Center-invest Bank Group

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

31 December 2010

CONTENTS

In thousands of Russian roubles	Note	2010	2009
Interest income	26	4 801 408	4 952 758
Finance income arising from leasing	26	133 321	268 520
Interest expense	26	(2 671 373)	(3 134 911)
Net interest income		**2 263 356**	**2 086 367**
Provision for loan portfolio impairment and impairment of finance lease receivables	11, 12	(1 077 259)	(1 240 137)
Net interest income after impairment provisions		**1 186 097**	**846 230**
Fee and commission income	27	806 815	707 462
Fee and commission expense	27	(166 336)	(130 924)
(Losses less gains)/Gains less losses from trading securities		(9 399)	159 381
Gains less losses from trading in foreign currencies		46 665	128 579
Foreign exchange translation losses less gains		(34 862)	(610 340)
Gains less losses from conversion operations on the interbank market		59 487	275 252
Gains less losses from assignment of the rights of claim	11	14 355	135 631
Provision for other assets	17	(80 412)	(72 629)
Other operating income		64 896	163 586
Deposit insurance		(79 398)	(59 664)
Administrative and other operating expenses	28	(1 498 870)	(1 449 208)
Share of profit of associate	13	7 856	415
Profit before tax		**316 894**	**93 771**
Income tax expense	29	(97 080)	(27 157)
Profit for the year attributable to the equity holders		**219 814**	**66 614**

The notes set out on pages 6 to 87 form an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Note	2010	2009
Profit for the year attributable to the equity holders		**219 814**	**66 614**
Other comprehensive income			
Revaluation of premises and equipment		156 492	(106 653)
Share of other comprehensive income of associate		4 879	-
Income tax recorded directly in other comprehensive income	29	(31 298)	21 331
Other comprehensive income for the year attributable to the equity holders		**130 073**	**(85 322)**
Total comprehensive income for the year attributable to the equity holders		**349 887**	**(18 708)**

In thousands of Russian roubles	Note	2010	2009
Cash flows from operating activities			
Interest received		4 874 668	4 729 398
Finance income arising from leasing		132 334	252 644
Interest paid		(2 709 089)	(3 165 659)
Fees and commissions received		809 457	700 210
Fees and commissions paid		(160 675)	(126 252)
Income received from trading in trading securities		16 157	22 961
Income received from trading in foreign currencies		46 665	128 579
Gains less losses from conversion operations on the interbank market		35 189	296 478
Income received from assignment of the rights of claim		18 855	33 399
Other operating income received		75 723	162 581
Deposit insurance contributions paid		(95 885)	(56 676)
Staff costs		(712 524)	(640 866)
Operating expenses paid		(494 124)	(553 129)
Income tax paid		(29 084)	(907)
Cash flows from operating activities before changes in operating assets and liabilities		**1 807 667**	**1 782 761**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the CBRF		(44 384)	(144 328)
Net increase in trading securities		(249 413)	(1 573 898)
Net decrease in securities at fair value through profit or loss		-	2 055
Net increase in due from other banks		(4 101 450)	(336 909)
Net (increase)/decrease in loans and advances to customers		(5 736 604)	2 282 701
Net decrease in finance lease receivables		200 199	709 433
Net decrease in other assets		142 430	521 621
Net decrease in due to other banks		(318 149)	(12 434 465)
Net increase in customer accounts		6 123 090	6 299 562
Net increase in promissory notes issued		46 760	12 900
Net decrease in other liabilities		(92 162)	(267 694)
Net cash used in operating activities		**(2 222 016)**	**(3 146 261)**
Cash flows from investing activities			
Acquisition of premises and equipment	15	(21 491)	(174 398)
Proceeds from disposal of premises and equipment		2 383	-
Acquisition of intangible assets	14	(15 961)	(84 242)
Net cash used in investing activities		**(35 069)**	**(258 640)**
Cash flows from financing activities			
Proceeds from bonds issued on domestic market	20	1 691 787	2 803 802
Redemption of bonds issued on domestic market	20	(2 035 685)	(694 331)
Repayment of other borrowed funds		-	(4 863 517)
Proceeds from borrowings from international financial institutions	21	650 000	1 995 892
Repayment of borrowings from international financial institutions	21	(863 549)	(1 590 266)
Repayment of subordinated debt		(111 894)	-
Dividends paid	30	(18 099)	(18 099)
Net cash used in financing activities		**(687 440)**	**(2 366 519)**
Effect of exchange rate changes on cash and cash equivalents		**(78 121)**	**461 742**
Net decrease in cash and cash equivalents		**(3 022 646)**	**(5 309 678)**
Cash and cash equivalents at the beginning of the year		8 968 537	14 278 215
Cash and cash equivalents at the end of the year	7	**5 945 891**	**8 968 537**

Investment and financial transactions that did not require the use of cash and cash equivalents were excluded from the consolidated statement of cash flows.

In thousands of Russian roubles	Note	Attributable to equity holders of the Bank				Total equity attributable to the equity holders
		Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	
Balance at 1 January 2009		**1 258 709**	**1 646 428**	**1 279 919**	**1 294 051**	**5 479 107**
Total comprehensive expense for 2009		-	-	**(85 322)**	**66 614**	**(18 708)**
Dividends declared and paid:						
- ordinary shares	30	-	-	-	-	-
- preference shares	30	-	-	-	(18 099)	(18 099)
Depreciation of revalued premises, net of tax		-	-	(27 686)	27 686	-
Balance at 31 December 2009		**1 258 709**	**1 646 428**	**1 166 911**	**1 370 252**	**5 442 300**
Total comprehensive income for 2010		-	-	**130 073**	**219 814**	**349 887**
Dividends declared and paid:						
- ordinary shares	30	-	-	-	-	-
- preference shares	30	-	-	-	(18 099)	(18 099)
Depreciation of revalued premises, net of tax		-	-	(26 704)	26 704	-
Balance at 31 December 2010		**1 258 709**	**1 646 428**	**1 270 280**	**1 598 671**	**5 774 088**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 for Centr-invest Bank (the “Bank”) and its subsidiary and associated company (together referred to as the “Group” or “Centr-invest Bank Group”). Information on the consolidated subsidiary is disclosed in Note 40. For details on the associated company refer to Note 13.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations.

Principal activity. The Group’s principal business activity is commercial and retail banking and leasing operations within the Russian Federation. The Bank has operated under banking license No 2225 issued by the Central Bank of the Russian Federation (“CBRF”) since 1992. The Bank participates in the state deposit insurance scheme, which was introduced by the Federal Law #177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. Certificate of inclusion of the Bank in the state deposit insurance scheme No 283 of 9 December 2004.The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to a limit of RR 700 thousand per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

At 31 December 2010, the Bank has 9 (31 December 2009: 9) branches within the Russian Federation. Additionally, the Bank has representative offices in Moscow, London and 86 (31 December 2009: 92) sub-branches in the Rostov, Volgograd, Stavropol and Krasnodar regions.

