- watch list loans	11,064,578	692,908	10,371,670	6.26%
Total loans without individual indicators of impairment	144,885,701	5,580,130	139,305,571	3.85%
Loans with individual indicators of impairment:				
- not past due	2,445,137	1,317,440	1,127,697	53.88%
- overdue less than 90 days	408,896	243,100	165,796	59.45%
- overdue more than 90 days and less than 1 year	8,407,737	6,453,464	1,954,273	76.76%
- overdue more than 1 year	1,107,762	1,070,957	36,805	96.68%
Total loans with individual indicators of impairment	12,369,532	9,084,961	3,284,571	73.45%
Total corporate loans	**157,255,233**	**14,665,091**	**142,590,142**	**9.33%**
Small business loans to corporates				
Loans without individual indicators of impairment:				
- standard loans not overdue	4,921,778	119,817	4,801,961	2.43%
- watch list loans	432,204	9,489	422,715	2.20%
Total loans without individual indicators of impairment	5,353,982	129,306	5,224,676	2.42%
Loans with individual indicators of impairment:				
- not past due	313,806	207,528	106,278	66.13%
- overdue less than 90 days	142,968	140,145	2,823	98.03%
- overdue more than 90 days and less than 1 year	758,404	758,404	-	100.00%
- overdue more than 1 year	192,063	192,063	-	100.00%
Total loans with individual indicators of impairment	1,407,241	1,298,140	109,101	92.25%
Total small business loans to corporates	**6,761,223**	**1,427,446**	**5,333,777**	**21.11%**
Total loans to legal entities	**164,016,456**	**16,092,537**	**147,923,919**	**9.81%**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 31 December 2008:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	156,845,408	6,116,569	150,728,839	3.90%
- watch list loans	7,744,633	475,715	7,268,918	6.14%
Total loans without individual indicators of impairment	164,590,041	6,592,284	157,997,757	4.01%
Loans with individual indicators of impairment:				
- not past due	6,023,074	1,883,622	4,139,452	31.27%
- overdue less than 90 days	660,251	442,988	217,263	67.09%
- overdue more than 90 days and less than 1 year	2,908,710	1,625,799	1,282,911	55.89%
- overdue more than 1 year	111,581	104,072	7,509	93.27%
Total loans with individual indicators of impairment	9,703,616	4,056,481	5,647,135	41.80%
Total corporate loans	**174,293,657**	**10,648,765**	**163,644,892**	**6.11%**
Small business loans to corporates				
Loans without individual indicators of impairment:				
- standard loans not overdue	7,306,144	340,356	6,965,788	4.66%
- watch list loans	363,386	35,031	328,355	9.64%
Total loans without individual indicators of impairment	7,669,530	375,387	7,294,143	4.89%
Loans with individual indicators of impairment:				
- not past due	-	-	-	0.00%
- overdue less than 90 days	2,235	2,235	-	100.00%
- overdue more than 90 days and less than 1 year	61,256	61,256	-	100.00%
- overdue more than 1 year	53,549	53,549	-	100.00%
Total loans with individual indicators of impairment	117,040	117,040	-	100.00%
Total small business loans to corporates	**7,786,570**	**492,427**	**7,294,143**	**6.32%**
Total loans to legal entities	**182,080,227**	**11,141,192**	**170,939,035**	**6.12%**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following table provides information on loans to individuals as at 31 December 2010:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Mortgage Loans				
- Not past due	20,968,152	45,304	20,922,848	0.22%
- Overdue less than 30 days	94,999	223	94,776	0.23%
- Overdue 30-90 days	147,060	28,750	118,310	19.55%
- Overdue 91-180 days	83,236	38,314	44,922	46.03%
- Overdue 181-365 days	191,867	190,892	975	99.49%
- Overdue more than 365 days	493,935	493,935	-	100.00%
Total mortgage loans	**21,979,249**	**797,418**	**21,181,831**	**3.63%**
Consumer Loans				
- Not past due	12,987,984	24,461	12,963,523	0.19%
- Overdue less than 30 days	104,421	862	103,559	0.83%
- Overdue 30-90 days	50,472	2,437	48,035	4.83%
- Overdue 91-180 days	48,922	33,152	15,770	67.77%
- Overdue 181-365 days	2,583	1	2,582	0.04%
- Overdue more than 365 days	-	-	-	0.00%
Total consumer loans	**13,194,382**	**60,913**	**13,133,469**	**0.46%**
Car Loans				
- Not past due	2,124,829	2,507	2,122,322	0.12%
- Overdue less than 30 days	34,068	826	33,242	2.42%
- Overdue 30-90 days	28,730	3,132	25,598	10.90%
- Overdue 91-180 days	13,666	7,500	6,166	54.88%
- Overdue 181-365 days	297	-	297	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total car loans	**2,201,590**	**13,965**	**2,187,625**	**0.63%**
Loans to individual entrepreneurs				
- Not past due	265,394	660	264,734	0.25%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total loans to individual entrepreneurs	**265,394**	**660**	**264,734**	**0.25%**
Other				
- Not past due	30,116	-	30,116	0.00%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total other loans to individuals	**30,116**	**-**	**30,116**	**0.00%**
Total loans to individuals	**37,670,731**	**872,956**	**36,797,775**	**2.32%**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following table provides information on loans to individuals as at 31 December 2009:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Mortgage Loans				
- Not past due	9,739,203	395,487	9,343,716	4.06%
- Overdue less than 30 days	10,496	2,136	8,360	20.35%
- Overdue 30-90 days	25,056	6,839	18,217	27.29%
- Overdue 91-180 days	1,620	501	1,119	30.92%
- Overdue 181-365 days	59,777	22,187	37,590	37.12%
- Overdue more than 365 days	293,915	84,471	209,444	28.74%
Total mortgage loans	**10,130,067**	**511,621**	**9,618,446**	**5.05%**
Consumer Loans				
- Not past due	3,953,131	180,886	3,772,245	4.58%
- Overdue less than 30 days	51,457	20,523	30,934	39.88%
- Overdue 30-90 days	9,121	2,181	6,940	23.91%
- Overdue 91-180 days	14,270	4,415	9,855	30.94%
- Overdue 181-365 days	80,900	35,825	45,075	44.28%
- Overdue more than 365 days	125,776	50,735	75,041	40.34%
Total consumer loans	**4,234,655**	**294,565**	**3,940,090**	**6.96%**
Car Loans				
- Not past due	748,666	98,846	649,820	13.20%
- Overdue less than 30 days	712	82	630	11.51%
- Overdue 30-90 days	1,298	223	1,075	17.15%
- Overdue 91-180 days	3,917	534	3,383	13.63%
- Overdue 181-365 days	23,810	8,356	15,454	35.09%
- Overdue more than 365 days	47,111	17,674	29,437	37.51%
Total car loans	**825,514**	**125,715**	**699,799**	**15.23%**
Other				
- Not past due	470,000	2,521	467,479	0.54%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total other loans to individuals	**470,000**	**2,521**	**467,479**	**0.54%**
Total loans to individuals	**15,660,236**	**934,422**	**14,725,814**	**5.97%**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following table provides information on loans to individuals as at 31 December 2008:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Mortgage Loans				
- Not past due	11,207,842	357,186	10,850,656	3.19%
- Overdue less than 30 days	1,020	33	987	3.24%
- Overdue 30-90 days	4,884	159	4,725	3.25%
- Overdue 91-180 days	169	6	163	3.55%
- Overdue 181-365 days	2,777	91	2,686	3.28%
- Overdue more than 365 days	-	-	-	0.00%
Total mortgage loans	**11,216,692**	**357,475**	**10,859,217**	**3.19%**
Consumer Loans				
- Not past due	4,408,114	139,438	4,268,676	3.16%
- Overdue less than 30 days	32,338	1,052	31,286	3.25%
- Overdue 30-90 days	32,399	1,054	31,345	3.25%
- Overdue 91-180 days	621	8	613	1.29%
- Overdue 181-365 days	2,707	38	2,669	1.40%
- Overdue more than 365 days	5,687	114	5,573	2.0%
Total consumer loans	**4,481,866**	**141,704**	**4,340,162**	**3.17%**
Car Loans				
- Not past due	1,105,127	38,600	1,066,527	3.49%
- Overdue less than 30 days	652	19	633	2.91%
- Overdue 30-90 days	10,586	342	10,244	3.23%
- Overdue 91-180 days	1,073	14	1,059	1.31%
- Overdue 181-365 days	1,175	16	1,159	1.36%
- Overdue more than 365 days	225	3	222	1.33%
Total car loans	**1,118,838**	**38,994**	**1,079,844**	**3.49%**
Other				
- Not past due	520,000	16,942	503,058	3,30%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total other loans to individuals	**520,000**	**16,942**	**503,058**	**3.30%**
Total loans to individuals	**17,337,396**	**555,115**	**16,782,281**	**3.20%**

Movements in allowances for impairment losses for the years ended 31 December 2010, 2009 and 2008 were as follows.

	For the years ended 31 December		
	2010	**2009**	**2008**
As of 1 January	**17,026,959**	**11,696,307**	**6,635,240**
Provision charge/release	3,703,034	11,548,899	5,090,075
Disposal of loans	(3,287,075)	(4,998,424)	-
Bad debt written-off	(1,885,224)	(3,370,648)	(6,793)
Acquisition/(disposal) of subsidiaries	-	2,150,825	(22,215)
As of 31 December	**15,557,694**	**17,026,959**	**11,696,307**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Loans are made principally within Russia in the following industry sectors:

	31 December 2010	31 December 2009	31 December 2008
Analysis by industry sector:			
Industrial manufacturing	52,555,857	21,070,617	36,582,494
Investment and asset management companies	51,014,173	23,797,059	13,693,064
Brokerage and dealing in securities	42,788,580	17,281,322	2,131,331
Wholesale trade	40,947,274	21,725,764	39,148,105
Individuals	37,670,731	15,660,236	17,337,396
Leasing	17,889,008	19,312,509	16,141,383
Services	16,451,291	3,430,750	4,823,013
Construction of industrial real estate	15,163,485	5,175,997	12,462,880
Housing construction	14,193,633	13,682,015	8,914,460
Retail trade	12,527,909	13,197,899	14,928,380
Construction of commercial real estate	11,495,086	4,687,061	3,070,242
Operations with real estate	9,847,203	9,687,295	11,451,880
Transport and communication	9,481,513	3,045,392	4,478,836
Energy	3,852,621	2,050,267	3,854,250
Agriculture	3,230,338	330,596	2,257,383
Government finance	1,987,041	-	-
Precious metals extraction	1,010,815	1,799,849	6,453,339
Other	12,753,048	3,742,064	1,689,187
Gross loans to customers	**354,859,606**	**179,676,692**	**199,417,623**
Less – Allowance for impairment losses	(15,557,694)	(17,026,959)	(11,696,307)
Total loans to customers	**339,301,912**	**162,649,733**	**187,721,316**

Impaired loans were collaterised by pledge of property, contract proceeds and securities amounting to RUB 218,602,665 thousand, RUB 103,079,485 thousand and RUB 108,177,989 thousand as at 31 December 2010, 2009 and 2008 respectively.

The table below summarizes the amount of loans to corporate customers secured by collateral, rather than the fair value of the collateral itself:

	31 December 2010	31 December 2009	31 December 2008
Loans collateralized by guarantees of enterprises and banks	95,021,473	31,781,947	39,065,814
Loans collateralized by pledge of securities	66,212,185	29,332,370	14,664,848
Loans collateralized by pledge of real estate	50,660,459	35,328,779	46,327,616
Loans collateralized by pledge of contract proceeds	30,327,481	6,937,571	16,197,584
Loans collateralized by pledge of property	21,120,562	22,460,061	27,292,019
Loans collateralized by pledge of the Bank's own securities	101,598	3,118,602	6,360,881
Loans collateralized by pledge of rights to purchase precious metals	-	239,943	914,652
Unsecured loans	53,745,117	34,817,183	31,256,813
Gross loans to corporate customers	**317,188,875**	**164,016,456**	**182,080,227**
Less – Allowance for impairment losses	(14,684,738)	(16,092,537)	(11,141,192)
Total loans to corporate customers	**302,504,137**	**147,923,919**	**170,939,035**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The table below summarizes the amount of loans to individuals secured by collateral, rather than the fair value of the collateral itself:

	31 December 2010	31 December 2009	31 December 2008
Loans collateralized by pledge of real estate	18,381,851	9,649,935	9,398,202
Loans collateralized by guarantees of enterprises	10,269,916	2,417,521	3,813,229
Loans collateralized by pledge of vehicles and other property	2,074,665	909,929	1,259,985
Loans collateralized by pledge of securities	1,586,885	315,000	525,018
Loans collateralized by pledge of contract proceeds	471,082	967,689	1,625,623
Loans collateralized by pledge of the Bank's own securities	5,506	159,711	7,567
Unsecured loans	4,880,826	1,240,451	707,772
Gross loans to individuals	**37,670,731**	**15,660,236**	**17,337,396**
Less – Allowance for impairment losses	(872,956)	(934,422)	(555,115)
Total loans to individuals	**36,797,775**	**14,725,814**	**16,782,281**

As at 31 December 2010 and 2009 the Group had property with carrying amount of RUB 219,198 thousand and RUB 95,551 thousand, respectively received by taking possession of collateral it held as security for loans to customers. This property is disclosed in Note 25.

As at 31 December 2010, 2009 and 2008 the Group granted loans to seven, eight and two borrowers totaling to RUB 59,010,895 thousand, RUB 44,563,447 thousand and RUB 7,792,068 thousand, respectively, which exposure individually exceeded 10% of the Group's equity. Borrowers, individually exceeding 10% of the Group equity have good credit history and the loans provided to them are in good book.

As at 31 December 2010 seven largest borrowers were classified to the corporate standard loans credit quality category in the amount of RUB 59,010,895 thousand. As at 31 December 2009 eight largest borrowers were classified to the corporate standard loans credit quality category in the amount of RUB 44,563,447 thousand. As at 31 December 2008 two largest borrowers were classified to the corporate standard loans credit quality category in the amount of RUB 7,792,068 thousand.

As at 31 December 2010, 2009 and 2008 renegotiated loans were amounted to RUB 5,512,046 thousand, RUB 3,838,879 thousand and RUB 762,292 thousand respectively, which would be past due or impaired if not renegotiated. Renegotiated loans are mainly involved extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

As at 31 December 2010, 2009 and 2008 the loans under reverse repurchase agreements to customers have contractual maturities from January 2011 to December 2011, October 2010 to December 2010 and from December 2009 to January 2009, respectively.

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 31 December 2010, 2009 and 2008 are presented as follows:

	31 December 2010		31 December 2009		31 December 2008	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Shares of Russian companies	33,786,577	42,380,957	12,683,197	14,244,039	-	-
Bonds of Russian banks	7,045,099	7,618,678	3,194,223	3,452,951	1,239,908	1,267,102
Corporate Eurobonds	842,229	832,493	-	-	-	-
Promissory notes	832,332	840,130	-	-	-	-
Bonds of Russian companies	792,740	999,628	526,291	575,475	369,872	442,881
Eurobonds of banks	171,895	172,614				
Municipal bonds	-	-	977,646	1,154,378	521,551	615,317
Total	**43,470,872**	**52,844,500**	**17,381,357**	**19,426,843**	**2,131,331**	**2,325,300**

The components of net investment in finance lease as at 31 December 2010, 2009 and 2008 are as follows:

	31 December 2010	31 December 2009	31 December 2008
Less than one year	1,181,187	302,656	-
From one year to five years	1,914,453	1,138,510	-
More than five years	22,265	-	-
Minimum lease payments	3,117,905	1,441,166	-
Less: unearned finance income	(833,981)	(394,990)	-
Net investment in finance lease	**2,283,924**	**1,046,176**	**-**
Current portion	803,735	188,386	-
Long-term portion	1,480,189	857,790	-
Net investment in finance lease	**2,283,924**	**1,046,176**	**-**

As at 31 December 2010 and 2009 the Group provided loans to customers in the amount of RUB thousand 6,450,938 and RUB 5,171,171 thousand which were secured by deposits made by the Deposit Insurance Agency ("DIA") the amount of RUB 6,363,179 thousand and RUB 6,465,574 thousand, respectively (see Note 27).

During the years ended 31 December 2010 and 2009 the Bank sold certain loans to third parties at a discount to nominal value with no recourse and without any service obligations associated with the loans.

Net gain / (loss) on disposal of loans is represented by:

	Year ended 31 December 2010	Year ended 31 December 2009
Fair value of the consideration received	8,922,217	6,109,759
Carrying amount net of provisions	(7,726,372)	(6,281,658)
Net gain/(loss) on disposal of loans	**1,195,845**	**(171,899)**

21. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	Interest rate to nominal	31 December 2010	Interest rate to nominal	31 December 2009	Interest rate to nominal	31 December 2008
Promissory notes of credit institutions	11.3-12.0%	10,902,634	-	-	-	-
Units of investment funds	-	5,235,056	-	-	-	-
Corporate bonds and Eurobonds	5.9-13.5%	4,725,143	10.7-17%	116,654	-	-
RF Government Eurobonds	7.5%	1,215,060	-	-	-	-
Promissory notes of companies	8.0%	1,171,076				
Bonds of foreign countries	8.8%	856,152	-	-	-	-
Bonds and Eurobonds issued by banks	7.5-14.9%	858,833	-	-	-	-
Corporate shares	-	417,285	-	57,153	-	59,535
OFZ bonds	6.9-8.0%	209,059				
Municipal bonds	8.0%	151,369	-	-	-	-
Municipal Eurobonds	6.5%	21,030				
Share participation in limited liability companies	-	597	-	-	-	31,545
Total investments available-for-sale		**25,763,294**		**173,807**		**91,080**

Promissory notes of credit institutions include interest-bearing and discount-bearing securities of large Russian banks with maturities from January 2011 to December 2011.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Units of investment funds included in financial assets available-for-sale as at 31 December 2010 are presented below:

	31 December 2010
ZPIF Rusnedra	5,226,364
OPIF of shares “Troika-Dialog – Dobrynya Nikitich”	8,692
Total units of investment funds	**5,235,056**

Closed unit investment fund of private equity investments ZPIF Rusnedra is managed by OOO Managing Company Fleming Family & Partners and created with the purpose of investing into shares (units) of companies engaged in the production and exploration and holding oil and gas production licenses.

Corporate bonds and Eurobonds include bonds of Russian companies. As at 31 December 2010 and 2009 contractual maturities of corporate bonds held by the Group were from June 2011 to December 2036. As at 31 December 2010 corporate bonds with a carrying amount of RUB 3,658,720 thousand, were pledged under repurchase agreements with banks (see Note 26).

RF Government Eurobonds are bonds nominated in foreign currency with maturity in March 2030. As at 31 December 2010 include Eurobonds of the Russian Federation with a carrying amount of RUB 1,215,060 thousand were pledged under repurchase agreements with banks (see Note 26).

Promissory notes of companies include interest-bearing securities of large Russian companies with maturities from June 2011 to May 2015.

Bonds of foreign countries include bonds of the Republic of Belarus with maturity in August 2015. As at 31 December 2010 bonds totalling RUB 646,152 thousand were pledged under repurchase agreements with banks (see Note 26).

As at 31 December 2010 bonds and Eurobonds issued by banks include bonds of Russian banks and the Republic of Kazakhstan with maturities from October 2011 to October 2016, of which RUB 216,805 thousand were pledged under repurchase agreements (Note 26).

Corporate shares include quoted shares of Russian companies and other investments in unquoted equity instruments.

As at 31 December 2010 OFZ bonds are government securities issued by the Russian Ministry of Finance denominated in the currency of the RF and maturities from November 2021 to February 2036.

Municipal bonds of the Russian Federation include bonds of the Moscow Region Government with maturity in April 2014.

Municipal Eurobonds include bonds of the Moscow Region Government nominated in foreign currency with maturity in October 2011.

For the years ended 31 December 2010, 2009 and 2008 impairment loss on investments available-for-sale amounting to RUB 2,309 thousand, RUB 115,738 thousand and RUB 1,803 thousand, respectively, was recognised.

Pursuant to the amendments to IAS 39 and IFRS 7 on 1 July 2008, the Management of BKM Group reclassified certain trading securities to investments available-for-sale. 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 those trading 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.

Under IAS 39 as amended, the reclassifications of securities were made with effect from 1 July 2008 at fair value at that date.

The table below sets out the trading securities reclassified and their carrying and fair values.

	31 December 31 2010	
	Carrying value	Fair value
Trading securities reclassified to investments available-for-sale	494,546	494,546

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

22. INVESTMENTS HELD TO MATURITY

Investments held to maturity are presented as follows:

	Interest rate to nominal	31 December 2010	Interest rate to nominal	31 December 2009	Interest rate to nominal	31 December 2008
Corporate bonds	7.75-17.0%	1,311,245	7.8-14.5%	1,295,171	7.8-14.5%	3,170,543
Municipal bonds	9.0%	644,812	9.0%	726,334	9.0%	807,839
OFZ bonds	6.9%	25,012	10.0%	24,954	10.0%	22,099
Total investments held to maturity before allowance for impairment losses		**1,981,069**		**2,046,459**		**4,000,481**
Less – Allowance for impairment losses		(1,129,362)		(683,941)		(184,758)
Total investments held to maturity		**851,707**		**1,362,518**		**3,815,723**

Following the adopted amendments to IAS 39 and IFRS 7 the management of the Bank has made the decision dated 31 October 2008 to reclassify certain debt securities from financial assets at fair value through profit or loss to investments held to maturity starting from the first of July 2008. The reclassified securities amounted to RUB 2,054,190 thousand at the date of reclassification. If the reclassification had not been made, the Group's income statement for the periods ended 31 December 2010, 2009 and 2008 would have included unrealized fair value losses on the reclassified debt securities of RUB 721,952 thousand, RUB 571,358 thousand and RUB 668,085 thousand respectively.

As at 31 December 2010, 2009 and 2008 interest income on impaired investments held to maturity, amounted to RUB 47,334 thousand, RUB 318,281 thousand and RUB 114,730 thousand, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2010, 2009 and 2008 were as follows.

	For the years ended 31 December		
	2010	**2009**	**2008**
As of 1 January	**683,941**	**184,758**	**-**
Provision charge/release	445,421	499,183	184,758
As of 31 December	**1,129,362**	**683,941**	**184,758**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

23. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise:

	Land	Buildings and construc-tions	Furniture and equipment	Other	Fixed assets purchased for transfer to lease	Total
At initial/indexed/revalued cost						
31 December 2007	**6,031**	**2,133,393**	**803,630**	**406,255**	**1,511,467**	**4,860,776**
Acquisition of subsidiaries	-	134,177	-	281	-	134,458
Revaluation recorded in equity to the extent of availability	-	(141,219)	-	-	-	(141,219)
Impairment losses recorded in income statement	-	(78,422)	-	-	-	(78,422)
Movement in cost related to revaluation	-	(14,132)	-	-	-	(14,132)
Additions	26,006	2,161,267	279,191	326,381	1,297,498	4,090,343
Disposals	-	-	(47,003)	(105,845)	(1,630,420)	(1,783,268)
Disposals of subsidiaries	-	-	(10,609)	(542)	(1,178,545)	(1,189,696)
31 December 2008	**32,037**	**4,195,064**	**1,025,209**	**626,530**	**-**	**5,878,840**
Acquisition of subsidiaries	124,921	491,287	156,859	44,451	-	817,518
Revaluation recorded in equity to the extent of availability	65,134	(237,682)	-	-	-	(172,548)
Impairment losses recorded in income statement	(1,772)	(984,891)	-	-	-	(986,663)
Movement in cost related to revaluation	-	(209,404)	-	-	-	(209,404)
Transfer from other assets	-	1,178,498	-	-	-	1,178,498
Additions	3,415	169,242	333,253	127,553	-	633,463
Disposals	(7)	(28,330)	(45,599)	(135,263)	-	(209,199)
31 December 2009	**223,728**	**4,573,784**	**1,469,722**	**663,271**	**-**	**6,930,505**
Acquisition of subsidiaries	172,134	3,933,057	579,716	444,196		5,129,103
Revaluation recorded in equity to the extent of availability	17,967	84,115	-	-		102,082
Impairment losses recorded in income statement	(57,912)	(58,061)	-	-		(115,973)
Movement in cost related to revaluation	-	(104,520)	-	-		(104,520)
Additions	9,681	130,855	159,910	148,674		449,120
Disposals	-	(23,880)	(53,652)	(75,801)		(153,333)
31 December 2010	**365,598**	**8,535,350**	**2,155,696**	**1,180,340**		**12,236,984**
Accumulated depreciation						
31 December 2007	**-**	**37,547**	**337,496**	**131,777**	**-**	**506,820**
Acquisition of subsidiaries	-	295	-	9	-	304
Movement in cost related to revaluation	-	(14,132)	-	-	-	(14,132)
Charge for the period	-	65,505	138,298	66,133	-	269,936
Write-off on disposal	-	-	(20,782)	(23,087)	-	(43,869)
Write-off on disposal of subsidiaries	-	-	(3,744)	(67)	-	(3,811)
31 December 2008	**-**	**89,215**	**451,268**	**174,765**	**-**	**715,248**
Acquisition of subsidiaries	-	28,021	127,159	27,981	-	183,161
Movement in cost related to revaluation	-	(209,404)	-	-	-	(209,404)
Charge for the period	-	120,784	192,285	81,704	-	394,773
Write-off on disposal	-	(28,332)	(42,515)	(17,970)	-	(88,817)
31 December 2009	**-**	**284**	**728,197**	**266,480**	**-**	**994,961**
Charge for the period	-	104,866	237,925	92,255	-	435,046
Movement in cost related to revaluation	-	(104,520)	-	-	-	(104,520)
Write-off on disposal	-	(237)	(51,947)	(12,324)	-	(64,508)
31 December 2010	**-**	**393**	**914,175**	**346,411**	**-**	**1,260,979**
Net book value						
31 December 2008	**32,037**	**4,105,849**	**573,941**	**451,765**	**-**	**5,163,592**
31 December 2009	**223,728**	**4,573,500**	**741,525**	**396,791**	**-**	**5,935,544**
31 December 2010	**365,598**	**8,534,957**	**1,241,521**	**833,929**	**-**	**10,976,005**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

As at 31 December 2010, 2009 and 2008 land, buildings and constructions owned by the Group were revalued to market prices according to the report of an independent appraiser as described below. As a result, carrying value of these land, buildings and constructions amounted to RUB 8,900,555 thousand, RUB 4,797,228 thousand and RUB 4,137,886 thousand, respectively. If buildings and constructions were accounted at historical cost restated according to inflation indices less accumulated depreciation and impairment losses, their carrying value would have been RUB 8,563,830 thousand, RUB 4,516,767 thousand and RUB 3,303,422 thousand, respectively.

Land and buildings and constructions owned by the Group were revalued by independent appraisers as at 31 December 2010, 2009 and 2008. The following methods were used for the estimation of their fair value: discounted cash flow method (income approach), integrated cost estimation method (cost based method), method of sales comparison (comparative approach). For the estimation of the final value, certain weights were assigned to the results obtained using different approaches, depending on the degree to which the estimates met the following characteristics: reliability and completeness of the information, specifies the estimated property and other.

During the year ended 31 December 2010 and 2009 the Group carried out a review of the recoverable amount of its land and buildings and constructions. The review led to the recognition of an impairment loss of RUB 115,973 thousand for the year ended 31 December 2010, RUB 986,663 thousand for the year ended 31 December 2009 and RUB 78,422 thousand for the year ended 31 December 2008 due to decline in market prices, which has been recognised in consolidated income statement. The recoverable amount of the relevant assets has been determined on the basis of their fair value. The impairment losses have been presented in the separate line in the consolidated income statement.

As at 31 December 2010, 2009 and 2008 included in property, plant and equipment were fully depreciated assets amounted to RUB 452,145 thousand, RUB 399,077 thousand and RUB 259,642 thousand, respectively.

24. INTANGIBLE ASSETS

Intangible assets are presented as follows:

	31 December 2010	31 December 2009	31 December 2008
Customer-related intangible assets	1,129,953	-	-
Software	800,578	84,657	34,384
Trademark	346,956	-	-
Licences	323,434	-	-
Other	592	435	129
Total intangible assets	**2,601,513**	**85,092**	**34,513**

Customer related intangible assets include core deposit intangible in the amount of RUB 456,195 thousand and client relationship in the amount of RUB 673,757 thousand.

Movement in intangible assets is presented in the table below:

	Intangible assets
Net book value as at 31 December 2007	**33,651**
Additions	33,007
Amortization for the year	(32,145)
Net book value as at 31 December 2008	**34,513**
Additions	110,300
Amortization for the year	(59,721)
Net book value as at 31 December 2009	**85,092**
Aquisitions of subsidiaries	2,506,123
Additions	93,340
Amortization for the year	(83,042)
Net book value as at 31 December 2010	**2,601,513**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

25. OTHER ASSETS

Other assets are presented as follows:

	31 December 2010	31 December 2009	31 December 2008
Other financial assets:			
Debtors on operations with securities	1,168,265	138,555	5,346,826
Accounts receivable	734,662	488,006	329,167
Receivables on operations with coins	25,528	62,854	13,765
Prepayments on operations with precious metals	5,376	8,141	173,157
Debtors on spot deals with currency and precious metals	4,558	8,875	12,218
Settlements on transfer of financial assets	756	122,356	77,127
Total other financial assets before allowance for impairment losses	**1,939,145**	**828,787**	**5,952,260**
Less – Allowance for impairment losses	(234,754)	(180,892)	-
	1,704,391	**647,895**	**5,952,260**
Other non-financial assets:			
Investment property	922,062	-	-
Rights on claims against property	757,723	-	-
Prepayments of capital investments under shared construction agreements	465,830	-	-
Non-current assets held for sale (Note 20)	219,198	95,551	-
Stationery and inventory	136,796	25,996	78,955
Taxes other than income tax recoverable	128,558	160,016	25,892
Settlements on receipt of property	109,137	1,274,757	2,453,255
Current income tax assets	71,869	141,009	640,787
Property for finance lease	41,889	-	-
Deferred tax assets (Note 13)	13,791	19,308	-
Other	635,417	278,453	83,529
Total other non-financial assets, before allowance for impairment losses	**3,502,270**	**1,995,090**	**3,282,418**
Less – Allowance for impairment losses	(164,096)	(102,508)	(56,209)
	3,338,174	**1,892,582**	**3,226,209**
Total other assets	**5,042,565**	**2,540,477**	**9,178,469**

Investment property is presented as follows:

	31 December 2010
Fair value of investment property as at 1 January	-
Acquisition	1,016,533
Loss from revaluation of investment property	(94,471)
Fair value of investment property as at 31 December	**922,062**

As at 31 December 2010 the Group made an assessment of carrying value of investment property. This assessment resulted in recognition of impairment loss in the consolidated income statement amounting to RUB 94,471 thousand due to decline in market prices. Decrease of the carrying value of buildings and other real estate is recognized in the income statement.

The fair value of the Group's investment property as at 31 December 2010 has been arrived at on the basis of a valuation carried out at that date by independent appraisers that are not related to the Group. The Group has determined the fair value of the investment property at on the basis of a valuation carried out at that date by independent appraisers on the basis of market data at the price of transactions with similar real estate objects.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

As at 31 December 2010 and 2009 non-current assets held for sale were included in other assets in the amount of RUB 219,198 thousand and RUB 95,551 thousand, respectively. Non-current assets held for sale include property, which the Group received by taking possession of collateral held as security for loans, which had been defaulted by borrowers. The carrying amount of non-current assets held for sale will be recovered through a sale transaction. In 2009 the management of the Group approved the sale plan for these assets and during the year the Group carried out an active buyer search program to sell these assets. The assets were actively promoted in the market at the value similar to its fair value; however due to a drop in demand the Group was unable to sell the assets. The management of the Group is firmly committed to implement the current plan of disposal of these assets.

Movements in allowances for impairment losses of other assets for the years ended 31 December 2010, 2009 and 2008 were as follows.

	For the years ended 31 December		
	2010	**2009**	**2008**
As of 1 January	**283,400**	**56,209**	**-**
Provision charge/release	324,172	227,191	56,209
Bad debt written-off	(208,722)	-	-
As of 31 December	**398,850**	**283,400**	**56,209**

26. DUE TO BANKS AND THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Due to banks and the Central Bank of the Russian Federation comprises:

	31 December 2010	**31 December 2009**	**31 December 2008**
Deposits from banks	41,167,267	22,366,722	31,681,472
Correspondent accounts of other banks	8,801,695	10,952,308	2,329,873
Loans under repurchase agreements	6,856,332	1,357,747	6,990,652
Syndicated loans	3,013,412	-	6,944,777
Deposits from Central Bank of the Russian Federation	-	13,720,093	20,350,000
Total due to banks and the Central Bank of the Russian Federation	**59,838,706**	**48,396,870**	**68,296,774**

As at 31 December 2010 carrying value of syndicated loans received by the Group comprised RUB 3,013,412 thousand from Russian, OECD and non-OECD banks The contractual maturity of syndicated loan is August 2011, and the interest rate is tied to six-month LIBOR plus 2.5% margin.

As at 31 December 2008 carrying value of syndicated loans received by the Group comprised RUB 6,944,777 thousand from Russian, OECD and non-OECD banks. The contractual maturity of syndicated loans were from May to September 2009.

As at 31 December 2010, 2009 and 2008 the Group had deposits from one bank amounted to RUB 13,202,396 thousand, from three banks amounted RUB 28,451,677 thousand and from two banks amounted RUB 26,204,991 thousand, respectively, which individually and in aggregate exceeded 10% of the Group’s equity.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 31 December 2010, 2009 and 2008 are presented as follows:

	31 December 2010		31 December 2009		31 December 2008	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
OFZ bonds	-	-	503,803	535,736	-	-
Corporate bonds and Eurobonds	3,018,306	3,658,720	853,944	855,653	723,470	1,063,873
Corporate shares	1,479,383	2,200,857	-	-	-	-
Bonds and Eurobonds issued banks	189,778	216,805	-	-	1,100,115	1,495,371
Bonds of foreign countries	484,735	646,152	-	-	-	-
RF Government Eurobonds	1,684,130	2,142,343	-	-	5,167,067	5,209,734
Total	**6,856,332**	**8,864,877**	**1,357,747**	**1,391,389**	**6,990,652**	**7,768,978**

27. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2010	31 December 2009	31 December 2008
Term deposits	222,144,383	100,948,418	72,586,028
Current accounts	83,752,640	25,743,990	32,544,239
Term deposits from Deposit Insurance Agency	6,363,179	6,465,574	10,403,694
Loans under repurchase agreements	1,116,139	1,045,902	536,629
Total customer accounts	**313,376,341**	**134,203,884**	**116,070,590**

As at 31 December 2010, 2009 and 2008 the Group received funds from three customers amounting to RUB 27,160,473 thousand, from five customers amounting to RUB 35,370,463 thousand and from four customers amounting to RUB 31,706,751 thousand, respectively, which individually and aggregate exceeded 10% of the Group's equity.