Registered address and place of business. The Bank’s registered address is: 62 Sokolova street, Rostov-on-the Don, Russian Federation, 344000.

The average number of the Group’s employees during 2010 was 1 455 (2009: 1 646).

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

2 Operating Environment of the Group

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

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

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes (Note 42). The need for further developments in the bankruptcy laws, formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments continue to contribute to the challenges faced by banks operating in the Russian Federation.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

In post-crisis 2the South of Russia demonstrated better development trends due to a diversified economic structure by industry. The growth rate demonstrated by the main industry - agriculture - significantly exceeds Russia's average level.

The growth of South of Russia conditioned by natural climatic factors, sufficiently developed infrastructure and diversified economy both by types and a high share of small and medium enterprises. Nevertheless, the region's economy depends on the general trends of the Russian Fedration economy.

2 Operating Environment of the Group (Continued)

Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period and applied the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Refer to Note 4.

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

3 Summary of Significant Accounting Policies

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

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

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Refer to Note 4.

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

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

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related assets and liabilities.*The effective interest method* is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

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

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; recognised in profit or loss for trading securities, derivatives and other financial assets at fair value through profit or loss; and recognised in equity for assets classified as available for sale.

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within one business day. All short term interbank placements, beyond overnight placements, are included in due from other banks. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued

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

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

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

Other securities at fair value through profit or loss. Other securities at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Bank's Executive Board.

Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

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

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

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

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in the consolidated income statement when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Provision for impairment of assets is created when there is objective evidence that the Group will not be able to receive amounts due in accordance with the initial contractual terms. Provisions are created in respect of individual debt or a group of financial assets in the amount of the asset's amortised cost, which is the cost of the financial asset or liability on initial recognition, less principal payments, plus or minus accumulated depreciation, using the effective interest rate method. If there is objective evidence of impairment losses, the provision is determined as the difference between the asset's carrying amount and the discounted value of the expected future cash flows (net of future credit losses not yet incurred), calculated on the basis of the initial effective interest rate for this financial asset, i.e. the effective interest rate on initial recognition.

3 Summary of Significant Accounting Policies (Continued)

A financial asset is determined to be impaired only when there is objective evidence that one or more events that occurred after the initial recognition of the asset have had an impact on the estimated future cash flows associated with this financial asset. Losses expected as a result of future events should not be recognised irrespective of the likelihood of such events. Objective evidence of impairment includes information about the following loss events of which the Bank has become aware:

- Any payment under the loan agreement (principal and/or interest and commission) is overdue for 31 days or more;
- The borrower has been adjudicated insolvent (bankrupt) by law;
- The borrower has filed a bankruptcy petition to the Arbitration Court, or undertaken similar actions enabling the borrower to avoid or postpone the repayment of the loan or other obligations to the Bank;
- Significant financial difficulties faced by the borrower, which may lead to insolvency (bankruptcy), or the borrower's persistent insolvency;
- The borrower considers or is implementing financial restructuring, which may result in a worsening of the borrower's financial position entailing bankruptcy or persistent insolvency (e.g., a decrease in the borrower's net assets by more than 25%);
- Provision by the Bank of favourable terms due to economic or judicial reasons associated with the borrower's financial problems, which the Bank would not have otherwise undertaken (debt restructuring);
- Available information on an identifiable decrease of the expected future cash flows for a group of loans, on condition that this decrease cannot be yet identified with certain loans within this group, including national or local economic conditions related to defaults on loans within the group (growth of unemployment in the borrowers' geographic regions, a fall in real estate prices in relation to the mortgage situation in a particular region, adverse changes in the sector affecting the borrowers within the group).

In calculating loan impairment provisions, the Bank determines if there is objective evidence of impairment on an individual basis with regard to individually significant loans, and on an aggregate basis with regard to individually insignificant loans.

Impairment losses recognised on an aggregate basis represent an intermediate step to identification of impairment losses on individual assets within the group of financial assets collectively evaluated for impairment. As soon as information identifying specific losses on individual assets within the group becomes available, the assets are excluded from this group.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical information on losses for assets with similar credit risk characteristics. Past loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Provisions for individually significant loans are calculated on the basis of expense flows on repayment of the borrower's loans and income flows from the borrowers' activity and disposal of collateral by means of which the loan is expected to be repaid.

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

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

3 Summary of Significant Accounting Policies (Continued)

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

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

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

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

Premises and equipment. Premises and equipment (except for land and buildings of the Group) are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required.

Land and premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the surplus is realised as the asset is used by the Group. In the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost.

Costs of minor repairs and maintenance are expensed when incurred.

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

Other premises and equipment include office and computer equipment and are stated at cost, less accumulated depreciation and provision for impairment, where required.

3 Summary of Significant Accounting Policies (Continued)

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the consolidated income statement.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives at the following annual rates:

Premises	2% - 2.5%
Other	20%

Intangible assets. All of the Group's intangible assets have a definite useful life and primarily include capitalised computer software and software licenses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 10 years.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement using a discount rate determined at inception.

Commencement of the lease term. The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

Inception of the lease. The inception of the lease is considered to be the date of the lease contract, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall set forth the principal terms of the transaction.

Revenue recognition. The Group records finance lease receivables in the amount equal to the net investment in the lease. Net investment in the lease is calculated as the aggregate of the minimum lease payments, representing the amounts guaranteed by the lessee and any unguaranteed residual value (together gross investment in the lease), discounted at the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the present value of the gross investment in the lease to be equal to the fair value of the leased asset.

The difference between the gross investment in the lease and the net investment in the lease represents unearned financial income. The unearned finance income is amortised over the lease term using the discount rate implicit in the lease.

Initial direct costs incurred by lessors include amounts such as intermediary activities, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by sales and marketing team. In case of a finance lease direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Any advances made to the supplier after the date of the inception of the lease and before the date of commencement of the lease term, are recorded as prepayments within other financial assets. Payments received by the Group from the lessee before the commencement of the lease term are recorded as advances received within other financial liabilities. These amounts are adjusted against finance lease receivables on the date of commencement of the lease term.

3 Summary of Significant Accounting Policies (Continued)

Impairment losses are recognised in the consolidated income statement when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Non-current assets classified as held for sale. Non-current assets, which may include both non-current and current assets, are classified in the consolidated statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified. Held for sale premises and equipment are not depreciated.

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

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

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

Loans from international financial institutions. Borrowings (including subordinated loans) are recorded from the moment of provision of cash funds to the Group. The non-derivative liability is carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in the consolidated income statement. The Group does not apply hedge accounting.

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

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted at the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated income statement except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

Income tax expense is recognised in these consolidated financial statements based on management’s best estimates of the weighted average annual income tax rate expected for the full financial year.