As at 31 December 2010, 2009 and 2008 demand deposits denominated in units of precious metal which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	31 December 2010	31 December 2009	31 December 2008
Gold	3,338,366	2,303,397	985,436
Silver	406,122	135,196	162,636
Palladium	38,493	21,189	9,798
Platinum	6,305	8,575	5,181
Total customer accounts denominated in precious metals	**3,789,286**	**2,468,357**	**1,163,051**

As at 31 December 2010, 2009 and 2008 customer accounts amounting to RUB 1,222,513 thousand, RUB 1,017,595 thousand and RUB 1,098,799 thousand, respectively, were held as security against other financial transactions with by the Group (see Note 33).

As at 31 December 2010 and 2009 the Group provided loans to customers in the amount of RUB 6,450,938 thousand and RUB 5,171,171 thousand which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,363,179 thousand and RUB 6,465,574 thousand, respectively (see Note 20).

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Analysis of customer accounts by economic sector is presented below:

	31 December 2010	31 December 2009	31 December 2008
Individuals	118,629,123	49,979,129	42,919,654
Investment and asset management companies	38,350,739	20,501,383	29,936,765
Regional and local budgets funds	27,320,319	13,000	500,000
Industrial manufacturing	19,922,449	7,969,383	6,650,837
Services	16,633,074	7,432,874	5,049,436
Construction of industrial real estate	14,285,477	4,980,136	4,184,811
Wholesale trade	13,313,784	9,801,982	7,495,878
Transport and communication	12,577,284	15,710,147	614,113
Insurance	9,248,614	6,128,140	4,230,883
Energy	9,141,349	356,579	6,010,747
Science	6,458,682	2,504,104	2,514,318
Precious metals extraction	5,766,789	2,429,619	959,353
Operations on real estate	4,540,067	1,550,127	962,629
Retail trade	3,886,882	1,210,954	1,096,763
Construction of commercial real estate	3,182,756	191,843	1,232
Leasing	2,902,836	1,066,887	827,009
Brokerage and dealing in securities	1,116,139	1,045,922	536,629
Agriculture	383,536	75,415	49,491
Housing construction	108,174	25,989	66,083
Other	5,608,268	1,230,271	1,463,959
Total customer accounts	**313,376,341**	**134,203,884**	**116,070,590**

As at 31 December 2010, 2009 and 2008 the Group included in customer accounts loans under repurchase agreements with maturity of less than one month from the reporting date of RUB 13,427 thousand, RUB 1,045,902 thousand and RUB 536,629 thousand, respectively.

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 31 December 2010, 2009 and 2008 are presented as follows:

	31 December 2010		31 December 2009		31 December 2008	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate shares	1,116,139	1,786,205	1,045,902	1,139,083	-	-
Corporate bonds	-	-	-	-	536,629	870,074
Total	**1,116,139**	**1,786,205**	**1,045,902**	**1,139,083**	**536,629**	**870,074**

28. BONDS AND EUROBONDS

Bonds and Eurobonds comprise:

	31 December 2010	31 December 2009	31 December 2008
Bonds issued in local market	16,678,145	12,838,876	11,125,520
Eurobonds due in 2013	12,167,237	-	-
Eurobonds due in 2012	5,566,310	6,033,468	-
Eurobonds due in 2010	-	6,077,199	6,063,776
Eurobonds due in 2009	-	-	4,452,501
Total bonds and Eurobonds issued	**34,411, 692**	**24,949,543**	**21,641,797**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Bonds and Eurobonds as at 31 December 2010 comprise:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2010
Bonds issued					
12th issue	Roubles	2010	2017	8.50%	4,853,731
9th issue	Roubles	2008	2013	7.00%	3,770,316
2nd issue	Roubles	2010	2013	7.85%	2,379,064
11th issue	Roubles	2009	2014	7.40%	2,315,446
8th issue	Roubles	2008	2011	9.50%	1,692,575
1st issue	Roubles	2008	2011	7.00%	1,667,013
Total bonds issued					**16,678,145**
Eurobonds					
Eurobonds due in 2013	US Dollars	2010	2013	6.50%	12,167,237
Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,566,310
Total Eurobonds issued					**17,733,547**
Total bonds and Eurobonds issued					**34,411,692**

Bonds and Eurobonds as at 31 December 2009 comprise:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2009
Bonds issued					
11th issue	Roubles	2009	2014	15.00%	5,360,310
9th issue	Roubles	2008	2013	15.00%	4,313,356
8th issue	Roubles	2008	2011	15.00%	3,165,210
Total bonds issued					**12,838,876**
Eurobonds					
Eurobonds due in 2010	US Dollars	2007	2010	8.19%	6,077,199
Eurobonds due in 2012	US Dollars	2009	2012	9.25%	6,033,468
Total Eurobonds issued					**12,110,667**
Total bonds and Eurobonds issued					**24,949,543**

Bonds and Eurobonds as at 31 December 2008 comprise:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2008
Bonds issued					
9th issue	Roubles	2008	2013	9.75%	5,013,785
8th issue	Roubles	2008	2011	9.33%	3,100,335
7th issue	Roubles	2006	2009	9.25%	3,011,400
Total bonds issued					**11,125,520**
Eurobonds					
Eurobonds due in 2010	US Dollars	2007	2010	8.19%	6,063,776
Eurobonds due in 2009	US Dollars	2006	2009	8.25%	4,452,501
Total Eurobonds issued					**10,516,277**
Total bonds and Eurobonds issued					**21,641,797**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The Group is obliged to comply with financial covenants in relation to Eurobonds due in 2010 and 2012.

In accordance with the terms of covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basle Committee on Banking Regulations and Supervisory Practices (as of the date hereof) to fall below 10%. These recommendations were provided in Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the Central Bank of Russian Federation. The Group has not breached any of these covenants during the periods ended 31 December 2010, 2009 and 2008.

29. PROMISSORY NOTES ISSUED

Promissory notes issued comprise:

	31 December 2010	31 December 2009	31 December 2008
Discount bearing promissory notes	28,464,937	3,712,072	13,272,666
Settlement promissory notes	2,479,202	2,129,896	2,128,316
Interest bearing promissory notes	2,152,528	1,659,205	9,571,253
Certificates of deposit	71,430	-	330,452
Total debt securities issued	**33,168,097**	**7,501,173**	**25,302,687**

Settlement promissory notes are promissory notes sold at face value.

30. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2010	31 December 2009	31 December 2008
Other financial liabilities:			
Payable to employees and accrued bonuses	968,021	264,997	250,527
Accrued expenses	229,104	325,779	166,360
Creditors on sale of precious metals	46,744	19,347	-
Payables on spot operations with currency, precious metals and securities	8,408	4,761	26,649
Total other financial liabilities	**1,252,277**	**614,884**	**443,536**
Other non-financial liabilities:			
Provisions for guarantees and other off-balance sheet commitments	324,213	591,430	585,157
Taxes payable, other than income tax	187,143	98,067	93,187
Unamortized commissions	131,538	-	-
Current income tax liabilities	103,914	37,176	10,070
Other liabilities	210,220	26,721	28,705
Total other non-financial liabilities	**957,028**	**753,394**	**717,119**
Total other liabilities	**2,209,305**	**1,368,278**	**1,160,655**

Movements in provisions for guarantees and other off-balance sheet commitments for the years ended 31 December 2010, 2009 and 2008 were as follows.

	For the years ended 31 December		
	2010	2009	2008
As of 1 January	**591,430**	**585,157**	**195,758**
Provision (release)/ charge	(567,456)	6,273	389,399
Acquisition of subsidiaries	300,239	-	-
As of 31 December	**324,213**	**591,430**	**585,157**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

31. SUBORDINATED DEBT

Subordinated debt is presented as follows:

The following table provides information on subordinated debt as at 31 December 2010:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2010
Subordinated bonds	US Dollars	2010	2015	8.75%	10,749,612
Subordinated loan	Roubles	2009	2019	8.00%	4,900,000
Subordinated bonds	US Dollars	2006	2016	9.75%	3,863,439
Subordinated bonds	US Dollars	2007	2018	11.00%	3,262,534
Subordinated loan	Roubles	2009	2019	6.50%	1,492,625
Subordinated loan	Roubles	2010	2021	9.25%	1,500,000
Subordinated loan	Roubles	2007	2015	7.85%	650,000
Subordinated loan	Roubles	2008	2015	7.75%	436,115
Subordinated loan	Roubles	2010	2016	6.00%	61,083
Subordinated loan	Roubles	2006	2013	10.00%	44,854
Subordinated loan	Roubles	2006	2013	10.00%	39,227
Subordinated loan	Roubles	2010	2016	8.00%	37,864
Subordinated loan	Roubles	2009	2016	11.30%	33,787
Subordinated loan	Roubles	2007	2014	10.00%	19,443
					27,090,583

The following table provides information on subordinated debt as at 31 December 2009:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2009
Subordinated loan	US Dollars	2009	2020	12%	7,863,492
Subordinated loan	Roubles	2008	2020	11%	5,000,000
Subordinated loan	Roubles	2009	2019	8%	4,900,000
Subordinated bonds	US Dollars	2006	2016	9.75%	3,835,391
Subordinated loan	Roubles	2005	2015	10.1%	650,000
Subordinated loan	Roubles	1999	2015	10.5%	415,233
					22,664,116

The following table provides information on subordinated debt as at 31 December 2008:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2008
Subordinated loan	Roubles	2008	2020	11.0%	5,000,000
Subordinated bonds	US Dollars	2006	2016	9.75%	3,723,658
Subordinated loan	Roubles	2005	2015	13.1%	650,000
Subordinated loan	Roubles	1999	2015	11.0%	385,661
					9,759,319

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

32. SHARE CAPITAL AND SHARE PREMIUM

The table below provides a breakdown of the Bank's issued and fully paid ordinary and preference shares:

	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
Issued and fully paid				
31 December 2008	**81,984,861**	**4,099,243**	**12,100,000**	**605,000**
31 December 2009	**81,984,861**	**4,099,243**	**12,100,000**	**605,000**
Issued	**4,861,112**	**243,056**	**-**	**-**
Reaquired	**-**	**-**	**(9,680,000)**	**(484,000)**
31 December 2010	**86,845,973**	**4,342,299**	**2,420,000**	**121,000**

There are no issued ordinary and preference shares that have not been fully paid. Par value per ordinary and preference share is RUB 50 each.

Each ordinary share entitles the holder to cast one vote on all matters within its competence stipulated by the Charter of the Group, to receive non-fixed rate dividend income and to receive property belonging to the Group in the event of liquidation. When shares are issued, each holder of shares shall have pre-emptive right, in proportion to the aggregate amount of their shares.

In the event of the dissolution and liquidation of the Bank, the assets remaining after payment of all debts will be distributed to the holders of ordinary shares on a pro-rata basis.

The table below provides a breakdown of the Bank's authorized ordinary and preference shares:

	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
Authorized				
31 December 2008	**184,342,917**	**9,217,146**	**48,100,000**	**2,405,000**
31 December 2009	**184,342,917**	**9,217,146**	**48,100,000**	**2,405,000**
31 December 2010	**184,342,917**	**9,217,146**	**48,100,000**	**2,405,000**

Holders of preference shares with non-fixed rate dividend income are entitled to: participate in the General Meeting of shareholders with voting rights addressing issues of reorganization and liquidation of the Bank and addressing issues on introducing amendments and additions to the Charter restricting the rights of holders of preferred shares. Each preference share entitles the holder to receive dividends on an equal basis with holders of ordinary shares.

In December 2010 the 100% owned subsidiary company of the Group, LLC "Promgazcomplekt" has repurchased 9,680,000 of the Group's preference shares. The financial result from the deal is recognized in consolidated statement of changes in equity. The deal was performed in terms of the Group's organization structure optimization. The Group has no intension to sell back these shares in foreseeable future.

Dividends on ordinary shares and preference shares classified as equity are recognized, as a distribution of equity in the period in which they are approved by shareholders.

Share premium represents the excess of contributions received over the nominal value of shares issued or sold. Ordinary shares were distributed or sold with a premium of RUB 15,859,498 thousand as at 31 December 2010 and of RUB 12,602,553 thousand as at 31 December 2009 and 2008.

The Group's distributable among shareholders reserves are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

33. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 December 2010, 2009 and 2008 allowances for guarantees and other off-balance sheet commitments were RUB 324,213 thousand, RUB 591,430 thousand and RUB 585,157 thousand, respectively (see Note 30). The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision (Basel I).

As at 31 December 2010, 2009 and 2008 the nominal or contract amounts and risk-weighted amounts were:

	31 December 2010		31 December 2009		31 December 2008	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
Contingent liabilities and credit commitments						
Commitments on loans and unused credit lines	74,330,453	18,404,652	19,719,747	8,459,145	18,866,512	7,494,064
Guarantees issued and similar commitments	73,608,719	73,284,506	25,192,196	24,600,766	26,526,384	26,240,878
Letters of credit and other contingent commitments related to settlement operations	7,626,051	3,201,769	7,196,091	6,178,496	10,065,945	8,662,317
Total contingent liabilities and credit commitments	**155,565,223**	**94,890,927**	**52,108,034**	**39,238,407**	**55,458,841**	**42,397,259**

As at 31 December 2010, 2009 and 2008 letters of credit of RUB 1,222,513 thousand, RUB 1,017,595 thousand and RUB 1,098,799 thousand, respectively, were secured by cash deposited in customer accounts (see Note 27).

Operating leases – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 31 December 2010, 2009 and 2008 are presented in the table below.

	31 December 2010	31 December 2009	31 December 2008
Not later than 1 year	404,645	321,868	323,778
Later than 1 year and not later than 5 years	816,803	463,955	538,112
Later than 5 years	205,468	49,154	36,856
Total operating lease	**1,426,916**	**834,977**	**898,746**

Fiduciary activities – The Group provides depositary services to its customers. As at 31 December 2010, 2009 and 2008 the Group had customers' securities of 2,413,913,716,332 items, 5,571,412,379 items and 10,426,268,538 items, respectively, in its nominal holder's accounts.

As at 31 December 2010, 2009 and 2008 the Group kept in its vault 2,580 kg of gold bullion, 6,413 kg of silver bullion, 29 kg of palladium bullion, 75 kg of platinum bullion, 1,938 kg of gold bullion, 3,167 kg of silver bullion, 3 kg of palladium bullion, 35 kg of platinum bullion and 3,866 kg of gold bullion, 4,554 kg of silver bullion, 3 kg of palladium bullion, 18 kg of platinum bullion respectively, owned by the Group's customers.

As at 31 December 2010, 2009 and 2008 Group has obligation to provide funding for operations on precious metals extraction in the amount of RUB 32,905,216 thousand, RUB 18,986,646 thousand and RUB 18,410,643 thousand, respectively, which are not recognized in the consolidated statement of financial position as the conditions of extraction and customer delivery have not yet occurred.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation – Commercial legislation of the RF and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

Operating environment – The Group's principal business activities are within the RF. Laws and regulations affecting the business environment in the RF are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Pensions and retirement plans – Employees receive pension benefits according to the laws and regulations of the Russian Federation. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The Group makes monthly payments to a non-government pension fund for its employees, who in turn will receive a future benefit from the fund. The contributions to the defined contribution plan are included in staff costs on an accrual basis. During the years ended 31 December 2010, 2009 and 2008 the Group made payments to the non-government pension fund of RUB 2,167 thousand, RUB 1,882 thousand and RUB 18,230 thousand, respectively. Once the payments to the pension fund are made the Group has no further obligations.

Operating environment – Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Russian Federation and the Russian Federation economy in general.

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. Tax, currency and customs legislation within the Russian Federation are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected the Russian Federation financial and capital markets in 2008 and 2009 has receded and the Russian Federation economy returned to growth in 2010. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Russian Federation economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

The Russian Federation is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended 31 December 2010, 2009 and 2008 was 8.8%, 8.8% and 13.3%, respectively.

Because the Russian Federation produces and exports large volumes of oil and gas, the Russian Federation economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2010 and 2009.

34. SEGMENT REPORTING

The Group has restated the segments as at 31 December 2009 and 2008 and for the years than ended to align with the following segments description in line with the information provided to the Chief Operating Decision Maker.

The reportable segments comprise of:

- Corporate banking – full range of banking services provided to large and medium-sized corporate customers, including, among others, direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and a variety of settlement and transactional services.
- Small business – banking services provided to small businesses and individual entrepreneurs, including direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and settlement and transaction services.
- Investment banking – representing trading of fixed income and equity products, foreign exchange, precious metals and derivatives on such products, money market operations, repo, brokerage services and asset management and other investment banking services.
- Retail banking (including private banking) – full range of banking services to mass, affluent and wealthy individuals, including customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury and asset-liability unit – treasury, which lends and borrows funds of money market, undertakes the Group’s funding through issue of debt securities and attraction of subordinated facilities and conducts foreign exchange operations for internal hedging purposes. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.
- Unallocated – balances and/or income and expense items not allocated to any of the Group’s business segments in the internal management reporting systems, as they are not initiated by any of the business units and represent part of the Group's routine headquarter activities

The President of the Bank is the chief operating decision maker. Operating results are reviewed regularly by the entity's chief operating decision maker to consider the way resources to be allocated to the segment and assess its performance.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Segment information about these businesses is presented below:

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Year ended 31 December 2010
External interest income	19,804,453	1,478,156	1,641,999	5,322,417	1,103,332	-	**29,350,357**
External interest expense	(3,692,242)	(115,650)	(4,692,777)	(2,562,819)	(3,925,134)	-	**(14,988,622)**
Internal funding costs/revenues from Central treasury	(8,752,256)	(159,793)	5,418,294	179,770	3,302,344	11,641	**-**
Net interest income	**7,359,955**	**1,202,713**	**2,367,516**	**2,939,368**	**480,542**	**11,641**	**14,361,735**
Impairment of interest-bearing assets	(2,324,204)	12,271	(1,350,405)	(467,722)	(4,602)	(13,793)	**(4,148,455)**
Net interest income after provision	**5,035,751**	**1,214,984**	**1,017,111**	**2,471,646**	**475,940**	**(2,152)**	**10,213,280**
Fee and commission income	1,312,847	584,858	477,084	94,233	7,878	7,786	**2,484,686**
Fee and commission expense	(97 842)	(24,608)	(136,065)	(50,125)	(59,387)	(356)	**(368,383)**
Trading and foreign exchange results	625,201	33,362	72,407	2,328,953	(211,725)	(1)	**2,848,197**
Other operating income	1,691,970	38,724	88,152	76,802	42,652	79,108	**2,017,408**
Net result from other segments*	(124,022)	4,245	1,483	241,499	(123,205)	-	**-**
Total operating income before impairment losses and provision	**8,443,905**	**1,851,565**	**1,520,172**	**5,163,008**	**132,153**	**84,385**	**17,195,188**
Impairment losses of investments available for sale and investment property and provisions on other transactions	523,552	(24,934)	(10,816)	(368,280)		29,653	**149,175**
Operating expense	(2,377,264)	(1,451,198)	(2,240,838)	(523,881)	(84,662)	(1,455,916)	**(8,133,759)**
Profit before taxation	**6,590,193**	**375,433**	**(731,482)**	**4,270,847**	**47,491**	**(1,341,878)**	**9,210,604**
Income tax	-	-	-	-	-	(1,784,899)	**(1,784,899)**
Profit for the period	**6,590,193**	**375,433**	**(731,482)**	**4,270,847**	**47,491**	**(3,126,777)**	**7,425,705**
Depreciation and amortization expense	(172,776)	(116,609)	(173,705)	(38,892)	(14,139)	(1,969)	**(518,090)**
Capital expenditures	164,682	100,036	141,914	31,493	10,982	13	**449,120**

* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2010 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	88	-	10,075,808	12,898,132	17,511,390	3,333	**40,488,751**
Minimum reserve deposits with CBR	342 ,072	70,985	385,321	254,756	1,764,172		**2,817,306**
Precious metals	4,660,581	-	15,923	-	-	-	**4,676,504**
Financial assets at fair value through profit or loss	54 ,058	-	-	55,467,982	-	-	**55,522,040**
Loans and advances to banks and other financial institutions	109 ,669	-	1,077,650	34,151,592	5,891,492	347, 095	**41,577,498**
Loans to customers	248,580,343	19,128,642	36,533,042	35,050,839	-	9,046	**339,301,912**
Investments available-for-sale	5,226,364	-	-	20,006,453	3,315	527,162	**25,763,294**
Investments held to maturity	-	-	-	851,707	-	-	**851,707**
Property, plant and equipment	3,296,440	1,644,100	3,801,683	1,186,624	169,193	877,965	**10,976,005**
Intangible assets	548,842	146,763	962,619	389,721	105,634	447,934	**2,601,513**
Goodwill	-	-	-	-	-	597,652	**597,652**
Other assets	1,672,934	133,914	121,116	1,596,580	7	1,518,014	**5,042,565**
TOTAL ASSETS	**264,491,391**	**21,124,404**	**52,973,162**	**161,854,386**	**25,445,203**	**4,328,201**	**530,216,747**
LIABILITIES							
Financial liabilities at fair value through profit or loss	9,268	-	-	995,803	-	-	**1,005,071**
Due to banks and the Central Bank of the Russian Federation	9,820,600	2,500,000	578,365	43,926,329	3,013,412	-	**59,838,706**
Customer accounts	146,652,893	21,989,406	120,088,487	2,683,973	21,949,062	12,520	**313,376,341**
Bonds and Eurobonds			-	16,678,145	17,733,547	-	**34,411,692**
Promissory notes issued	12,970,531	76,850	41,354	20,079,362	-	-	**33,168,097**
Deferred income tax liabilities	-	-	-	-	-	1,182,284	**1,182,284**
Other liabilities	764,322	64,119	169,197	22,903	2,099	1,186,665	**2,209,305**
Subordinated debt	-	-	-	-	27,090,583	-	**27,090,583**
TOTAL LIABILITIES	**170,217,614**	**24,630,375**	**120,877,403**	**84,386,515**	**69,788,703**	**2,381,469**	**472,282,079**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Year ended 31 December 2009
External interest income	24,232,933	1,054,006	2,150,097	6,820,041	2,167,670	-	**36,424,747**
External interest expense	(4,001,568)	(59,673)	(4,213,226)	(3,009,259)	(7,621,332)	-	**(18,905,058)**
Internal funding costs/revenues from Central treasury	(11,785,486)	(301,697)	3,735,512	188,815	8,138,055	24,801	**-**
Net interest income	**8,445,879**	**692,636**	**1,672,383**	**3,999,597**	**2,684,393**	**24,801**	**17,519,689**
Impairment of interest-bearing assets	(9,621,070)	(1,044,905)	(452,626)	(499,274)	(430,223)	16	**(12,048,082)**
Net interest income after provision	**(1,175,191)**	**(352,269)**	**1,219,757**	**3,500,323**	**2,254,170**	**24,817**	**5,471,607**
Fee and commission income	1,365,887	224,250	408,063	76,735	70	4,587	**2,079,592**
Fee and commission expense	(94,187)	(2)	(105,066)	(62,258)	(64,808)	(469)	**(326,790)**
Trading and foreign exchange results	1,021,323	45,353	49,226	5,443,178	(783,368)	(19,425)	**5,756,287**
Other operating income	27,216	16,915	60,045	58,999	1,240	99,269	**263,684**
Net result from other segments *	(102,232)		(11,636)	266,908	(153,040)		
Total operating income before impairment losses and provision	**1,042,816**	**(65,753)**	**1,620,389**	**9,283,885**	**1,254,264**	**108,779**	**13,244,380**
Impairment loses of investments available for sale and investment property and provisions on other transactions	(64,402)	(8,006)	6,415	(254,682)	-	(28,527)	**(349,202)**
Operating expenses and Impairment of buildings and constructions	(2,613,106)	(862,895)	(2,081,305)	(316,709)	(71,880)	(1,409,668)	**(7,355,563)**
Profit before taxation	**(1,634,692)**	**(936,654)**	**(454,501)**	**8,712,494**	**1,182,384**	**(1,329,416)**	**5,539,615**
Income tax	-	-	-	-	-	(1,278,692)	**(1,278,692)**
Profit for the period	**(1,634,692)**	**(936,654)**	**(454,501)**	**8,712,494**	**1,182,384**	**(2,608,108)**	**4,260,923**
Depreciation and amortization expense	(205,809)	(33,123)	(181,352)	(30,803)	(3,407)	-	(454,494)
Capital expenditures	775,589	176,976	723,010	122,805	13,581	-	1,811,961

* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2009 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	325	-	3,999,174	1,359,002	8,716,878	-	**14,075,379**
Minimum reserve deposits with CBR	-	-	-	-	1,192,375	-	**1,192,375**
Precious metals	4,615,197	-	-	-	-	-	**4,615,197**
Financial assets at fair value through profit or loss	26,869	-	-	54,466,884	3,172,531	-	**57,666,284**
Loans and advances to banks and other financial institutions	42,102	-	868,907	17,069,007	8,834,722	-	**26,814,738**
Loans to customers	132,314,974	5,333,777	14,725,243	1,529,033	8,746,706	-	**162,649,733**
Investments available-for-sale	-	-	-	159,859	13,948	-	**173,807**
Investments held to maturity	-	-	-	1,362,518	-	-	**1,362,518**
Property, plant and equipment	2,847,978	328,427	2,293,749	428,898	36,492	-	**5,935,544**
Intangible assets	85,092	-	-	-	-	-	**85,092**
Other assets	577,423	-	130,210	209,096	16,327	1,607,421	**2,540,477**
TOTAL ASSETS	**140,509,960**	**5,662,204**	**22,017,283**	**76,584,297**	**30,729,979**	**1,607,421**	**277,111,144**
LIABILITIES							
Financial liabilities at fair value through profit or loss	29,434	-	-	474,443	-	-	**503,877**
Due to banks and the Central Bank of the Russian Federation	7,479,245	-	1,466,875	14,684,760	24,765,990	-	**48,396,870**
Customer accounts	64,233,111	4,699,057	50,056,875	1,439,666	13,775,175	-	**134,203,884**
Bonds and Eurobonds	-	-	-	12,838,876	12,110,667	-	**24,949,543**
Promissory notes issued	4,026,612	108,240	180,562	3,185,759	-	-	**7,501,173**
Deferred income tax liabilities	-	-	-	-	-	911,200	**911,200**
Other liabilities	916,485	960	22,230	9,527	-	419,076	**1,368,278**
Subordinated debt	-	-	-	-	22,664,116	-	**22,664,116**
TOTAL LIABILITIES	**76,684,887**	**4,808,257**	**51,726,542**	**32,633,031**	**73,315,948**	**1,330,276**	**240,498,941**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Year ended 31 December 2008
External interest income	18,822,167	1,061,837	1,892,066	4,132,892	422,862	-	**26,331,824**
External interest expense	(4,337,487)	(50,508)	(2,163,721)	(5,236,550)	(1,348,299)	-	**(13,136,565)**
Internal funding costs/revenues from Central treasury	(6,289,009)	(339,657)	1,865,944	1,595,937	3,166,785	-	**-**
Net interest income	**8,195,671**	**671,672**	**1,594,289**	**492,279**	**2,241,348**	**-**	**13,195,259**
Impairment of interest-bearing assets	(4,887,432)	(226,490)	(230,459)	69,548	-	-	**(5,274,833)**
Net interest income after provision	**3,308,239**	**445,182**	**1,363,830**	**561,827**	**2,241,348**	**-**	**7,920,426**
Fee and commission income	1,006,736	169,965	320,902	381,706	7,998	-	**1,887,307**
Fee and commission expense	(29,483)	-	(83,479)	(123,679)	(44,299)	-	**(280,940)**
Trading and foreign exchange results	185,853	38,513	58,140	(456,578)	571,948	-	**397,876**
Other operating income	126,217	6,432	20,058	85,908	-	30,562	**269,177**
Total operating income before impairment losses and provision	**4,597,562**	**660,092**	**1,679,451**	**449,184**	**2,776,995**	**30,562**	**10,193,846**
Impairment loses of investments available for sale and investment property and provisions on other transactions	(431,160)	(9)	(2)	(16,240)	-	-	**(447,411)**
Operating expenses and Impairment of buildings and constructions	(2,240,491)	(322,291)	(1,765,224)	(215,205)	(30,202)	(985,038)	**(5,558,451)**
Profit before taxation	**1,925,911**	**337,792**	**(85,775)**	**217,739**	**2,746,793**	**(954,476)**	**4,187,984**
Income tax	-	-	-	-	-	(957,447)	**(957,447)**
Realised net gain/(loss) on discontinued operations				256,490			**256,490**
Profit for the period	**1,925,911**	**337,792**	**(85,775)**	**474,229**	**2,746,793**	**(1,911,923)**	**3,487,027**
Depreciation and amortization expense	(165,098)	-	(128,920)	(8,063)	-	-	(302,081)
Capital expenditures	2,254,685	-	1,718,820	116,838	-	-	4,090,343

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2008 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	93	-	3,285,416	778,804	6,957,060	-	**11,021,373**
Minimum reserve deposits with CBR	-	-	-	-	237,976	-	**237,976**
Precious metals	3,309,468	-	-	-	-	-	**3,309,468**
Financial assets at fair value through profit or loss	56,404	-	-	25,336,927	9,556,579	-	**34,949,910**
Loans and advances to banks and other financial institutions	-	-	-	22,271,778	-	-	**22,271,778**
Loans to customers	158,077,448	7,294,143	16,718,865	5,630,860	-	-	**187,721,316**
Investments available-for-sale	-	-	-	91,080	-	-	**91,080**
Investments held to maturity	-	-	-	3,815,723	-	-	**3,815,723**
Property, plant and equipment	2,808,988	-	2,172,170	182,434	-	-	**5,163,592**
Intangible assets	34,513	-	-	-	-	-	**34,513**
Other assets	177,575	-	4,082	5,549,410	-	3,447,402	**9,178,469**
TOTAL ASSETS	**164,464,489**	**7,294,143**	**22,180,533**	**63,657,016**	**16,751,615**	**3,447,402**	**277,795,198**
LIABILITIES							
Financial liabilities at fair value through profit or loss	-	-	-	2,688,050	-	-	**2,688,050**
Due to banks and the Central Bank of the Russian Federation	9,135,880	-	-	38,646,555	20,514,339	-	**68,296,774**
Customer accounts	68,174,168	3,905,852	42,924,601	1,034,273	-	31,696	**116,070,590**
Bonds and Eurobonds	-	-	-	21,641,797	-	-	**21,641,797**
Promissory notes issued	12,994,180	12,985	16,756	12,278,766	-	-	**25,302,687**
Deferred income tax liabilities	-	-	-	-	-	370,563	**370,563**
Other liabilities	693,817	-	47,290	60,222	-	359,326	**1,160,655**
Subordinated debt	-	-	-	-	9,759,319	-	**9,759,319**
TOTAL LIABILITIES	**90,998,045**	**3,918,837**	**42,988,647**	**76,349,663**	**30,273,658**	**761,585**	**245,290,435**

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Valuation techniques

The Group uses a number of methodologies to determine the fair values of financial instruments for which observable prices in active markets for identical instruments are not available. These techniques include: relative value methodologies based on observable prices for similar instruments; present value approaches where future cash flows from the asset or liability are estimated and then discounted using a risk-adjusted interest rate.

The principal inputs to these valuation techniques are listed below. Values between and beyond available data points are obtained by interpolation and extrapolation. When utilising valuation techniques, the fair value can be significantly affected by the choice of valuation model and by underlying assumptions concerning factors such as the amounts and timing of cash flows, discount rates and credit risk.

- ***Bond prices*** – quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products.
- ***Interest rates*** – these are principally benchmark interest rates or internal Bank rates effective as at reporting date and quoted interest rates in the swap, bond and futures markets.
- ***Foreign currency exchange rates*** – there are observable markets both for spot and forward contracts and futures in the world's major currencies.
- ***Equity and equity index prices*** – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares.
- ***Commodity prices*** – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centres.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information gathered from the above sources. Furthermore, on an ongoing basis, the Group assesses the appropriateness of any model used.

Financial assets and liabilities

The following methods and significant assumptions have been applied to estimate the fair values of following financial instruments:

- Cash and balances with the CBR and minimum reserve deposit with the CBR, due to the shot-term environment and availability restrictions of these types of assets, the carrying amount is assumed to be reasonable estimate of their fair value.
- The estimated fair value of quoted trading securities and derivative financial instruments, comprising financial assets at fair value through profit or loss category, is determined based on quoted active market prices at the reporting date.
- The fair value of loans and advanced to banks and loans to customers for loans provided during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other loans is estimated by application of market interest rates when the loans were originated with the year-end market rates offered on similar deposits with the deduction of the allowances for credit losses from the calculated fair value amounts
- The estimated fair value of promissory notes and bonds comprising investments available-for-sale category is determined based on the quoted market prices. Investments in equity instruments, which do not have quoted market prices in an active market are measured at cost, as their fair value can not be measured reliably.
- The fair value of units of investment funds, which have quoted prices on the active market, is determined based on the quoted market prices. For shares in investment funds, which have no quoted prices on the active market the Group uses an independent appraiser's valuation for determining the fair value of such shares in the investment funds. The fair value of the assets of the investment funds is determined by the use of different approaches (income approach, comparative approach and cost approach) and methods (income capitalization method, company-analogue method, discounted cash flows method, liquidation value method).

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

- Investments held to maturity is determined based on quoted active market prices at the reporting date.
- Other financial assets and liabilities is mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimate of their fair value.
- The fair value of term deposits (included in customer accounts and deposits from banks) for term deposits placed during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other term deposits is estimated by application of market interest rates when the deposits were placed with the year-end market rates offered on similar deposits. The carrying amount of current customer accounts is assumed to be reasonable estimate of their fair value due to the short-term environment and availability requirements of these types of liability.
- The fair value of issued bonds, Eurobonds, promissory notes and subordinated liabilities is based on quoted prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities or funds whose market rates are quoted.

The valuation techniques have been consistently applied by the Group across the years.

The following table compares the carrying amount of financial assets and liabilities to their estimated fair values:

	31 December 2010		31 December 2009		31 December 2008	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Cash and balances with the Central Bank of the Russian Federation	40,488,751	40,488,751	14,075,379	14,075,379	11,021,373	11,021,373
Minimum reserve deposits with the Central Bank of the Russian Federation	2,817,306	2,817,306	1,192,375	1,192,375	237,976	237,976
Financial assets at fair value through profit or loss	55,522,040	55,522,040	57,666,284	57,666,284	34,949,910	34,949,910
Loans and advances to banks and other financial institutions	41,577,498	41,507,265	26,814,738	26,853,001	22,271,778	21,637,098
Loans to customers	339,301,912	335,305,263	162,649,733	159,957,213	187,721,316	183,695,771
Investments available-for-sale	25,763,294	25,763,294	173,807	173,807	91,080	91,080
Investments held to maturity	851,707	1,259,118	1,362,518	1,475,102	3,815,722	4,657,387
Other financial assets	1,704,391	1,704,391	647,895	647,895	5,952,260	5,952,260
Financial liabilities						
Financial liabilities at fair value through profit or loss	1,005,071	1,005,071	503,877	503,877	2,688,050	2,688,050
Due to banks and the Central Bank of the Russian Federation	59,838,706	59,852,210	48,396,870	46,849,762	68,296,774	67,704,105
Customer accounts	313,376,341	312,644,307	134,203,884	134,027,082	116,070,590	116,611,494
Bonds and Eurobonds	34,411,692	35,084,580	24,949,543	25,369,337	21,641,797	17,782,467
Promissory notes issued	33,168,097	33,608,426	7,501,173	6,555,462	25,302,687	24,729,861
Other financial liabilities	1,252,277	1,252,277	614,884	614,884	443,536	443,536
Subordinated debt	27,090,583	27,455,422	22,664,116	23,321,126	9,759,319	7,509,432

Valuation hierarchy

The tables below show the financial instruments carried at fair value by hierarchy – level 1, level 2 and level 3. The valuation techniques, main assumptions used in the valuation of these instruments and reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions for level 3 financial instruments are set out below.