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

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

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

Treasury shares. Where the Bank or its subsidiaries purchase the Bank’s equity instruments, the consideration paid, including any attributable incremental external costs, net of income taxes, is deducted from equity attributable to the equity holders of the Bank until the equity instruments are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in equity.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the CBRF at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the each company's functional currency at year-end official exchange rates of the CBRF are recognised in the consolidated income statement.

At 31 December 2010, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 30.4769 and EURO 1 = RR 40.3331 (31 December 2009: USD 1 = RR 30.2442, EURO 1 = RR 43.3883).

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

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

3 Summary of Significant Accounting Policies (Continued)

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Board responsible for making operating decisions. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

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

Starting 2010, the Group excludes deposit insurance expenses from administrative and other operating expenses. Management has made these changes to the classification of the prior year's values recognised in the consolidated financial statements in order to present better information to the users of these financial statements. The effect of reclassifications on amounts at 31 December 2009 for presentation purposes was as follows:

In thousands of Russian roubles	**2009**	**Changes**	**2009 after changes**
Consolidated income statement			
Deposit insurance	-	(59 664)	(59 664)
Administrative and other operating expenses	(1 508 872)	59 664	(1 449 208)
Consolidated statement of cash flows			
Deposit insurance	-	(56 676)	(56 676)
Operating expenses paid	(609 805)	56 676	(553 129)

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The changes in presentation adopted in 2010 did not have any impact on the consolidated statement of financial position and the Group therefore does not present in the notes information as of 1 January 2009.The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal on the amount of the largest loans and advances to customers differs by +/- one month, the provision would be approximately RR 11 230 thousand (31 December 2009: RR 1 870 thousand) higher or RR 11 230 thousand (31 December 2009: RR 1 328 thousand) lower.

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

In 2010, the Group reviewed the methodology of evaluation of the quality of its loan portfolio. As a result of changes in individually significant loans, respective provisions are calculated on the basis of expense flows on repayment of the borrower's loans and income flows from the borrowers' activity and disposal of collateral by means of which the loan is expected to be repaid, using the effective interest rate method. A rating system was implemented for individually significant loans that are neither past due nor impaired. Risks on individually insignificant loans are evaluated by industry for unimpaired loans and depending on the age of overdue amounts for impaired loans on the basis of statistics for previous years with consideration of collateral. In the opinion of the Group's management, this revision did not have a material effect on the provision as at 31 December 2009.

Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

Revaluation of premises and equipment. Given the absence of a highly liquid market for non-residential premises and land in Rostov, the Rostov Region and other regions of the South of Russia, the Bank and the independent appraiser have used professional judgements on comparability of existing real estate sale deals and available data on transactions with land and real estate between third parties. If the price per square meter of land had increased by 10%, the total cost of land recognised in the balance sheet would have increased by RR 46 128 thousand (31 December 2009: RR 41 926 thousand). If the price per square meter of building had increased by 10%, the total cost of buildings recognised in the balance sheet would have increased by RR 174 949 thousand (31 December 2009: RR 159 702 thousand).

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 35 “Contingencies and Commitments”.

5 Adoption of New or Revised Standards and Interpretations

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

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

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

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

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

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

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

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The amendments did not have a material impact on these consolidated financial statements.

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

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The revised standard did not have a material impact on these consolidated financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments did not have a material impact on these consolidated financial statements.

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

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

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

(b) Amendments to standards adopted before their effective date

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

6 New Accounting Pronouncements

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

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

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

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

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

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

6 New Accounting Pronouncements (Continued)

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

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

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

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

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure are required to enable the effects of those risks to be understood. The Group is currently assessing the impact of the amended standard on disclosures in its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its consolidated financial statements, except the amendment to IAS 1 which was early adopted by the Group as explained in Note 5.

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

7 Cash and cash equivalents

In thousands of Russian roubles	2010	2009
Cash on hand	2 247 173	1 811 459
Cash balances with the CBRF (other than mandatory reserve deposits)	2 232 118	1 813 510
Correspondent accounts and overnight placements with other banks		
- Russian Federation	388 623	326 972
- other countries	612 365	4 328 668
Settlement accounts with trading systems	465 612	687 928
Total cash and cash equivalents	**5 945 891**	**8 968 537**

Analysis by credit quality of correspondent accounts and overnight placements at 31 December 2010 and 31 December 2009 is as follows:

In thousands of Russian roubles	Country	Rating of S&P/Moody's/Fitch	2010	2009
Bank A	Russia	BB+ / Baa3 / BBB+	279 114	288 693
Bank B	Russia	- / Baa1 / BBB	32 942	2 932
Bank C	Russia	BBB / Baa1 / BBB	21 539	21 693
Other	Russia		55 028	13 654
Total for Russian Federation			**388 623**	**326 972**
Bank D	USA, Great Britain	A+ / A1 / A+	272 588	154 913
Bank E	USA	AA- / Aa2 / AA+	150 949	2 556 425
Bank F	Germany	- / Ba3 / -	78 493	1 470 585
Bank G	USA	AA / Aa3 / -	65 731	27 804
Bank H	Italy	A / Aa3 / A	13 037	31 815
Bank I	Austria	A / Aa3 / A	3 772	80 962
Others with a rating not lower than A			27 795	6 164
Total for other countries			**612 365**	**4 328 668**

Settlement accounts with trading systems represent balances on Moscow Interbank Stock Exchange (MICEX) and its subsidiary.

Geographical, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 32. Information on related party balances is disclosed in Note 38.

8 Trading securities

In thousands of Russian roubles	**2010**	**2009**
Corporate bonds	1 614 686	1 652 835
Eurobonds	1 039 241	948 166
Municipal bonds	184 017	47 340
Total debt securities	**2 837 944**	**2 648 341**
Shares of closed mutual funds	69 623	46 431
Corporate shares	-	1 164
Total equity securities	**69 623**	**47 595**
Total trading securities	**2 907 567**	**2 695 936**

This portfolio has been created in order to manage the Group's liquidity.

Corporate shares are shares of Russian companies.

In 2009, the Group acquired Eurobonds [1].. As at 1 January 2011, the Bank of Russia accepts most of these securities as collateral under direct over-the-counter repo transactions. This portfolio has been created in order to manage the Bank’s liquidity. The actual borrowers with regard to these securities are large Russian companies: Transneft, TNK-BP, MTS, Gazprom, Gazprombank, VTB, Alfa-Bank, Transcreditbank (2009: Transneft, TNK-BP, Gazprombank, VTB, Rosselkhozbank, Transcreditbank).

Corporate securities were issued by Lukoil, RZD, Sistema, MTS, MBRD, Bank Zenit, Bank VTB, InvestTorgBank, Uni-credit, Moscow Credit Bank and other Russian companies (2009: IBRD, Bank Zenit, Bank VTB, InvestTorgBank, Rosselkhozbank, Moscow Credit Bank and other Russian companies).