Quoted prices in an active market (Level 1): Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products does not entail a significant amount of judgment.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.

Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

There were no significant transfers to or from Level 1, Level 2 or Level 3 of the fair value hierarchy during the period.

The Group's valuation approach and fair value hierarchy categorisation for certain significant classes of financial instruments recognised at fair value is as follows:

	31 December 2010			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Financial assets at fair value through profit or loss	44,662,715	10,859,325	-	55,522,040
Investments available-for-sale	8,049,638	12,073,710	5,226,364	25,349,712
	52,712,353	**22,933,035**	**5,226,364**	**80,871,752**
Financial liabilities at fair value through profit or loss	**(343,440)**	**(661,631)**	**-**	**(1,005,071)**

	31 December 2009			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Financial assets at fair value through profit or loss	57,656,324	9,960	-	57,666,284
Investments available-for-sale	116,654	-	-	116,654
	57,772,978	**9,960**	**-**	**57,782,938**
Financial liabilities at fair value through profit or loss	**(440,562)**	**(63,315)**	**-**	**(503,877)**

	31 December 2008			
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**	**Total**
Financial assets at fair value through profit or loss	34,949,910	-	-	34,949,910
	34,949,910	**-**	**-**	**34,949,910**
Financial liabilities at fair value through profit or loss	**(2,668,050)**	**-**	**-**	**(2,668,050)**

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Excluded from the table above were investments in equity securities of unlisted entities classified as available for sale securities. The fair value of such securities is not readily measurable accordingly such investments are carried at the acquisition cost.

As at 31 December 2010, 2009 and 2008 the value of such investments amounted RUB 413,582 thousand, RUB 57,153 thousand and RUB 91,080 thousand, respectively.

The Group invests in certain investment funds where as a result of general market conditions and illiquidity of the bond markets the valuation is based upon inputs other than those readily observable in the market place (Level 3). The following table provides a detail of the activity with respect to the fair value measurement during the period ending 31 December 2010.

	Shares and units of investment funds
1 January 2010	-
Purchases through acquisition of subsidiary	5,018,346
Gains or losses in other comprehensive income	208,017
31 December 2010	**5,226,364**

36. CAPITAL MANAGEMENT

For Basel I ratio calculation purposes, two tiers of capital are distinguished:

Tier I capital is “core” bank capital and includes paid share capital (less the carrying value of treasury shares), minority interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.

Tier II capital is “supplementary” bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and certain revaluation reserves, such as unrealized gains on the revaluation of financial instruments classified as available-for-sale and property revaluation surplus.

The table below presents the composition of capital complying with Basel and discloses the capital - adequacy ratio for the reporting periods ended 31 December 2010, 2009 and 2008:

	31 December 2010	**31 December 2009**	**31 December 2008**
Tier 1 capital	56,614,373	36,014,164	31,776,197
Tier 2 capital	26,659,824	23,031,445	10,487,885
Total regulatory capital	**83,274,197**	**59,045,609**	**42,264,082**
Risk-weighted assets:			
Credit risks	478,827,315	200,366,597	234,909,059
Market risks	54,499,650	61,346,179	49,358,641
Total risk-weighted assets	**533,326,965**	**261,712,776**	**284,267,700**
Basel ratio	15.61 %	22.56%	14.87%
Tier 1	10.62 %	13.76%	11.18%

As of 31 December 2010, 2009 and 2008 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group’s liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the Basel Accord 1988. As at 31 December 2010, 2009 and 2008, the Bank and its individual banking subsidiaries complied with Basel capital requirements.

The Bank’s overall capital management policy is aimed at the dynamic optimization of capital required for the Bank’s expansion and maintenance of sufficient capital adequacy to protect the Bank from unfavourable changes in market conditions and minimize liquidity risk. The capital management policy supports the shareholders’ vision and strategy of long-term Bank development.

37. RISK MANAGEMENT POLICY

Risk management system

Management of risks is fundamental to the Group's business. The risk management functions include:

- Organizational structure of risk management – a structure of the Group's bodies and departments involved in risk management activities;
- Structure of risk identification and assessment;
- Risk monitoring and minimizing system;
- Internal control structure.

In the Group the Supervisory Board, Management Board, Financial Committee, credit committee, Risk management department, Treasury department and Operating risk department of the Group are responsible for managing the risks.

The Supervisory Board is responsible for general control over the risk management system and determines the strategy of its development. The Management Board is responsible for development of risk management policy including tactical issues. The Financial Committee performs current monitoring of liquidity and market risks. Operating monitoring of credit risk level is performed by a system of credit committees. Direct risk management including assessment and reporting, is performed by:

- Risk management department – in relation to credit risks;
- Treasury department – in relation to the liquidity, interest rate, currency and price risks;
- Operating risk department – in relation to operating risks.

The Group's priority in reducing its exposure to risks is the collective decision making. Strict segregation of duties between departments and officials of the Group, accurately specified instructions and procedures, and determination of competences and authorities of the bodies and their leaders are also essential areas for risk limitation. Appropriate methodologies are used to assess the risk level. Instructions, procedures and methodologies are revised by the Group on a regular basis and updated reflecting the changed market conditions, influence of new products and services proposed by the Group, and improvement of risk managements methods used in banking practice.

Risk monitoring structure includes:

- Setting the limits for risk acceptance on the basis of assessment of acceptance of the respective risk level;
- Control over the Group's exposure to the risks by:
- Following the limits;
- Assessment of the Group's exposure to risks on a regular basis;
- Compliance control;
- Meeting the requirements of the Central Bank of the Russian Federation in regard of covering the risks with sufficient equity;
- Internal audit of risk management systems.

The main risks inherent to the Group's operations are those related to:

- Credit risk;
- Operational risk;
- Liquidity risk;
- Market risk;

There have been no significant changes to the Group's risk management policies from those disclosed in the consolidated financial statements for the year ended 31 December 2010. The Group presents the following information in relation to its risk management policies as at 31 December 2010.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Credit Committee approves new loans and changes and amendments to loan agreements. The Credit Department performs current monitoring.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The Group uses the same credit policies in making conditional obligation as it does for on balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Maximum Exposure

The Groups maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

	31 December 2010			
	Maximum exposure	Offset	Net exposure after offset	Collateral pledged
Balances with the Central Bank of the Russian Federation	29,410,287	-	29,410,287	-
Minimum reserve deposits with the Central Bank of the Russian Federation	2,817,306	-	2,817,306	-
Financial assets at fair value through profit or loss, excluding equity securities	53,548,643	-	53,548,643	-
Loans and advances to banks and other financial institutions	41,577,498	-	41,577,498	2,259,952
Loans to customers	339,301,912	107,104	339,194,808	296,126,559
Investments available-for-sale, excluding equity securities and units in investment funds	20,110,356	-	20,110,356	-
Investments held to maturity	851,707	-	851,707	-
Other financial assets	1,704,391	-	1,704,391	-
Commitments on loans and unused credit lines	74,330,453	-	74,330,453	-
Guarantees issued and similar commitments	73,608,719	-	73,608,719	-
Letters of credit and other contingent commitments related to settlement operations	7,626,051	-	7,626,051	1,222,513

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	31 December 2009			
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**
Balances with the Central Bank of the Russian Federation	9,165,642	-	9,165,642	-
Minimum reserve deposits with the Central Bank of the Russian Federation	1,192,375	-	1,192,375	-
Financial assets at fair value through profit or loss, excluding equity securities	55,330,987	-	55,330,987	-
Loans and advances to banks and other financial institutions	26,814,738	-	26,814,738	300,499
Loans to customers	162,649,733	3,118,917	159,530,816	140,340,745
Investments available-for-sale, excluding equity securities	116,654	-	116,654	-
Investments held to maturity	1,362,518	-	1,362,518	-
Other financial assets	647,895	-	647,895	-
Commitments on loans and unused credit lines	19,719,747	-	19,719,747	-
Guarantees issued and similar commitments	25,192,196	-	25,192,196	-
Letters of credit and other contingent commitments related to settlement operations	7,196,091	-	7,196,091	1,017,595

	31 December 2008			
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**
Balances with the Central Bank of the Russian Federation	7,172,654	-	7,172,654	-
Minimum reserve deposits with the Central Bank of the Russian Federation	237,976	-	237,976	-
Financial assets at fair value through profit or loss, excluding equity securities	34,764,114	-	34,764,114	-
Loans and advances to banks and other financial institutions	22,271,778	-	22,271,778	5,486,387
Loans to customers	187,721,316	6,368,448	181,352,868	161,084,590
Investments held to maturity	3,815,723	-	3,815,723	-
Other financial assets	5,952,260	-	5,952,260	-
Commitments on loans and unused credit lines	18,866,512	-	18,866,512	-
Guarantees issued and similar commitments	26,526,384	-	26,526,384	-
Letters of credit and other contingent commitments related to settlement operations	10,065,945	-	10,065,945	1,098,799

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following table details the credit ratings of unimpaired financial assets(*), excluding loans to customers, held by the Group, Credit ratings for loans to customers are presented in Note 20.

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2010 Total
Balances with the Central Bank of the Russian Federation	-	-	-	29,410,287	-	-	29,410,287
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	2,817,306	-	-	2,817,306
Financial assets at fair value through profit or loss	103,009	1,042,786	970,030	28,134,546	16,358,453	6,939,819	53,548,643
Loans and advances to banks and other financial institutions	2,528,306	1,627,917	1,445,209	3,090,831	20,327,650	12,557,585	41,577,498
Investments available-for-sale	-	-	-	4,202,631	15,304,590	6,167,615	25,674,836
Investments held to maturity	-	-	-	25,012	644,812	-	669,824
Other financial assets	-	1,345	63,934	-	1,300	1,654,359	1,720,938

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2009 Total
Balances with the Central Bank of the Russian Federation	-	-	-	9,165,642	-	-	9,165,642
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	1,192,375	-	-	1,192,375
Financial assets at fair value through profit or loss	10,706	91,336	55	28,956,103	19,558,233	6,714,554	55,330,987
Loans and advances to banks and other financial institutions	9,613,195	6,310,150	1,183,218	1,249,363	4,616,905	3,841,907	26,814,738
Investments available-for-sale	-	-	-	-	-	48,600	48,600
Investments held to maturity	-	-	-	24,980	726,308	174,342	925,630
Other financial assets	-	-	-	-	3,191	549,101	552,292

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2008 Total
Balances with the Central Bank of the Russian Federation	-	-	-	7,172,654	-	-	7,172,654
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	237,976	-	-	237,976
Financial assets at fair value through profit or loss	-	-	-	9,368,740	18,382,722	7,012,652	34,764,114
Loans and advances to banks and other financial institutions	-	2,521,325	567,986	5,504,217	7,229,603	6,448,647	22,271,778
Investments held to maturity	-	-	-	22,099	807,839	1,059,489	1,889,427
Other financial assets	-	-	-	-	-	5,765,338	5,765,338

(*)The above unimpaired financial assets are classified based on the information provided by the international credit rating agencies – “Moody's”, “Fitch”, “Standard & Poor's”.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

The Group enters into numerous transactions where the counterparties are not rated by international rating agencies. The Group has developed internal models, which allow it to determine the rating of counterparties, which are comparable to rating of international rating agencies.

A methodology to determine credit ratings of borrowers has been developed in the Group to assess corporate borrowers. This method allows for calculation and assignment/confirmation of a borrower's rating and rating of collateral for a loan. The system is based on a rating model depending on key performance indicators of the borrower with the possibility of insignificant expert adjustments in case of insufficient objectivity of the benchmark. The method provides for the rating assignment on the basis of the following criteria groups: market indicators of the borrower, goodwill, credit history, transparency and reliability of information, information on business and business environment, relations of the Group and the borrower, financial situation of the borrower, business activity, and collateral provided. The financial situation and business activity are the most important criteria. Therefore, the rating model provides for overall assessment of the borrower and the loan.

Currently the rating model is applied only for initial credit application assessment. For credit monitoring purposes the bank classifies performing loans into "standard" and "watch-list" categories, based on the range of financial and other quantitative and qualitative indicators of borrowers' performance.

A model of the borrower's scoring assessment has been developed in the Group to assess and decide on loans to small and medium-size businesses. The scoring model is developed relating to standard loan products and includes key performance indicators of borrowers: financial situation, relations with the borrower, management quality, target use, location, credit history, collateral, etc.

The scoring assessment based on the borrower's parameters is one of the main factors for the decision-making process relating to loans.

A methodology of evaluation of borrowers-individuals is based on following criteria: education, occupancy, financial position, credit history, property owned by the borrower. Based on information obtained the maximum limit of a loan is calculated. The loan maximum limit is calculated with the use of the borrower's debt load ratio.

The Group applies internal methodologies to specific corporate loans and groups of retail loans. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan. As a result, it is not possible to make a cross-product score comparison which would agree to the outstanding balance of loans to customers per the consolidated balance sheet. As such, more detailed information is not being presented.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Russia	Non-OECD countries	OECD countries	31 December 2010 Total
ASSETS				
Cash and balances with the Central Bank of the Russian Federation	40,488,751	-	-	40,488,751
Minimum reserve deposits with the Central Bank of the Russian Federation	2,817,306	-	-	2,817,306
Financial assets at fair value through profit or loss	52,355,340	921,989	2,244,711	55,522,040
Loans and advances to banks and other financial institutions	18,004,879	17,303,070	6,269,549	41,577,498
Loans to customers	266,402,786	72,893,233	5,893	339,301,912
Investments available-for-sale	24,377,784	1,382,887	2,623	25,763,294
Investments held to maturity	851,707	-	-	851,707
Other financial assets	1,592,941	140	111,310	1,704,391
TOTAL FINANCIAL ASSETS	**406,891,494**	**92,501,319**	**8,634,086**	**508,026,899**
Precious metals	4,676,504	-	-	4,676,504
Property, plant and equipment	10,976,005	-	-	10,976,005
Goodwill	597,652	-	-	597,652
Intangible assets	2,601,513	-	-	2,601,513
Other non-financial assets	3,333,261	4,082	831	3,338,174
TOTAL NON-FINANCIAL ASSETS	**22,184,935**	**4,082**	**831**	**22,189,848**
TOTAL ASSETS	**429,076,429**	**92,505,401**	**8,634,917**	**530,216,747**
LIABILITIES				
Financial liabilities at fair value through profit or loss	164,139	354,768	486,164	1,005,071
Due to banks and the Central Bank of the Russian Federation	30,665,337	3,713,870	25,459,499	59,838,706
Customer accounts	302,488,921	9,686,968	1,200,452	313,376,341
Bonds and Eurobonds	16,678,145	-	17,733,547	34,411,692
Promissory notes issued	32,718,892	-	449,205	33,168,097
Other financial liabilities	1,231,971	7,253	13,053	1,252,277
Subordinated debt	9,214,998	-	17,875,585	27,090,583
TOTAL FINANCIAL LIABILITIES	**393,162,403**	**13,762,859**	**63,217,505**	**470,142,767**
Deferred income tax liabilities	1,182,284	-	-	1,182,284
Other non-financial liabilities	955,905	558	565	957,028
TOTAL NON-FINANCIAL LIABILITIES	**2,138,189**	**558**	**565**	**2,139,312**
TOTAL LIABILITIES	**395,300,592**	**13,763,417**	**63,218,070**	**472,282,079**
OPEN POSITION	**33,775,837**	**78,741,984**	**(54,583,153)**	

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Russia	Non-OECD countries	OECD countries	31 December 2009 Total
ASSETS				
Cash and balances with the Central Bank of the Russian Federation	14,075,379	-	-	14,075,379
Minimum reserve deposits the Central Bank of the Russian Federation	1,192,375	-	-	1,192,375
Financial assets at fair value through profit or loss	56,986,309	459,084	220,891	57,666,284
Loans and advances to banks and other financial institutions	6,358,237	3,257,403	17,199,098	26,814,738
Loans to customers	141,818,774	20,825,883	5,076	162,649,733
Investments available-for-sale	171,175	-	2,632	173,807
Investments held to maturity	1,362,518	-	-	1,362,518
Other financial assets	498,822	-	149,073	647,895
TOTAL FINANCIAL ASSETS	**222,463,589**	**24,542,370**	**17,576,770**	**264,582,729**
Precious metals	4,615,197	-	-	4,615,197
Property, plant and equipment	5,935,544	-	-	5,935,544
Intangible assets	85,092	-	-	85,092
Other non-financial assets	1,892,331	29	222	1,892,582
TOTAL NON-FINANCIAL ASSETS	**12,528,164**	**29**	**222**	**12,528,415**
TOTAL ASSETS	**234,991,753**	**24,542,399**	**17,576,992**	**277,111,144**
LIABILITIES				
Financial liabilities at fair value through profit or loss	308,135	65,923	129,819	503,877
Due to banks and the Central Bank of the Russian Federation	30,909,039	2,690,360	14,797,471	48,396,870
Customer accounts	130,606,937	2,901,141	695,806	134,203,884
Bonds and Eurobonds	12,838,876	-	12,110,667	24,949,543
Promissory notes issued	7,499,565	1,512	96	7,501,173
Other financial liabilities	613,080	-	1,804	614,884
Subordinated debt	10,965,233	-	11,698,883	22,664,116
TOTAL FINANCIAL LIABILITIES	**193,740,865**	**5,658,936**	**39,434,546**	**238,834,347**
Deferred income tax liabilities	911,200	-	-	911,200
Other non-financial liabilities	749,020	-	4,374	753,394
TOTAL NON-FINANCIAL LIABILITIES	**1,660,220**	**-**	**4,374**	**1,664,594**
TOTAL LIABILITIES	**195,401,085**	**5,658,936**	**39,438,920**	**240,498,941**
OPEN POSITION	**39,590,668**	**18,883,463**	**(21,861,928)**	

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Russia	Non-OECD countries	OECD countries	31 December 2008 Total
ASSETS				
Cash and balances with the Central Bank of the Russian Federation	11,021,373	-	-	11,021,373
Minimum reserve deposits the Central Bank of the Russian Federation	237,976	-	-	237,976
Financial assets at fair value through profit or loss	33,338,581	1,160,184	451,145	34,949,910
Loans and advances to banks and other financial institutions	12,626,281	6,355,027	3,290,470	22,271,778
Loans to customers	186,873,608	842,764	4,944	187,721,316
Investments available-for-sale	88,495	-	2,585	91,080
Investments held to maturity	3,815,723	-	-	3,815,723
Other financial assets	5,912,763	5,196	34,301	5,952,260
TOTAL FINANCIAL ASSETS	**253,914,800**	**8,363,171**	**3,783,445**	**266,061,416**
Precious metals	3,309,468	-	-	3,309,468
Property, plant and equipment	5,163,592	-	-	5,163,592
Intangible assets	34,513	-	-	34,513
Other non-financial assets	3,161,281	829	64,099	3,226,209
TOTAL NON-FINANCIAL ASSETS	**11,668,854**	**829**	**64,099**	**11,733,782**
TOTAL ASSETS	**265,583,654**	**8,364,000**	**3,847,544**	**277,795,198**
LIABILITIES				
Financial liabilities at fair value through profit or loss	764,568	1,240,132	683,350	2,688,050
Due to banks and the Central Bank of the Russian Federation	46,355,089	1,757,072	20,184,613	68,296,774
Customer accounts	114,038,219	1,555,167	477,204	116,070,590
Bonds and Eurobonds	11,125,520	-	10,516,277	21,641,797
Promissory notes issued	18,860,045	6,442,642	-	25,302,687
Other financial liabilities	418,103	861	24,572	443,536
Subordinated debt	1,035,661	-	8,723,658	9,759,319
TOTAL FINANCIAL LIABILITIES	**192,597,205**	**10,995,874**	**40,609,674**	**244,202,753**
Deferred income tax liabilities	370,563	-	-	370,563
Other non-financial liabilities	717,119	-	-	717,119
TOTAL NON-FINANCIAL LIABILITIES	**1,087,682**	**-**	**-**	**1,087,682**
TOTAL LIABILITIES	**193,684,887**	**10,995,874**	**40,609,674**	**245,290,435**
OPEN POSITION	**71,898,767**	**(2,631,874)**	**(36,762,130)**	

Market risk

Market risk is the risk that the fluctuations in market value of securities, foreign exchange rates, value of precious metals or interest rates may cause the changes in transaction returns or value of assets.

Therefore, the market risks include currency, interest and price risks. The Group is exposed to the market risks as a result of open positions on stock-exchange securities, currencies, precious metals and interest rates.

Market risks are managed by the Financial market department, Precious metals department, Treasury department and Financial and Market risk department. The Treasury and Market risk department assesses the Group's exposure to currency and price risks, including in terms of the internal limits. Treasury department assesses interest rate sensitivity and sets guidelines for the interest rate risks. Financial market department manages the open positions within the set limits on a daily basis to increase the Group's profit.

Value-at-risk methodology adopted by the Group for risk measurement purposes

The Group applies Value-at-Risk (VaR) methodology to assess its exposure to currency and price risk. VaR is the maximum volume of loss for the concerned position of financial instrument/ portfolio/ transaction that may arise during a given period of time with a given probability. The loss value is estimated based on statistical and probabilistic analysis.

The Group assumed the accuracy of assessing the maximum value at risk (confidence level) at 99%.

To exercise control over the adequacy of measuring the above exposures the Group uses backtesting procedure that allows determining the extent to which risk assessment model corresponds to the real market situation.

As part of works to prepare this consolidated financial statements the Treasury Department assessed VaR with regard to the Group's currency position in terms of key currencies and gold and the Group's market (price) risk inherent in the securities portfolio as of 31 December 2010, 2009 and 2008 based on the data in consolidated financial statements.

During the period ended 31 December 2010 the Group applied several changes to the methodology of calculation of the estimated value of VaR.

The Group has changed the method of assessment of fixed income securities price risk from historical to delta-normal.

According to the new method the total value of fixed income securities price risk is decomposed into following risk-factors: the risk of risk-free rate changes and the risk of Z-spread changes. In accordance with this approach the volatility of Z-spread depends only on the issuer default rating.

In the Group's opinion this methodology is proper for the price risk estimation of portfolio of promissory notes. Therefore the total value of fixed income securities price risk includes the price risk of both, portfolios of bonds and Eurobonds and portfolio of promissory notes.

In calculating of VAR in respect to currency and price risk the holding period was changed from 1 day to 10 days in the second half of 2010 year.

The results of VAR measurement with regard to currency and price risk are provided in the attached table.

Total data on the VAR assessment in respect for currency and price risks accepted by the Group as of 31 December 2010, 2009 and 2008 and for the years then ended with the regard to changes in the methodology of calculation described above are the following:

	31 December 2010			
RUB thousand	**minimum**	**average**	**maximum**	**Year end**
Currency risk	14,885	190,942	347,925	55,633
Fixed income securities price risk	278,246	694,227	1,559,041	895,982
Equity securities price risk	48,969	145,203	422,056	94,143

	31 December 2009			
RUB thousand	**minimum**	**average**	**maximum**	**Year end**
Currency risk	90,118	331,777	717,431	507,940
Fixed income securities price risk	838,238	2,053,303	6,872,294	1,200,199
Equity securities price risk	7,824	127,195	401,603	231,510

	31 December 2008			
RUB thousand	**minimum**	**average**	**maximum**	**Year end**
Currency risk	4,798	82,630	482,943	459,548
Fixed income securities price risk	293,795	2,426,096	9,569,377	6,214,697
Equity securities price risk	23,384	245,560	1,278,239	69,950

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Although VaR is rather efficient as a risk measurement method this efficiency may be limited, especially in the conditions of low liquidity markets:

- Use of historical data to assess future events fails to take into account all the scenarios possible, especially extraordinary ones;
- Use of 99% confidence level disregards losses that may occur outside of this confidence range;
- VaR calculated based on business day results disregards fluctuations that could have taken place throughout the day.

In view of the above, the Group applies other risk measurement methods as well: gap analysis for interest rate risk, and net interest income sensitivity analysis.

Interest rate risk

Fair value interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the repricing characteristics of assets and liabilities. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Cash flow interest rate risk arises from the possibility that future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk, principally as a result of lending at fixed interest rates in amounts and for periods which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short-term basis. Also, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Group manages interest risk by balancing interest bearing assets and liabilities, balancing the structure of assets and liabilities, implementing controls over risks of fund withdrawals and loan prepayments prior to maturity and controls over interest rate changes. The tools used by Financial Committee include stress-testing and setting maximum and minimum rates.

The following table presents a breakdown of weighted average effective interest rates in force as at 31 December 2010, 2009 and 2008 and thus the potential of the Group for gain or loss. Effective average interest rates are analyzed by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2010		
	RUB	**USD**	**Other currencies**
ASSETS:			
Financial assets at fair value through profit or loss	8.63%	7.25%	4.25%
Loans and advances to banks and other financial institutions	3.70%	5.84%	5.53%
Loans to customers	11.85%	10.28%	9.99%
Investments held to maturity	12.86%	-	-
LIABILITIES:			
Due from banks and the Central Bank of the Russian Federation	4.02%	2.34%	2.67%
Customer accounts	6.09%	6.30%	6.68%
Bonds and Eurobonds	8.11%	6.12%	4.69%
Promissory notes issued	7.35%	6.85%	5.67%
Subordinated debt	7.17%	9.37%	-

	31 December 2009		
	RUB	**USD**	**Other currencies**
ASSETS:			
Financial assets at fair value through profit or loss	11.99%	7.60%	12.54%
Loans and advances to banks and other financial institutions	10.24%	6.37%	0.43%
Loans to customers	15.85%	13.35%	11.01%
Investments held to maturity	12.33%	-	-
LIABILITIES:			
Due from banks and the Central Bank of the Russian Federation	9.96%	4.52%	2.67%
Customer accounts	10.59%	8.45%	9.41%
Bonds and Eurobonds	15.00%	8.71%	-
Promissory notes issued	11.13%	6.05%	5.78%
Subordinated debt	9.57%	11.27%	-

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	31 December 2008		
	RUB	**USD**	**Other currencies**
ASSETS:			
Financial assets at fair value through profit or loss	10.17%	7.71%	-
Loans and advances to banks and other financial institutions	15.70%	7.10%	3.00%
Loans to customers	16.17%	14.06%	11.18%
Investments held to maturity	10.92%	-	-
LIABILITIES:			
Due from banks and the Central Bank of the Russian Federation	13.32%	4.19%	4.85%
Customer accounts	9.5%	7.92%	7.39%
Bonds and Eurobonds	9.44%	8.22%	-
Promissory notes issued	9.88%	-	8.70%
Subordinated debt	11.23%	9.75%	-

Interest rate risk is the risk that the interest income of the Group will decrease or it will incur losses in a result of adverse changes in market interest rates.

The following table presents financial assets/liabilities maturity based on projected repricing dates. These repricing dates are determined by management and are contained within the risk reports provided to key management personnel.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Financial assets and liabilities not sensitive to interest rate fluctuations	31 December 2010 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	30,892,021	-	-	-	-	9,596,730	40,488,751
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	2,817,306	2,817,306
Precious metals	4,676,504	-	-	-	-	-	4,676,504
Financial assets at fair value through profit or loss	415,348	1,876,256	18,046,932	20,334,117	11,600,428	3,248,959	55,522,040
Loans and advances to banks and other financial institutions	24,311,394	3,968,970	6,747,524	2,091,251	-	4,458,359	41,577,498
Loans to customers	54,571,709	28,593,742	106,998,492	123,462,299	25,675,670	-	339,301,912
Investments available-for-sale	1,845,378	7,164,464	4,964,511	4,569,177	1,566,828	5,652,936	25,763,294
Investments held to maturity	-	-	-	826,695	25,012	-	851,707
Property, plant and equipment	-	-	-	-	-	10,976,005	10,976,005
Goodwill	-	-	-	-	-	597,652	597,652
Intangible assets	-	-	-	-	-	2,601,513	2,601,513
Other assets	-	-	-	-	-	5,042,565	5,042,565
TOTAL ASSETS	**116,712,354**	**41,603,432**	**136,757,459**	**151,283,539**	**38,867,938**	**44,992,025**	**530,216,747**
LIABILITIES							
Financial liabilities at fair value through profit or loss	90,962	6,030	-	110,152	-	797,927	1,005,071
Due to banks and the Central Bank of the Russian Federation	32,611,379	12,894,919	10,386,264	3,447,489	-	498,655	59,838,706
Customer accounts	84,922,948	46,613,916	107,835,260	23,480,126	8,513	50,515,578	313,376,341
Bonds and Eurobonds	80,200	1,835,232	8,002,768	24,493,492	-	-	34,411,692
Promissory notes issued	2,681,455	4,327,092	24,395,126	1,760,952	3,472	-	33,168,097
Deferred income tax liabilities	-	-	-	-	-	1,182,284	1,182,284
Other liabilities	-	-	-	-	-	2,209,305	2,209,305
Subordinated debt	-	-	4,063,486	15,001,736	8,025,361	-	27,090,583
TOTAL LIABILITIES	**120,386,944**	**65,677,189**	**154,682,904**	**68,293,947**	**8,037,346**	**55,203,749**	**472,282,079**
Interest gap based on projected repricing dates	**(3,674,590)**	**(24,073,757)**	**(17,925,445)**	**82,989,592**	**30,830,592**		
Interest based derivative financial instruments based on projected repricing dates	**2,615,811**	**405,674**	**(201,577)**	**(2,819,909)**	-		
Interest gap, based on projected repricing dates including interest-based derivative financial instruments	**(1,058,779)**	**(23,668,083)**	**(18,127,022)**	**80,169,683**	**30,830,592**		

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Financial assets and liabilities not sensitive to interest rate fluctuations	31 December 2009 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	10,119,691	-	-	-	-	3,955,688	14,075,379
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	1,192,375	1,192,375
Precious metals	4,615,197	-	-	-	-	-	4,615,197
Financial assets at fair value through profit or loss	1,631,622	4,680,261	14,399,602	30,841,855	3,271,509	2,841,435	57,666,284
Loans and advances to banks and other financial institutions	24,624,435	331,088	1,101,195	-	-	758,020	26,814,738
Loans to customers	32,011,645	13,694,676	50,522,670	52,337,465	14,083,277	-	162,649,733
Investments available-for-sale	-	-	-	116,654	-	57,153	173,807
Investments held to maturity	611,231	-	-	726,308	24,979	-	1,362,518
Property, plant and equipment	-	-	-	-	-	5,935,544	5,935,544
Intangible assets	-	-	-	-	-	85,092	85,092
Other assets	-	-	-	-	-	2,540,477	2,540,477
TOTAL ASSETS	**73,613,821**	**18,706,025**	**66,023,467**	**84,022,282**	**17,379,765**	**17,365,784**	**277,111,144**
LIABILITIES							
Financial liabilities at fair value through profit or loss	50,336	10,233	-	-	-	443,308	503,877
Due to banks and the Central Bank of the Russian Federation	18,956,175	9,018,115	19,345,794	781,149	-	295,637	48,396,870
Customer accounts	33,272,079	25,262,529	46,039,511	9,615,510	-	20,014,255	134,203,884
Bonds and Eurobonds	361,652	9,242,409	9,334,548	6,010,934	-	-	24,949,543
Promissory notes issued	376,551	797,825	3,936,961	2,361,028	28,808	-	7,501,173
Deferred income tax liabilities	-	-	-	-	-	911,200	911,200
Other liabilities	-	-	-	-	-	1,368,278	1,368,278
Subordinated debt	75,477	-	-	3,835,392	18,753,247	-	22,664,116
TOTAL LIABILITIES	**53092,270**	**44,331,111**	**78,656,814**	**22,604,013**	**18,782,055**	**23,032,678**	**240,498,941**
Interest gap based on projected repricing dates	**20,521,551**	**(25,625,086)**	**(12,633,347)**	**61,418,269**	**(1,402,290)**		
Interest based derivative financial instruments based on projected repricing dates	3,513,997	-	-	(3,513,997)	-		
Interest gap, based on projected repricing dates including interest-based derivative financial instruments	**24,035,548**	**(25,625,086)**	**(12,633,347)**	**57,904,272**	**(1,402,290)**		

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Financial assets not sensible to interest rate fluctuations	31 December 2008 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	7,825,227	-	-	-	-	3,196,146	11,021,373
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	237,976	237,976
Precious metals	3,309,468	-	-	-	-	-	3,309,468
Financial assets at fair value through profit or loss	185,135	7,069,202	9,830,256	13,864,995	1,042,241	2,958,081	34,949,910
Loans and advances to banks and other financial institutions	18,171,157	131,600	1,322,118	-	-	2,646,903	22,271,778
Loans to customers	11,196,754	14,216,715	66,885,664	79,375,436	16,046,747	-	187,721,316
Investments available-for-sale	-	-	-	-	-	91,080	91,080
Investments held to maturity	-	511,460	2,093,086	1,211,177	-	-	3,815,723
Property, plant and equipment	-	-	-	-	-	5,163,592	5,163,592
Intangible assets	-	-	-	-	-	34,513	34,513
Other assets	-	-	-	-	-	9,178,469	9,178,469
TOTAL ASSETS	**40,687,741**	**21,928,977**	**80,131,124**	**94,451,608**	**17,088,988**	**23,506,760**	**277,795,198**
LIABILITIES							
Financial liabilities at fair value through profit or loss	-	-	-	-	-	2,688,050	2,688,050
Due to banks and the Central Bank of the Russian Federation	24,143,660	5,343,390	34,273,799	3,158,691	899,725	477,509	68,296,774
Customer accounts	28,950,352	8,133,856	37,869,823	11,049,683	10,400,000	19,666,876	116,070,590
Bonds and Eurobonds	-	100,334	7,477,687	9,063,776	5,000,000	-	21,641,797
Promissory notes issued	1,037,153	6,786,539	12,383,645	5,091,520	3,829	-	25,302,687
Subordinated debt	-	-	77,611	3,646,047	6,035,661	-	9,759,319
Deferred income tax liabilities	-	-	-	-	-	370,563	370,563
Other liabilities	-	-	-	-	-	1,160,655	1,160,655
TOTAL LIABILITIES	**54,131,165**	**20,364,119**	**92,082,566**	**32,009,717**	**22,339,215**	**24,363,653**	**245,290,435**
Interest gap based on projected repricing dates	**(13,443,425)**	**1,564,858**	**(11,951,441)**	**62,441,891**	**(5,250,227)**		
Interest based derivative financial instruments based on projected repricing dates	-	-	-	-	-		
Interest gap, based on projected repricing dates including interest-based derivative financial instruments	**(13,443,425)**	**1,564,858**	**(11,951,441)**	**62,441,891**	**(5,250,227)**		

Sensitivity analysis

The first portion of this calculation is based on the assumption that market interest rates will rise (fall) by two percentage points. The sensitivity analysis applied to the profit and equity as a result of potential changes in the market interest rates as described below is for twelve months ended 31 December 2010, 2009 and 2008.