Trading securities are carried at their fair values based on observable market data using bid prices from MICEX and Russian Trading System (RTS) stock exchange and Bloomberg information system

[1] **EUROBONDS** — type of securities in the form of coupon bonds issued in order to obtain long-tem debt on the European market. Eurobonds market emerged in the early 1970’s, the issue was performed by large international banks. Ensure and placement of these bonds in some countries is usually carried out by the international banking syndicate.

8 Trading Securities (Continued)

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

In thousands of Russian roubles	Municipal bonds	Corporate bonds	Eurobonds	Equity securities	Total
Standard&Poor's BBB	-	467 886	577 487	-	1 045 373
Standard&Poor's BB	122 009	307 146	381 828	-	810 983
Standard&Poor's B	-	82 728	-	-	82 728
Fitch BBB	-	73 829	-	-	73 829
Fitch BB	-	-	48 510	-	48 510
Fitch B	17 762	310 384	-	-	328 146
Moody's Baa	-	14 014	31 416	-	45 430
Moody's Ba	-	182 678	-	-	182 678
Moody's B	44 246	141 758	-	-	186 004
Russian rating agency Expert A	-	7 621	-	-	7 621
Russian rating agency Analysis, Consultations and Marketing B	-	21 995	-	-	21 995
Unrated issuers	-	4 647	-	69 623	74 270
Total current amounts	**184 017**	**1 614 686**	**1 039 241**	**69 623**	**2 907 567**
Total past due amounts	**-**	**-**	**-**	**-**	**-**
Total debt trading securities	**184 017**	**1 614 686**	**1 039 241**	**69 623**	**2 907 567**

8 Trading Securities (Continued)

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

In thousands of Russian roubles	**Municipal bonds**	**Corporate bonds**	**Eurobonds**	**Equity securities**	**Total**
Standard&Poor's BBB	-	315 522	404 732	162	720 416
Standard&Poor's BB	19 606	263 397	459 442	-	742 445
Standard&Poor's B	-	39 949	-	-	39 949
Standard&Poor's CC	-	1 791	-	-	1 791
Fitch BBB	-	30 818	83 992	-	114 810
Fitch B	-	693 576	-	-	693 576
Moody's B	23 957	156 954	-	-	180 911
Russian rating agency National Rating Agency A	-	-	-	46 431	46 431
Unrated issuers	3 777	150 420	-	1 002	155 199
Total current amounts	**47 340**	**1 652 427**	**948 166**	**47 595**	**2 695 528**
Past due (at fair value)					
- 181 to 360 days overdue	-	408	-	-	408
Total past due amounts	**-**	**408**	**-**	**-**	**408**
Total trading securities	**47 340**	**1 652 835**	**948 166**	**47 595**	**2 695 936**

Corporate past due bonds of RR 408 thousand were redeemed by the issuer in January 2010.

At 31 December 2010 and 31 December 2009, the Group does not have any securities pledged under sale and repurchase agreements with respect to term placements of other banks and other borrowed funds.

Geographical, maturity and interest rate analyses of finance trading securities are disclosed in Note 32. The Group does not have any trading securities issued by related parties.

The Bank is licensed by the Federal Service on Financial Markets of the Russian Federation for trading in securities.

The Group's maximum exposure to credit risk in respect of trading securities is generally reflected in their carrying value.

9 Other Securities at Fair Value Through Profit or Loss

In thousands of Russian roubles	**2010**	**2009**
Shares in limited liability companies - unquoted	5 997	5 997
Corporate shares -unquoted	8	8
Total other securities at fair value through profit or loss	**6 005**	**6 005**

9 Other Securities at Fair Value through Profit or Loss (Continued)

The Group irrevocably designated the above securities, which are not part of its trading book, as at fair value through profit or loss.

At 31 December 2010, no securities are pledged under sale and repurchase agreements in respect to term placements of other banks and other borrowed funds (2009: nil).

10 Due from other banks

In thousands of Russian roubles	**2010**	**2009**
Placements with the Bank of Russia	3 000 690	-
Short-term placements with other banks with original maturities of less than three months	982 212	393 413
Long-term placements with other banks	528 552	-
Promissory notes	-	9 475
Total due from other banks	**4 511 454**	**402 888**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2010 is as follows:

In thousands of Russian roubles	**Placements with the CBRF**	**Short-term placements with other banks**	**Long-term placements with other banks**	**Promissory notes**	**Total**
Non-ratable	3 000 690	-	-	-	3 000 690
Standard&Poor's B	-	252 410	150 818	-	403 228
Fitch BB	-	253 934	-	-	253 934
Fitch B	-	200 000	-	-	200 000
Moody's Ba	-	-	377 734	-	377 734
Moody's B	-	145 868	-	-	145 868
Unrated banks	-	130 000	-	-	130 000
Total due from other banks	**3 000 690**	**982 212**	**528 552**	**-**	**4 511 454**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2009 is as follows:

In thousands of Russian roubles	**Short-term placements with other banks**	**Long-term placements with other banks**	**Promissory notes**	**Total**
Moody's Ba3	-	-	9 475	9 475
Moody's B2	393 413	-	-	393 413
Total due from other banks	**393 413**	**-**	**9 475**	**402 888**

10 Due from Other Banks (Continued)

At 31 December 2010, amounts due from other banks of RR 45 782 thousand (2009: nil) are effectively collateralised by securities purchased under reverse sale and repurchase agreements at a fair value of RR 50 938 thousand (2009: nil), of which the Group has a right to sell or repledge securities with a value of RR 50 938 thousand (2009: nil).

All amounts due from other banks as at 31 December 2010 and 31 December 2009 are neither overdue, nor impaired.

The primary factor that the Group considers in determining whether amounts due from other banks are impaired is their overdue status.

Carrying value of each class of amounts due from other banks approximates their fair value at 31 December 2010 and 31 December 2009.

Geographical, maturity and interest rate analyses of due from are disclosed in Note 32. The Gro up does not have placements with banks that are related parties.