The calculation refers to the immediate effect on income statement of each scenario for the Group's interest rate positions on floating rate instruments.

The second portion is entitled "changes in value" calculates the equivalent effect for debt securities in the trading and available-for-sale category.

		31 December 2010		31 December 2009		31 December 2008	
		Equity	**Net profit**	**Equity**	**Net profit**	**Equity**	**Net profit**
Net interest income for the reporting period							
Increased interest rates	+ 2%	(135,876)	(135,876)	(150,287)	(150,287)	(195,918)	(195,918)
Decreased interest rates	-2%	135,876	135,876	150,287	150,287	195,918	195,918
Change in value							
Market interest rate	+ 2%	(1,915,951)	(1,621,510)	(1,541,222)	(1,540,041)	(355,298)	(355,298)
Market interest rate	-2%	2,176,661	1,843,458	1,741,536	1,740,311	383,576	383,576

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

Foreign currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group's exposure to foreign currency exchange rate risk as at 31 December 2010 is presented in the table below:

	RUB	USD 1 USD = RUB 30.4769	Euro 1 EUR = RUB 40.3331	Gold 1 ounce = RUB 42,980.05	Other	31 December 2010 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	39,006,374	791,054	681,868	-	9,455	40,488,751
Minimum reserve deposits with the Central Bank of the Russian Federation	2,817,306	-	-	-	-	2,817,306
Financial assets at fair value through profit or loss	32,338,612	22,843,984	280,752	54,266	4,426	55,522,040
Loans and advances to banks and other financial institutions	14,173,898	16,497,282	10,525,876	4,542	375,900	41,577,498
Loans to customers	219,304,467	103,572,854	16,284,599	-	139,992	339,301,912
Investments available-for-sale	21,096,179	4,558,630	108,485	-	-	25,763,294
Investments held to maturity	851,707	-	-	-	-	851,707
Other financial assets	1,577,770	14,711	110,976	-	934	1,704,391
TOTAL FINANCIAL ASSETS	**331,166,313**	**148,278,515**	**27,992,556**	**58,808**	**530,707**	**508,026,899**
Precious metals	-	-	-	4,188,941	487,563	4,676,504
Property, plant and equipment	10,976,005	-	-	-	-	10,976,005
Goodwill	597,652					597,652
Intangible assets	2,601,513	-	-	-	-	2,601,513
Other non-financial assets	3,149,711	67,522	22,257	38,980	59,704	3,338,174
TOTAL NON-FINANCIAL ASSETS	**17,324,881**	**67,522**	**22,257**	**4,227,922**	**547,266**	**22,189,848**
TOTAL ASSETS	**348,491,194**	**148,346,037**	**28,014,813**	**4,286,730**	**1,077,973**	**530,216,747**
LIABILITIES						
Financial liabilities at fair value through profit or loss	591,955	270,749	125,520	12,250	4,597	1,005,071
Due to banks and the Central Bank of the Russian Federation	17,820,201	20,892,624	20,484,824	582,440	58,617	59,838,706
Customer accounts	266,836,815	27,959,021	14,576,962	3,338,366	665,177	313,376,341
Bonds and Eurobonds	16,678,145	17,733,547	-	-	-	34,411,692
Promissory notes issued	31,164,021	620,637	1,383,439	-	-	33,168,097
Other financial liabilities	1,239,968	12,282	19	-	8	1,252,277
Subordinated debt	9,214,999	17,875,584	-	-	-	27,090,583
TOTAL FINANCIAL LIABILITIES	**343,546,104**	**85,364,444**	**36,570,764**	**3,933,056**	**728,399**	**470,142,767**
Deferred income tax liabilities	1,182,284	-	-	-	-	1,182,284
Other non-financial liabilities	948,254	1,739	6,990	-	45	957,028
TOTAL NON-FINANCIAL LIABILITIES	**2,130,538**	**1,739**	**6,990**	**-**	**45**	**2,139,312**
TOTAL LIABILITIES	**345,676,642**	**85,366,183**	**36,577,754**	**3,933,056**	**728,444**	**472,282,079**
OPEN BALANCE SHEET POSITION	**2,814,552**	**62,979,854**	**(8,562,941)**	**353,674**	**349,529**	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(49,984,287)	(119,585,397)	(14,341,119)	(3,326,495)	(1,684,910)	(188,922,208)
Receivables under forward deals	105,200,729	56,570,185	22,477,288	3,099,572	1,574,433	188,922,208
Payables under spot deals	(3,830,098)	(5,022,722)	(243,973)	-	(14,168)	(9,110,960)
Receivables under spot deals	4,944,032	3,909,473	243,287	-	14,168	9,110,960
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	**56,330,376**	**(64,128,461)**	**8,135,484**	**(226,922)**	**(110,477)**	
TOTAL OPEN POSITION	**59,144,928**	**(1,148,607)**	**(427,456)**	**126,751**	**239,052**	
CREDIT CONTINGENT LIABILITIES	**126,024,963**	**18,772,445**	**10,531,627**	**-**	**236,188**	

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	RUB	USD 1 USD = RUB 30.2442	Euro 1 EUR = RUB 43.3883	Gold 1 ounce = RUB 33,389.60	Other	31 December 2009 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	12,807,792	658,452	599,990	-	9,145	14,075,379
Minimum reserve deposits with the Central Bank of the Russian Federation	1,192,375	-	-	-	-	1,192,375
Financial assets at fair value through profit or loss	47,235,638	9,999,980	179,603	19,505	231,558	57,666,284
Loans and advances to banks and other financial institutions	3,448,135	12,713,886	10,517,970	4,193	130,554	26,814,738
Loans to customers	103,394,300	48,733,719	10,282,490	-	239,224	162,649,733
Investments available-for-sale	171,134	1,932	741	-	-	173,807
Investments held to maturity	1,362,518	-	-	-	-	1,362,518
Other financial assets	489,991	6,065	145,937	5,607	295	647,895
TOTAL FINANCIAL ASSETS	**170,101,883**	**72,114,034**	**21,726,731**	**29,305**	**610,776**	**264,582,729**
Precious metals	-	-	-	4,303,021	312,176	4,615,197
Property, plant and equipment	5,935,544	-	-	-	-	5,935,544
Intangible assets	85,092	-	-	-	-	85,092
Other non-financial assets	1,756,300	47,334	88,948	-	-	1,892,582
TOTAL NON-FINANCIAL ASSETS	**7,776,936**	**47,334**	**88,948**	**4,303,021**	**312,176**	**12,528,415**
TOTAL ASSETS	**177,878,819**	**72,161,368**	**21,815,679**	**4,332,326**	**922,952**	**277,111,144**
LIABILITIES						
Financial liabilities at fair value through profit or loss	289,523	135,483	51,841	26,722	308	503,877
Due to banks and the Central Bank of the Russian Federation	18,609,472	14,094,928	14,968,016	619,426	105,028	48,396,870
Customer accounts	94,154,575	24,580,833	12,683,161	2,303,397	481,918	134,203,884
Bonds and Eurobonds	12,838,876	12,110,667	-	-	-	24,949,543
Promissory notes issued	5,246,372	845,882	1,408,919	-	-	7,501,173
Other financial liabilities	612,605	1,130	1,149	-	-	614,884
Subordinated debt	10,965,233	11,698,883	-	-	-	22,664,116
TOTAL FINANCIAL LIABILITIES	**142,716,656**	**63,467,806**	**29,113,086**	**2,949,545**	**587,254**	**238,834,347**
Deferred income tax liabilities	911,200	-	-	-	-	911,200
Other non-financial liabilities	301,291	9,719	442,384			753,394
TOTAL NON-FINANCIAL LIABILITIES	**1,212,491**	**9,719**	**442,384**	**-**	**-**	**1,664,594**
TOTAL LIABILITIES	**143,929,147**	**63,477,525**	**29,555,470**	**2,949,545**	**587,254**	**240,498,941**
OPEN BALANCE SHEET POSITION	**33,949,672**	**8,683,843**	**(7,739,791)**	**1,382,781**	**335,698**	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(6,138,553)	(25,169,782)	(4,445,135)	(4,742,984)	(1,069,740)	(41,566,194)
Receivables under forward deals	14,918,175	13,340,702	10,313,635	2,221,124	772,558	41,566,194
Payables under spot deals	(1,852,568)	(415,814)	(34,674)	(159,768)	(133,114)	(2,595,938)
Receivables under spot deals	450,488	1,543,296	21,694	580,460	-	2,595,938
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	**7,377,543**	**(10,701,598)**	**5,855,520**	**(2,101,168)**	**(430,296)**	
TOTAL OPEN POSITION	**41,327,214**	**(2,017,755)**	**(1,884,271)**	**(718,387)**	**(94,598)**	
CREDIT CONTINGENT LIABILITIES	**30,670,565**	**8,316,935**	**13,120,535**	**-**	**-**	

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	RUB	USD 1 USD = RUB 29.3804	Euro 1 EUR = RUB 41.4411	Gold 1 ounce = RUB 25,414.05	Other	31 December 2008 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	10,358,669	340,523	320,568	-	1,613	11,021,373
Minimum reserve deposits with the Central Bank of the Russian Federation	237,976	-	-	-	-	237,976
Financial assets at fair value through profit or loss	25,889,487	8,949,623	35,583	24,430	50,787	34,949,910
Loans and advances to banks and other financial institutions	8,761,836	11,770,570	1,259,261	412,293	67,818	22,271,778
Loans to customers	142,083,076	36,576,473	8,400,216	-	661,551	187,721,316
Investments available-for-sale	88,495	1,877	708	-	-	91,080
Investments held to maturity	3,815,723	-	-	-	-	3,815,723
Other financial assets	5,823,959	12,812	111,764	-	3,725	5,952,260
TOTAL FINANCIAL ASSETS	**197,059,221**	**57,651,878**	**10,128,100**	**436,723**	**785,494**	**266,061,416**
Precious metals	-	-	-	3,158,452	151,016	3,309,468
Property, plant and equipment	5,163,592	-	-	-	-	5,163,592
Intangible assets	34,513	-	-	-	-	34,513
Other non-financial assets	3,226,209	-	-	-	-	3,226,209
TOTAL NON-FINANCIAL ASSETS	**8,424,314**	**-**	**-**	**3,158,452**	**151,016**	**11,733,782**
TOTAL ASSETS	**205,483,535**	**57,651,878**	**10,128,100**	**3,595,175**	**936,510**	**277,795,198**
LIABILITIES						
Financial liabilities at fair value through profit or loss	23,028	2,594,628	34,295	35,449	650	2,688,050
Due to banks and the Central Bank of the Russian Federation	43,139,115	17,023,591	7,349,995	279,252	504,821	68,296,774
Customer accounts	85,791,332	18,700,056	10,390,592	985,436	203,174	116,070,590
Bonds and Eurobonds	11,125,520	10,516,277	-	-	-	21,641,797
Promissory notes issued	12,850,899	12,392,685	59,103	-	-	25,302,687
Other financial liabilities	441,978	280	1,278	-	-	443,536
Subordinated debt	6,035,661	3,723,658	-	-	-	9,759,319
TOTAL FINANCIAL LIABILITIES	**159,407,533**	**64,951,175**	**17,835,263**	**1,300,137**	**708,645**	**244,202,753**
Deferred income tax liabilities	370,563	-	-	-	-	370,563
Other non-financial liabilities	717,119	-	-	-	-	717,119
TOTAL NON-FINANCIAL LIABILITIES	**1,087,682**	**-**	**-**	**-**	**-**	**1,087,682**
TOTAL LIABILITIES	**160,495,215**	**64,951,175**	**17,835,263**	**1,300,137**	**708,645**	**245,290,435**
OPEN BALANCE SHEET POSITION	**44,988,320**	**(7,299,297)**	**(7,707,163)**	**2,295,038**	**227,865**	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(31,016,251)	(28,585,655)	(12,427,018)	(3,187,054)	(373,273)	(75,589,251)
Receivables under forward deals	28,605,027	37,137,392	8,636,573	739,568	470,691	75,589,251
Payables under spot deals	(3,672,550)	(17,991,868)	(8,108,600)	(1,319,624)	(433,217)	(31,525,859)
Receivables under spot deals	-	13,533,991	15,424,663	2,458,809	108,396	31,525,859
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	**(6,083,774)**	**4,093,860**	**3,525,618**	**(1,308,301)**	**(227,403)**	
TOTAL OPEN POSITION	**38,904,546**	**(3,205,437)**	**(4,181,545)**	**986,737**	**462**	
CREDIT CONTINGENT LIABILITIES	**29,386,448**	**9,380,731**	**16,664,948**	**-**	**26,714**	

The Group's principal cash flows (revenues, operating expenses) are largely generated in Russian Roubles. As a result, future movements in the exchange rate between the Russian Rouble and US dollar/Euro will affect the carrying value of the Group's monetary assets and liabilities. Such changes may also affect the Group's ability to invest in non-monetary assets as measured in US dollars in these financial statements.

Operational risk

Operational risk is defined as the risk of losses resulting from inappropriate management and control procedures, fraud, poor business decisions, system errors relating to employee mistakes and abuse by employees of their positions, technical failures, settlement errors, natural disasters and misuse of the Group's property.

The Management Board also generally oversees the implementation of risk management processes, including relevant internal policies, adopts internal regulations on risk management, determines limits for monitoring operational risks and allocates duties among various bodies responsible for operational risk management.

The Operational Risk Department monitors and controls operational risks and reports to the Supervisory Board. Regular monitoring activities allow to detect in time and to correct deficiencies in the policies and procedures designed to manage operational risk, which can reduce the potential frequency and/or severity of a loss event. In order to minimise operational risk, the Group strives to continuous improvement of its business processes and organisation structure as well as incentivise the staff.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. The liquidity and cash flow risks arise in the case of maturity gap.

The liquidity risk is defined as a mismatch of asset and liability maturity periods. The liquidity risk is managed by the Financial Committee of the Group.

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 to be completely matched due to the variety of Group's lending and funding operations. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates. Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that these deposits are a relatively stable and long-term source of finance for the Group.

The above data on term deposits of individuals are based on the terms of contracts. However, individuals may withdraw deposits at any time.

Long-term credits and overdraft facilities are generally not available in Russia. However, in the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above.

While financial assets at fair value through profit or loss are shown as less than one month, realizing such assets upon demand is dependent upon financial market conditions.

Substantially all of the Group's interest bearing assets and interest bearing liabilities are at fixed rates of interest.

Interest bearing assets and liabilities generally have relatively short maturities and interest rates are reprised only at maturity.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Finance Committee of the Bank sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	40,488,751	-	-	-	-	-	40,488,751
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	2,817,306	2,817,306
Precious metals	4,676,504	-	-	-	-	-	4,676,504
Financial assets at fair value through profit or loss	53,166,305	837,010	1,124,948	393,777	-	-	55,522,040
Loans and advances to banks and other financial institutions	28,736,938	3,968,581	6,780,934	2,091,045	-	-	41,577,498
Loans to customers	48,119,879	28,773,846	107,829,847	126,898,664	27,679,676	-	339,301,912
Investments available-for-sale	1,845,379	6,958,619	3,938,336	9,734,425	3,286,535	-	25,763,294
Investments held to maturity	-	-	-	826,695	25,012	-	851,707
Property, plant and equipment	-	-	-	-	-	10,976,005	10,976,005
Goodwill	-	-	-	-	-	597,652	597,652
Intangible assets	-	-	-	-	-	2,601,513	2,601,513
Other assets	1,792,457	302,565	2,714,235	121,563	97,954	13,791	5,042,565
TOTAL ASSETS	**178,826,213**	**40,840,621**	**122,388,300**	**140,066,169**	**31,089,177**	**17,006,267**	**530,216,747**
LIABILITIES							
Financial liabilities at fair value through profit or loss	289,056	119,935	422,274	173,806	-	-	1,005,071
Due to banks and the Central Bank of the Russian Federation	25,613,302	7,232,756	15,237,053	8,428,139	3,327,456	-	59,838,706
Customer accounts	135,438,417	46,613,916	109,544,752	21,770,743	8,513	-	313,376,341
Bonds and Eurobonds	80,200	1,835,232	1,873,936	25,911,181	4,711,143	-	34,411,692
Promissory notes issued	2,681,455	4,327,092	24,395,126	1,760,952	3,472	-	33,168,097
Deferred income tax liabilities	-	-	-	-	-	1,182,284	1,182,284
Other liabilities	786,592	258,365	887,853	273,188	3,307	-	2,209,305
Subordinated debt	-	-	272,065	11,748,514	15,070,004	-	27,090,583
TOTAL LIABILITIES	**164,889,022**	**60,387,296**	**152,633,059**	**70,066,523**	**23,123,895**	**1,182,284**	**472,282,079**
Liquidity gap	13,937,191	(19,546,675)	(30,244,759)	69,999,646	7,965,282		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	14,075,379	-	-	-	-	-	14,075,379
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	1,192,375	1,192,375
Precious metals	4,615,197	-	-	-	-	-	4,615,197
Financial assets at fair value through profit or loss	57,204,961	36,199	425,124	-	-	-	57,666,284
Loans and advances to banks and other financial institutions	25,382,455	331,088	1,101,195	-	-	-	26,814,738
Loans to customers	32,011,645	13,694,676	50,522,670	52,337,465	14,083,277	-	162,649,733
Investments available-for-sale	-	-	-	173,807	-	-	173,807
Investments held to maturity	611,231	-	-	726,308	24,979	-	1,362,518
Property, plant and equipment	-	-	-	-	-	5,935,542	5,935,542
Intangible assets	-	-	-	-	-	85,094	85,094
Other assets	310,461	2,010,697	118,953	685	99,681	-	2,540,477
TOTAL ASSETS	**134,211,329**	**16,072,660**	**52,167,942**	**53,238,265**	**14,207,937**	**7,213,011**	**277,111,144**
LIABILITIES							
Financial liabilities at fair value through profit or loss	166,285	11,270	287,583	38,739	-	-	503,877
Due to banks and the Central Bank of the Russian Federation	17,628,749	5,945,064	17,090,561	4,393,997	3,338,499	-	48,396,870
Customer accounts	53,286,334	25,262,529	46,039,511	9,615,510	-	-	134,203,884
Bonds and Eurobonds	165,210	6,438,851	22,534	18,322,948	-	-	24,949,543
Promissory notes issued	376,553	797,823	3,936,961	2,361,028	28,808	-	7,501,173
Deferred income tax liabilities	-	-	-	-	-	911,200	911,200
Other liabilities	219,936	211,560	488,776	157,523	290,483	-	1,368,278
Subordinated debt	75,477	-	-	-	22,588,639	-	22,664,116
TOTAL LIABILITIES	**71,918,544**	**38,667,097**	**67,865,926**	**34,889,745**	**26,246,429**	**911,200**	**240,498,941**
Liquidity gap	62,292,785	(22,594,437)	(15,697,984)	18,348,520	(12,038,492)		

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	11,021,373	-	-	-	-	-	11,021,373
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	237,976	237,976
Precious metals	3,309,468	-	-	-	-	-	3,309,468
Financial assets at fair value through profit or loss	33,382,013	299,075	1,268,822	-	-	-	34,949,910
Loans and advances to banks and other financial institutions	20,818,060	131,600	1,322,118	-	-	-	22,271,778
Loans to customers	11,196,754	14,216,715	66,885,664	79,375,436	16,046,747	-	187,721,316
Investments available-for-sale	-	-	-	91,080	-	-	91,080
Investments held to maturity	-	511,460	2,093,086	1,211,177	-	-	3,815,723
Property, plant and equipment	-	-	-	-	-	5,163,592	5,163,592
Intangible assets	-	-	-	-	-	34,513	34,513
Other assets	6,198,880	153,666	2,699,820	47,148	-	78,955	9,178,469
TOTAL ASSETS	**85,926,548**	**15,312,516**	**74,269,510**	**80,724,841**	**16,046,747**	**5,515,036**	**277,795,198**
LIABILITIES							
Financial liabilities at fair value through profit or loss	1,153,828	325,199	1,209,023	-	-	-	2,688,050
Due to banks and the Central Bank of the Russian Federation	24,617,551	5,339,142	34,370,786	3,069,570	899,725	-	68,296,774
Customer accounts	48,515,163	8,135,245	37,886,825	11,133,357	10,400,000	-	116,070,590
Bonds and Eurobonds	-	303,552	7,477,687	13,860,558	-	-	21,641,797
Promissory notes issued	1,037,153	6,786,539	12,383,645	5,091,520	3,829	-	25,302,687
Deferred income tax liabilities	-	-	-	-	-	370,563	370,563
Other liabilities	206,087	689,891	264,563	114	-	-	1,160,655
Subordinated debt	-	-	77,611	-	9,681,708	-	9,759,319
TOTAL LIABILITIES	**75,529,782**	**21,579,569**	**93,670,140**	**33,155,119**	**20,985,262**	**370,563**	**245,290,435**
Liquidity gap	10,396,766	(6,267,053)	(19,400,630)	47,569,722	(4,938,515)		

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The following tables show undiscounted cash flows (the gross outflow) of the Group's financial liabilities and off-balance sheet commitments on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these financial liabilities and off-balance sheet commitments may vary significantly from this analysis.

The gross undiscounted cash flows of the Group as at 31 December 2010, 2009 and 2008 were as follows:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
LIABILITIES							
Financial liabilities at fair value through profit or loss	33,161	3,163	33,686	391,844	-	-	461,854
Due to banks and the Central Bank of the Russian Federation	14,441,553	7,082,639	5,375,984	4,210,767	-	-	31,110,943
Customer accounts	52,030,918	47,600,885	113,042,778	23,278,606	11,753	-	235,964,940
Bonds and Eurobonds	82,478	1,913,432	6,534,566	48,163,984	9,697,286	-	66,391,746
Promissory notes issued	2,657,399	4,349,121	25,404,415	1,962,365	5,014	-	34,378,314
Subordinated debt	16,118	770,236	2,191,309	21,033,271	19,368,464	-	43,379,399
Total interest bearing liabilities at fixed rates	**69,261,626**	**61,719,476**	**152,582,739**	**99,040,837**	**29,082,517**		**411,687,195**
Due to banks and the Central Bank of the Russian Federation	231,263	323,126	10,361,746	5,736,385	3,500,472	-	20,152,992
Total interest bearing liabilities at variable rates	**231,263**	**323,126**	**10,361,746**	**5,736,385**	**3,500,472**	-	**20,152,992**
Total interest bearing liabilities	**69,492,889**	**62,042,602**	**162,944,485**	**104,777,222**	**32,582,989**		**431,840,187**
Financial liabilities at fair value through profit or loss	223,148	119,963	434,420	-	-	-	777,531
Due to banks and the Central Bank of the Russian Federation	10,986,972	-	-	-	-	-	10,986,972
Customer accounts	83,752,640	-	-	-	-	-	83,752,644
Promissory notes issued	26,918	6,885	2,155,024	290,376	-	-	2,479,203
Other liabilities	341,643	145,546	757,431	1,772	1,998	-	1,248,890
TOTAL FINANCIAL LIABILITIES	**164,824,210**	**62,314,996**	**166,291,360**	**105,069,370**	**32,584,987**	**-**	**531,084,922**
Contingent liabilities and other commitments	**155,565,223**	**-**	**-**	**-**	**-**	**-**	**155,565,223**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
LIABILITIES							
Financial liabilities at fair value through profit or loss	21,830	4,293	24,172	146,440	-	-	196,735
Due to banks and the Central Bank of the Russian Federation	7,671,357	7,876,842	19,992,099	855,333	-	-	36,395,631
Customer accounts	28,923,226	25,523,550	53,427,070	13,292,081	-	-	121,165,927
Bonds and Eurobonds	373,950	6,520,835	1,396,460	24,196,442	-	-	32,487,687
Promissory notes issued	364,696	810,810	4,092,616	324,120	43,107	-	5,635,349
Subordinated debt	162,622	325,244	1,859,304	7,580,235	35,327,494	-	45,254,899
Total interest bearing liabilities at fixed rates	**37,495,851**	**41,057,281**	**80,767,549**	**46,248,211**	**35,370,601**		**241,136,228**
Due to banks and the Central Bank of the Russian Federation	326,603	258,613	1,725,770	3,941,912	3,503,936	-	9,756,834
Total interest bearing liabilities at variable rates	326,603	258,613	1,725,770	3,941,912	3,503,936	-	9,756,834
Total interest bearing liabilities	**37,844,284**	**41,320,187**	**82,517,491**	**50,336,563**	**38,874,537**	**-**	**250,893,062**
Financial liabilities at fair value through profit or loss	144,455	11,270	287,583	-	-	-	443,308
Due to banks and the Central Bank of the Russian Federation	10,848,215	-	-	-	-	-	10,848,215
Customer accounts	25,301,446	72,282	370,232	30	-	-	25,743,990
Promissory notes issued	12,930	570	-	2,116,396	-	-	2,129,896
Other liabilities	142,756	105,324	209,286	157,518	-	-	614,884
TOTAL FINANCIAL LIABILITIES	**74,294,086**	**41,509,633**	**83,384,592**	**52,610,507**	**38,874,537**	**-**	**290,673,355**
Contingent liabilities and other commitments	**52,108,034**	**-**	**-**	**-**	**-**	**-**	**52,108,034**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total (RUB thousand)
LIABILITIES							
Due to banks and the Central Bank of the Russian Federation	22,334,551	5,375,042	26,221,404	956,707	28,896	-	54,916,600
Customer accounts	31,597,627	8,190,756	38,433,726	12,777,351	10,457,414	-	101,456,874
Bonds and Eurobonds	-	380,112	8,431,186	16,719,020	-	-	25,530,318
Promissory notes issued	1,088,701	6,882,684	12,563,016	2,973,789	3,839	-	23,512,028
Subordinated debt	52,204	104,408	836,611	3,034,759	15,506,075	-	19,534,057
Total interest bearing liabilities at fixed rates	**55,073,083**	**20,933,002**	**86,485,943**	**36,461,626**	**25,996,224**	**-**	**224,949,878**
Due to banks and the Central Bank of the Russian Federation	290,729	420,595	8,534,284	2,690,811	979,237	-	12,915,656
Total interest bearing liabilities at variable rates	290,729	420,595	8,534,284	2,690,811	979,237	-	12,915,656
Total interest bearing liabilities	**55,363,812**	**21,353,597**	**95,020,227**	**39,152,437**	**26,975,461**	**-**	**237,865,534**
Financial liabilities at fair value through profit or loss	1,153,828	325,199	1,209,023	-	-	-	2,688,050
Due to banks and the Central Bank of the Russian Federation	2,329,873	-	-	-	-	-	2,329,873
Customer accounts	23,028,487	1,389	17,002	83,674	-	-	23,130,552
Promissory notes issued	11,549	31	340	2,116,396	-	-	2,128,316
Other financial liabilities	177,496	1,477	264,563	-	-	-	443,536
TOTAL FINANCIAL LIABILITIES	**82,065,045**	**21,681,693**	**96,511,155**	**41,352,507**	**26,975,461**	**-**	**268,585,861**
Contingent liabilities and other commitments	**55,458,841**	**-**	**-**	**-**	**-**	**-**	**55,458,841**

38. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);

(b) Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;

(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);

(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;

(f) Parties with joint control over the Group;

(g) Joint ventures in which the Group is a venture; and

(h) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party to the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

(THOUSANDS OF RUSSIAN ROUBLES) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

The Group had the following transactions outstanding as at 31 December 2010, 2009 and 2008 with related parties:

	31 December 2010			**31 December 2009**			**31 December 2008**		
	Related party trans-actions	**Average effective interest %**	**Total category as per financial statements caption**	**Related party trans-actions**	**Average effective interest %**	**Total category as per financial statements caption**	**Related party trans-actions**	**Average effective interest %**	**Total category as per financial statements caption**
Financial assets at fair value through profit or loss:	**2,902,399**		**55,522,040**	**3,407,390**		**57,666,284**	**4,941,974**		**34,949,910**
Debt securities									
- companies controlled by shareholders	2,703,217	7.23%		3,042,935	15.61%		4,939,587	11.90%	
Equity securities and derivative financial instruments									
- companies controlled by shareholders	*199,182*			364,455	-		2,388		
Loans and advances to banks and other financial institutions:	17,209		**41,577,498**	**35,357**		**26,814,738**	**4,860,531**		**22,271,778**
Loans to banks and other financial institutions									
- companies controlled by shareholders	-			9,073	0.12%		4,842,274	8.96%	
Correspondent accounts with banks									
- companies controlled by shareholders	17,209			26,284	-		18,257		
Loans to customers, gross:	**27,244,404**		**354,859,606**	**4,338,480**		**179,676,692**	**8,411**		**199,417,623**
- entities under common control	*9,521,572*	*10.30%*		-			-		
- companies controlled by shareholders	17,722,833	*10.06%*		4,338,480	19.16%		8,411	13.83%	
Allowance for impairment of loans to customers	**(82,715)**		**(15,557,694)**	**(11,228)**		**(17,026,959)**	**(491)**		**(11,696,307)**
- companies controlled by shareholders	(82,715)			(11,228)			(491)		
Financial liabilities at fair value through profit or loss	**14,705**		**1,005,071**	**18,822**		**503,877**	**193,797**		**2,688,050**
- companies controlled by shareholders	14,705			18,822			193,797		
Due to banks and the Central Bank of the Russian Federation:	**1,690,340**		**59,838,706**	**3,249,618**		**48,396,870**	**3,617,636**		**68,296,774**
Time deposits from banks									
- companies controlled by shareholders	1,526,622	4.16%		3,242,851	7.72%		**3,552,397**	6,13%	
Correspondent accounts of other banks									
- companies controlled by shareholders	163,718			6,767			65,238		
Customer accounts:	**13,016,022**		**313,376,341**	**3,038,327**		**134,203,884**	**5,392,095**		**116,070,590**
Time deposits									
- shareholders of the Group	1,226,508	8.21%		505,078	9.39%		**4,953,753**	9.40%	
- entities under common control	42,779	5.79%		73,045	12.25%				
- companies controlled by shareholders	8,022,248	7.45%		1,094,019	10.32%		10	4.07%	
Repayable on demand									
- shareholders of the Group	15,553			50,530			57,442		
- entities under common control	53,524			10,916			335,216		
- companies controlled by shareholders	3,655,410			1,304,739			45,692		
Other liabilities	**34,451**		**2,209,305**	**24,145**		**1,368,278**	**86**		**1,160,655**
- entities under common control	3			-			-		
- key management personnel	22,457			2,626			-		
- companies controlled by shareholders	11,992			21,518			86		
Subordinated debt	**2,586,115**		**27,090,583**	**13,928,725**		**22,664,116**	**6,035,661**		**9,759,319**
- shareholders of the Group	1,500,000	6.74%		7,863,492	7.94%		5,000,000	7.42%	
companies controlled by shareholders	1,086,115	6.34%		6,065,233	7.43%		1,035,661	9.52%	
Commitments on loans and unused credit lines	**9,004,586**		**74,330,453**	**3,683,565**		**19,719,747**	1,589		**18,866,512**
- shareholders of the Group	300			-			-		
- companies controlled by shareholders	9,004,286			3,683,565			1,589		
Guarantees issued and similar commitments	**409,071**		**73,608,719**	**371,644**		**25,192,196**	25,741		**26,526,384**
- companies controlled by shareholders	409,071			371,644			25,741		

	Year ended 31 December 2010 (RUB thousand)		**Year ended 31 December 2009 (RUB thousand)**		**Year ended 31 December 2008 (RUB thousand)**	
	Key management personnel	**Total for the Group**	**Key management personnel**	**Total for the Group**	**Key management personnel**	**Total for the Group**
Key management personnel compensation:						
- salary	84,638		69,524		129,018	
- bonuses	126,730		8,610		98,982	
- contribution to non-government pension fund	104		72		240	
	212,806		**78,206**		**228,240**	
		4,439,964		**3,120,286**		**2,793,228**

	Year ended 31 December 2010 (RUB thousand)		**Year ended 31 December 2009 (RUB thousand)**		**Year ended 31 December 2008 (RUB thousand)**	
	Related party transactions	**Total for the Group**	**Related party transactions**	**Total for the Group**	**Related party transactions**	**Total for the Group**
Interest income		29,350,357		36,424,747		26,331,824
- shareholders of the Group			-		2,172	
- entities under common control			-		103,143	
- companies controlled by shareholders	1,162,638		1,724,772		595,211	
Interest expense		(14,988,622)		(18,905,058)		(13,136,565)
- shareholders of the Group	(413,745)		(789,672)		(816,946)	
- entities under common control	(6,471)		(805)		(5,240)	
- companies controlled by shareholders	(647,027)		(901,038)		(483,723)	
Provision for impairment losses on interest bearing assets		(4,148,455)		(12,048,082)		(5,274,833)
- entities under common control	-		-		(665)	
- companies controlled by shareholders	(71,487)		(10,737)		265,212	
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		1,988,041		3,736,351		(571,783)
- shareholders of the Group	-		-		(93,063)	
- entities under common control	-		-		333,784	
- companies controlled by shareholders	325,848		1,077,864		224,679	
Net gain on foreign exchange operations		624,769		1,283,315		673,422
- shareholders of the Group	(84,142)		65,019		(1,038,865)	
- companies controlled by shareholders	258,540		(423,509)		(273,963)	
Fees and commission income		2,484,686		2,079,592		1,887,307
- shareholders of the Group	281		1,204		470	
- entities under common control	344		226		280	
- companies controlled by shareholders	90,808		92,661		109,518	
Fees and commission expense		(368,383)		(326,790)		(280,940)
- entities under common control	(20,400)		-		-	
- companies controlled by shareholders	(16,242)		(79)		(12,855)	
Other income		821,563		435,583		269,177
- shareholders of the Group	-		227		3,711	
- entities under common control	1,721		1,721		17,261	
- companies controlled by shareholders	4,521		-		-	
Operating expenses		(8,017,786)		(6,368,900)		(5,480,029)
- shareholders of the Group			-		(180)	
- entities under common control	(3,163)		(1,647)		(31,898)	
- key management personnel	(212,806)		(78,206)		(228,240)	
- companies controlled by shareholders	(725)		(11)		(769)	

39. SUBSEQUENT EVENTS

In January 2011 the Group subsequently repurchased the remaining 20% of preference shares (2,420,000 items).

In March 2011 the Group acquired a controlling stake of the LLC "Rapida". The company has been licensed by the Central Bank of the Russian Federation to arrange and perform payments of individuals and legal entities.