11 Loans and advances to customers

In thousands of Russian roubles	**31 December 2010**	**31 December 2009**
Loans to small and medium size enterprises (SME loans)	15 349 038	10 961 472
Corporate loans	7 992 013	8 783 923
Loans to individuals - consumer loans and car loans	5 726 754	4 773 604
Mortgage loans	3 790 545	3 010 305
Total loans and advances to customers (before impairment)	**32 858 350**	**27 529 304**
Less: Provision for loan impairment	(2 715 779)	(2 016 746)
Total loans and advances to customers	**30 142 571**	**25 512 558**

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

In thousands of Russian roubles	**Loans to small and medium enterprises (SME)**	**Corporate loans**	**Consumer and car loans**	**Mortgage loans**	**Total**
Provision for loan impairment at 1 January 2010	683 987	741 522	489 838	101 399	2 016 746
Provision for impairment during the year	584 459	164 079	190 590	105 356	1 044 484
Recovery of provision on reassigned rights of claim	(88 257)	(12 206)	(13 527)	(12 073)	(126 063)
Amounts written off during the year as uncollectible	(94 351)	-	(121 829)	(3 208)	(219 388)
Provision for loan impairment at 31 December 2010	**1 085 838**	**893 395**	**545 072**	**191 474**	**2 715 779**

11 Loans and Advances to Customers (Continued)

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

In thousands of Russian roubles	**Loans to small and medium enterprises (SME)**	**Corporate loans**	**Consumer loans and car loans**	**Mortgage loans**	**Total**
Provision for loan impairment at 1 January 2009	312 840	404 252	490 255	85 770	1 293 117
Provision for impairment during the year	607 930	351 346	217 054	34 507	1 210 837
Recovery of provision on assigned rights of claim	(116 164)	(6 250)	(128 432)	(17 962)	(268 808)
Amounts written off during the year as uncollectible	(120 619)	(7 826)	(89 039)	(916)	(218 400)
Provision for loan impairment at 31 December 2009	**683 987**	**741 522**	**489 838**	**101 399**	**2 016 746**

In 2010, the Group assigned the rights of claim on the past due and impaired loans in the total amount of RR 219 483 thousand (2009: RR 1 196 540 thousand), including uncollectible loans of RR 8 241 thousand (2009: RR 351 560 thousand) written off before 1 January. These impaired and uncollectible loans were sold to third parties for a total amount of RR 99 534 thousand (2009: RR 711 803 thousand). The Group's gain on assignment of the rights of claim on these loans in the amount of RR 14 355 thousand (2009: RR 135 631 thousand) was recorded in the consolidated income statement.

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

	2010		**2009**	
In thousands of Russian roubles	**Amount**	**%**	**Amount**	**%**
Individuals (total), incl.	9 517 299	29.0	7 783 909	28.2
- mortgage loans	*3 790 545*	*11.5*	*3 010 305*	*10.9*
- consumer loans	*4 255 367*	*13.0*	*2 846 698*	*10.3*
- car loans	*1 471 387*	*4.5*	*1 926 906*	*7.0*
Trade	7 293 082	22.2	5 876 475	21.3
Agriculture	5 218 638	15.9	3 802 881	13.8
Manufacturing	3 465 218	10.5	2 413 795	8.8
Construction	2 569 900	7.8	1 453 791	5.3
Transport	667 908	2.0	1 307 351	4.7
Energy	630 328	1.9	1 735 268	6.4
Real estate	451 781	1.4	421 343	1.5
Financial companies	393 644	1.2	930 619	3.4
Other	2 650 552	8.1	1 803 872	6.6
Total loans and advances to customers (before impairment)	**32 858 350**	**100.0**	**27 529 304**	**100.0**

As at 31 December 2010, the Group had 10 major borrowers with aggregate loan amounts (including finance lease investments) of RR 5 582 767 thousand, or 16.7% of the loan portfolio and finance lease receivables before impairment (31 December 2009: the Group had 10 borrowers with aggregate loan amounts of RR 6 516 412 thousand, or 23.0% of the loan portfolio and finance lease receivables before impairment).

11 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2010 is as follows:

In thousands of Russian roubles	**Loans to small and medium enterprises (SME)**	**Corporate loans**	**Consumer loans and car loans**	**Mortgage loans**	**Total**
Loans collateralised by:	15 185 444	6 215 088	5 106 992	3 738 598	30 246 122
- real estate	*8 533 286*	*4 382 103*	*751 063*	*3 216 538*	*16 882 990*
- tradeable securities	*87 269*	*-*	*6 098*	*-*	*93 367*
- motor vehicles	*3 012 769*	*278 857*	*2 778 460*	*15 577*	*6 085 663*
- agricultural equipment	*693 660*	*140 155*	*9 925*	*-*	*843 740*
- property	*926 871*	*507 091*	*152 072*	*231 706*	*1 817 740*
- pledge of rights	*36 002*	*-*	*25 372*	*31 449*	*92 823*
- goods in turnover	*801 701*	*346 391*	*376*	*-*	*1 148 468*
- guarantees of third parties	*1 093 886*	*560 491*	*1 383 626*	*243 328*	*3 281 331*
Unsecured loans	163 594	1 776 925	619 762	51 947	2 612 228
Total loans and advances to customers	**15 349 038**	**7 992 013**	**5 726 754**	**3 790 545**	**32 858 350**

Information about collateral at 31 December 2009 is as follows:

In thousands of Russian roubles	**Loans to small and medium enterprises (SME)**	**Corporate loans**	**Consumer loans and car loans**	**Mortgage loans**	**Total**
Loans collateralised by:	10 063 104	6 819 624	4 386 599	2 995 916	24 265 243
- real estate	*4 946 838*	*3 751 376*	*460 570*	*2 723 553*	*11 882 337*
- tradeable securities	*2 657*	*930 619*	*1 165*	*-*	*934 441*
- motor vehicles	*2 330 630*	*631 484*	*2 755 249*	*2 752*	*5 720 115*
- agricultural equipment	*541 976*	*57 127*	*7 552*	*2 937*	*609 592*
- property	*896 913*	*375 505*	*159 370*	*219 482*	*1 651 270*
- pledge of rights	*18 323*	*-*	*739*	*29 187*	*48 249*
- goods in turnover	*695 779*	*323 827*	*5 744*	*-*	*1 025 350*
- guarantees of third parties	*629 988*	*749 686*	*996 210*	*18 005*	*2 393 889*
Unsecured loans	898 368	1 964 299	387 005	14 389	3 264 061
Total loans and advances to customers	**10 961 472**	**8 783 923**	**4 773 604**	**3 010 305**	**27 529 304**

11 Loans and Advances to Customers (Continued)

The analysis of loans and advances to customers by credit quality at 31 December 2010 is as follows:

In thousands of Russian roubles	Loans to small and medium enterprises (SME)	Corporate loans	Consumer loans and car loans	Mortgage loans	Total
Neither past due nor impaired					
Individually significant borrowers					
- A1 rated	836 096	3 185 241	-	-	4 021 337
- A2 rated	-	-	-	-	-
- A3 rated	-	582 024	-	-	582 024
- B1 rated	-	-	-	-	-
- B2 rated	737 477	297 251	-	-	1 034 728
- *Loans assessed on a portfolio basis*					
- agriculture	2 957 056	606 764	-	-	3 563 820
- trade	4 958 375	387 012	-	-	5 345 387
- manufacturing	1 542 580	912 050	-	-	2 454 630
- other	2 996 332	822 433	-	-	3 818 765
- mortgage loans	-	-		3 437 860	3 437 860
- car loans	-	-	1 254 556	-	1 254 556
- consumer loans	-	-	3 913 771	-	3 913 771
- Loans renegotiated	72 175	95 732	13 685	-	181 592
Total neither past due nor impaired	**14 100 091**	**6 888 507**	**5 182 012**	**3 437 860**	**29 608 470**
- *less than 30 days overdue, but not impaired*					
Individually significant borrowers	-	-	-	-	-
- Loans assessed on a portfolio basis	29 136	-	145 987	112 695	287 818
Total past due but not impaired	**29 136**	-	**145 987**	**112 695**	**287 818**
Loans determined to be impaired (gross)					
Individually significant borrowers					
- up to 180 days overdue	-	316 850	-	-	316 850
- over 181 days overdue	-	730 038	-	-	730 038
- *Loans assessed on a portfolio basis*					
- up to 180 days overdue	414 267	1 623	93 327	52 739	561 956
- over 181 days overdue	805 544	54 995	305 428	187 251	1 353 218
Total impaired loans and advances to customers (gross)	**1 219 811**	**1 103 506**	**398 755**	**239 990**	**2 962 062**
Gross carrying value of loans and advances to customers	**15 349 038**	**7 992 013**	**5 726 754**	**3 790 545**	**32 858 350**
Less provision for impairment	(1 085 838)	(893 395)	(545 072)	(191 474)	(2 715 779)
Total loans and advances to customers	**14 263 200**	**7 098 618**	**5 181 682**	**3 599 071**	**30 142 571**

11 Loans and Advances to Customers (Continued)

The analysis of loans and advances to customers by credit quality at 31 December 2009 is as follows:

In thousands of Russian roubles	**Loans to small and medium enterprises (SME)**	**Corporate loans**	**Consumer loans and car loans**	**Mortgage loans**	**Total**
Neither past due nor impaired					
Individually significant borrowers					
- A1 rated	207 104	1 784 432	-	-	1 991 536
- A2 rated	-	1 620 758	-	-	1 620 758
- A3 rated	-	439 580	-	-	439 580
- B1 rated	-	631 594	-	-	631 594
- B2 rated	-	696 596	-	-	696 596
- Loans assessed on a portfolio basis					
- agriculture	2 473 282	632 946	-	-	3 106 228
- trade	3 902 937	484 778	-	-	4 387 715
- manufacturing	1 329 075	334 336	-	-	1 663 411
- other	1 936 108	911 699	-	-	2 847 807
- mortgage loans	-	-	-	2 688 056	2 688 056
- car loans	-	-	1 582 086	-	1 582 086
- consumer loans	-	-	2 504 228	-	2 504 228
- Loans renegotiated	65 300	318 414	-	-	383 714
Total neither past due nor impaired	**9 913 806**	**7 855 133**	**4 086 314**	**2 688 056**	**24 543 309**
- less than 30 days overdue, but not impaired					
Individually significant borrowers	-	-	-	-	-
- Loans assessed on a portfolio basis	151 788	-	*189 938*	*90 106*	431 832
Total past due but not impaired	**151 788**	**-**	**189 938**	**90 106**	**431 832**
Loans determined to be impaired (gross)					
Individually significant borrowers					
- up to 180 days overdue	-	-	-	-	-
- over 181 days overdue	-	731 438	-	-	731 438
- Loans assessed on a portfolio basis					
- up to 180 days overdue	323 427	11 495	149 677	96 987	581 586
- over 181 days overdue	572 451	185 857	347 675	135 156	1 241 139
Total impaired loans and advances to customers (gross)	**895 878**	**928 790**	**497 352**	**232 143**	**2 554 163**
Gross carrying value of loans and advances to customers	**10 961 472**	**8 783 923**	**4 773 604**	**3 010 305**	**27 529 304**
Less provision for impairment	(683 987)	(741 522)	(489 838)	(101 399)	(2 016 746)
Total loans and advances to customers	**10 277 485**	**8 042 401**	**4 283 766**	**2 908 906**	**25 512 558**

Provisions for impairment include impairment provisions for both individually and collectively assessed loans.

11 Loans and Advances to Customers (Continued)

The primary factors that the Group considers in determining whether a loan is impaired are principal or interest overdue by more than 30 days. As a result, the Group presents above an ageing analysis of loans that are determined to be impaired.

Based on the results of the collection rate analysis, the Group assigns one of the following ratings to borrowers with individually significant, unimpaired and not past due loans:

A 1 - is assigned when a comprehensive analysis of the borrower's financial and economic activity and other information on the borrower, including information on external conditions, confirm the borrower's absolute financial stability and the absence of any negative aspects or trends (with consideration of the seasonal factor) that can affect the borrower's financial stability in future, or existence of certain insignificant adverse aspects or trends that do not, and should not, affect the borrower's financial stability in foreseeable future (or before the agreement expires).

A2 – is assigned when a comprehensive analysis of the borrower's financial and economic activity and/or other information on the borrower confirm the absence of any direct threats to the borrower's financial position in the presence of adverse aspects and/or trends in the borrower's activity (with consideration of the seasonal factor) which in foreseeable future (or before the agreement expires) can cause financial problems unless the borrower undertakes necessary actions to remedy the situation, however the analysis of movements on the borrower's settlement accounts with the Bank confirms the borrower's ability to fully meet its obligations to the Bank in due time.

A3 – is assigned when a comprehensive analysis of the borrower's financial and economic activity and/or other information on the borrower confirm the absence of any direct threats to the borrower's financial position in the presence of adverse aspects and/or trends in the borrower's activity (with consideration of the seasonal factor) which in foreseeable future (or before the agreement expires) can cause financial problems unless the borrower undertakes necessary actions to remedy the situation, however the sound budgeted performance indicators of borrower ofthe Bank confirms the borrower's ability to fully meet its obligations to the Bank in due time.

B1 – is assigned when a comprehensive analysis of the borrower's financial and economic activity and/or other information on the borrower indicates the absence of any direct threats to the borrower's financial position in the presence of adverse aspects and/or trends in the borrower's activity (with consideration of the seasonal factor) which in foreseeable future (or before the agreement expires) can lead to financial problems unless the borrower undertakes necessary actions to remedy the situation, and the analysis of actual and justified performance indicators of a group of entities, of which the borrower is a part, allows to conclude that the borrower will be able to repay its debt with the use of the group's funds.

B2 – is assigned when a comprehensive analysis of the borrower's financial and economic activity and/or other information on the borrower indicates the absence of any direct threats to the borrower's financial position in the presence of adverse aspects and/or trends in the borrower's activity (with consideration of the seasonal factor) which in foreseeable future (or before the agreement expires) can cause financial problems unless the borrower undertakes necessary actions to remedy the situation, and the analysis of movements on the borrower's settlement accounts with the Bank indicates insufficiency of the movements for the purpose of debt repayment, however, the analysis of the borrower's loan collateral enables to conclude that the borrower will be able to repay its debt to the Bank by selling the available collateral.

An entity's rating deterioration alone is not an impairment indicator, however, it may become an impairment indicator when other available information is taken into account.

In calculating loan impairment provisions, the Bank determines if there is objective evidence of impairment on an individual basis with regard to individually significant loans, and on an aggregate basis with regard to individually insignificant loans. The loans of the borrowers with total amount due (outstanding loans plus outstanding credit limit) for each borrower/a group of related borrowers at the date of risk assessment not exceeding 5% of the Bank's equity under IFRS (for the loans in hard currency - in the rouble equivalent at the official exchange rate of the CBRF at each assessment date), are classified as individually insignificant.

11 Loans and Advances to Customers (Continued)

Impairment losses recognised on collective basis represent an intermediate step to identification of impairment losses on individual assets within the group of financial assets collectively evaluated for impairment. As soon as information identifying specific losses on individual assets within the group becomes available, the assets are excluded from this group.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are extrapolated on the basis of the historical information on the losses on the assets with similar characteristics, as a rule for the three years preceding the evaluation date. Past loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

The Group books impairment provisions for the groups of loans with similar credit risk characteristics collectively assessed for impairment in accordance with credit risk assessment methodology for the groups of loans with similar credit risk characteristics.

For the purpose of provision calculation the loans that are not individually significant are grouped on the basis of similar credit risk characteristics in the portfolios of homogeneous loans. The principal criteria for classification of loans into portfolios are:

- presence or absence of impairment indicators;
- presence or absence of the collateral, which is recognised as such for the purposes of loan impairment loss evaluation under IFRS;
- for unimpaired loans - the borrower's industry;
- for impaired loans - the period of overdue payments.

For the purpose of impairment loss assessment the portfolio of loans to individuals is included into the portfolios with similar characteristics by type of credit products: mortgage loans; car loans; consumer loans (including bank card loans). Unimpaired and impaired portfolios are identified. Unimpaired loans include loans that are more than 30 days overdue and loans recognised as uncollectible.

Upon completion of provision calculation the Group annually carries out the following back-testing procedures on the basis of statistical data for the two years preceding the evaluation date:

- the provision for impairment (expressed as percentage) is compared to the average provisioning rate of the Bank's loan portfolio for the previous reporting periods;
- the provision for impairment by industry is compared to the provisioning level by industry for the previous year. The level of loan impairment provisions by industry is determined as average provisioning rate (percentage) by industry calculated as weighted average where amortised cost of loans by portfolio is used as the basis for weighting;
- the provision for impairment as at the reporting date is compared to the provision for impairment after the reporting date (after one month) with explanation of major differences.

11 Loans and Advances to Customers (Continued)

Fair value of collateral in respect of loans past due but not impaired and in respect of loans determined to be impaired at 31 December 2010 is as follows:

In thousands of Russian roubles	**Loans to small and medium enterprises (SME)**	**Corporate loans**	**Consumer loans and car loans**	**Mortgage loans**	**Total**
Fair value of collateral - loans past due but not impaired					
Real estate	25 320	-	36 406	134 565	196 291
Goods in turnover	7 564	-	-	-	7 564
Motor vehicles	11 816	-	203 299	-	215 115
Agricultural equipment	-	-	670	-	670
Property	10 766	-	7 594	10 454	28 814
Pledge of rights	-	-	300	2 450	2 750
Guarantees of third parties	34 430	-	20 692	7 814	62 936
Fair value of collateral - loans past due and impaired					
Real estate	548 805	892 905	83 978	314 677	1 840 365
Goods in turnover	237 183	382 130	211	-	619 524
Motor vehicles	119 185	2 095	385 015	-	506 295
Agricultural equipment	69 208	29 000	2 662	-	100 870
Property	186 850	44 812	36 522	26 445	294 629
Pledge of rights	100	-	70	3 118	3 288
Guarantees of third parties	1 958 047	3 951 148	76 671	29 076	6 014 942
Total	3 209 274	5 302 090	854 090	528 599	9 894 053

11 Loans and Advances to Customers (Continued)

Fair value of collateral in respect of loans past due but not impaired and in respect of loans determined to be impaired at 31 December 2009 is as follows:

In thousands of Russian roubles	**Loans to small and medium enterpri-ses (SME)**	**Corporate loans**	**Consumer loans and car loans**	**Mortgage loans**	**Total**
Fair value of collateral - loans past due but not impaired					
Real estate	255 567	-	9 741	157 267	422 575
Pledge of rights	-	-	-	-	-
Motor vehicles	30 646	-	388 709	-	419 355
Agricultural equipment	12 489	-	636	-	13 125
Property	11 929	-	22 621	14 820	49 370
Goods in turnover	3 886	-	1 920	-	5 806
Guarantees of third parties	188 169	-	24 451	22 610	235 230
Fair value of collateral - loans past due and impaired					
Real estate	702 578	517 700	73 389	307 251	1 600 918
Pledge of rights	-	-	-	1 143	1 143
Motor vehicles	213 991	13 923	694 449	-	922 363
Agricultural equipment	90 652	56 786	2 357	-	149 795
Property	348 333	115 877	54 405	56 793	575 408
Goods in turnover	124 951	459 780	1 236	-	585 967
Guarantees of third parties	2 528 470	2 100 586	75 911	36 321	4 741 288
Total	**4 511 661**	**3 264 652**	**1 349 825**	**596 205**	**9 722 343**

The fair value of residential real estate at the end of the reporting period was estimated by indexing the values determined by the Group's internal credit department staff at the time of loan inception for the average increases in residential real estate prices by city and region. The fair value of other real estate and other assets was determined by the Group's credit department using the Group's internal guidelines. The management treats collateralised loans as impaired because in the current economic conditions there exists an uncertainty as to complete repossession of collateral. Provision for impairment reflects the risk that the management will not be able to register ownership the right of ownership and take possession of the collateral on a particular loan. Irrespective of the difficulties associated with foreclosure, the Bank's management will seek the repayment of loans by all available means.

Carrying value of each class of loans and advances to customers approximates their fair value at 31 December 2010 and 31 December 2009. At 31 December 2010, the estimated fair value of loans and advances to customers was RR 30 231 836 thousand (31 December 2009: RR 25 000 481 thousand). Refer to Note 36. Geographical, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 32. The Gro up does not have placements with banks that are related parties.

Information on related party balances is disclosed in Note 38.

12 Finance Lease Receivables

In thousands of Russian roubles	2010	2009
Total investments in financial lease	640 893	950 034
Less: Unearned future finance income on finance lease receivables	(106 303)	(122 200)
Less: Provision for uncollectible finance lease receivables	(52 493)	(53 789)
Total finance lease receivables	**482 097**	**774 045**

The primary factor that the Group considers in determining whether a finance lease receivable is impaired is its overdue status. The rights to the leased assets revert to the Group in the event of default by the lessee.

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

In thousands of Russian roubles	Corporate business	SME	Total
Neither past due nor impaired	99 584	339 081	438 665
Total neither past due nor impaired	**99 584**	**339 081**	**438 665**
Past due but not impaired			
- less than 30 days overdue	-	-	-
Total past due but not impaired	-	-	-
Loans determined to be impaired (gross)			
- 30 to 180 days overdue	5 972	69 271	75 243
- 181 days to 1 year overdue	286	899	1 185
- over 1 year overdue	1 411	18 086	19 497
Total impaired loans and advances (gross)	**7 669**	**88 256**	**95 925**
Gross carrying value of finance lease receivables	**107 253**	**427 337**	**534 590**
Less provision for impairment	(4 060)	(48 433)	(52 493)
Total finance lease receivables	**103 193**	**378 904**	**482 097**

12 Finance Lease Receivables (Continued)

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

In thousands of Russian roubles	**Corporate business**	**SME**	**Total**
Neither past due nor impaired	199 665	481 355	681 020
Total neither past due nor impaired	**199 665**	**481 355**	**681 020**
Past due but not impaired			
- less than 30 days overdue	-	167	167
Total past due but not impaired	-	**167**	**167**
Determined to be impaired (gross)			
- 30 to 180 days overdue	-	23 187	23 187
- 181 days to 1 year overdue	10 037	95 654	105 691
- over 1 year overdue	159	17 610	17 769
Total impaired loans and advances (gross)	**10 196**	**136 451**	**146 647**
Gross carrying value of finance lease receivables	**209 861**	**617 973**	**827 834**
Less: Provision for impairment	(5 450)	(48 339)	(53 789)
Total finance lease receivables	**204 411**	**569 634**	**774 045**

Fair value of leased assets with regards to finance lease receivables past due but not impaired and with regards to finance lease receivables determined to be impaired at 31 December 2010 and 31 December 2009 was as follows:

In thousands of Russian roubles	**2010**	**2009**
Fair value of collateral – finance lease receivables past due but not impaired		
- motor vehicles	-	883
Fair value of collateral – finance lease receivables past due and impaired		
- agricultural equipment	59 414	70 638
- motor vehicles	54 696	91 906
- industrial equipment	19 278	29 099
- construction equipment	9 675	11 248
- office equipment	-	111
Fair value of collateral with regards to finance lease receivables	**143 063**	**203 885**

12 Finance Lease Receivables (Continued)

Movements in the provision for uncollectible finance lease receivables during 2010 and 2009 are as follows:

In thousands of Russian roubles	2010	2009
Provision for uncollectible finance lease receivables at 1 January	53 789	26 322
Provision for uncollectible finance lease receivables during the period	32 775	29 300
Write-off of provision repaid by selling leased assets	(27 245)	-
Amounts written off during the year as uncollectible	(6 826)	(1 833)
Provision for uncollectible finance lease receivables at 31 December	**52 493**	**53 789**

Fair value of leased assets related to finance lease receivables as at 31 December 2010 and 31 December 2009 is as follows:

In thousands of Russian roubles	2010	2009
- motor vehicles	361 325	628 517
- agricultural equipment	335 573	642 447
- industrial equipment	325 789	317 896
- construction equipment	164 424	412 078
- real estate	15 971	15 971
- office equipment	3 974	3 664
- trading equipment	-	4 570
Fair value of collateral in respect of finance lease receivables	**1 207 056**	**2 025 143**

The collateral for finance lease receivables is also the asset for lease.

The structure of finance lease receivables by leased assets is as follows:

	2010		2009	
In thousands of Russian roubles	Amount	%	Amount	%
- industrial equipment	206 526	38.6	169 726	20.5
- motor vehicles	161 524	30.2	266 588	32.2
- agricultural equipment	111 435	20.8	241 734	29.2
- construction equipment	49 453	9.3	140 829	17.0
- real estate	2 010	0.4	5 040	0.6
- office equipment	3 642	0.7	2 444	0.3
- trading equipment	-	0.0	1 473	0.2
Total finance lease receivables (before impairment)	**534 590**	**100.0**	**827 834**	**100.0**

12 Finance Lease Receivables (Continued)

The structure of finance lease receivables by economic sector is as follows:

	2010		2009	
In thousands of Russian roubles	**Amount**	**%**	**Amount**	**%**
Manufacturing	139 421	26.1	98 460	11.9
Agriculture	137 397	25.7	253 464	30.6
Construction	55 845	10.4	170 850	20.6
Trade	49 818	9.3	109 335	13.2
Transport	43 412	8.1	8 187	10.0
Energy	15 816	3.0	104 460	1.0
Other	92 881	17.4	98 460	12.7
Total finance lease receivables (before impairment)	**534 590**	**100.0**	**827 834**	**100.0**

The analysis of gross investment in finance lease receivables and net investment in finance lease receivables by maturity is disclosed below:

In thousands of Russian roubles	**Not later than 1 year**	**Due between 1 and 5 years**	**Total**
Total investments in finance lease at 31 December 2010	**400 487**	**240 406**	**640 893**
Unearned finance income	(83 438)	(22 865)	(106 303)
Less: Provision for impairment	(31 132)	(21 361)	(52 493)
Finance lease receivables as at 31 December 2010	**285 917**	**196 180**	**482 097**
Total investments in finance lease at 31 December 2009	**624 838**	**325 196**	**950 034**
Unearned finance income	(92 596)	(29 604)	(122 200)
Less: Provision for impairment	(34 583)	(19 206)	(53 789)
Finance lease receivables as at 31 December 2009	**497 659**	**276 386**	**774 045**

As at 31 December 2010, the estimated fair value of finance lease receivables amounted RR 483 186 thousand (31 December 2009: RR 760 730 thousand). Refer to Note 36.

Geographical, currency, maturity and interest rate analyses of finance lease receivables are disclosed in Note 33. Information on related party balances is disclosed in Note 38.

13 Investment in associates

Before December 2007, OAO TPTS Teploenergo was part of the Centr-Invest Bank Group. Following the additional share issue in December 2007, Centre-Invest Bank Group holds 47.31% in the charter capital of Teploenergo and EBRD holds a 25% share.

The Group's investments in OAO TPTS Teploenergo are recorded in the consolidated financial statements as investment in an associate.

In accordance with subscription agreement with EBRD in 2007, the company does not declare or pay dividends during seven years

The table below summarises the movements in the carrying amount of the Group's investment in associate.

In thousands of Russian roubles	**2010**	**2009**
Carrying amount at the beginning of the period	307 922	307 507
Share of profit of associate	7 856	415
Share of revaluation premises and equipment of associate	4 879	-
Carrying amount at the end of the period	**320 657**	**307 922**

Summarised financial information on this associate, including total assets, liabilities, revenues and profit, was as follows:

In thousands of Russian roubles	**2010**	**2009**
Total assets	1 041 264	1 016 727
Total liabilities	(363 485)	(365 867)
% interest held	47.31%	47.31%

In thousands of Russian roubles	**2010**	**2009**
Revenue	439 862	377 528
Profit	16 606	877

14 Intangible assets

In thousands of Russian roubles		**2010**	**2009**
Carrying value			
Balance at 1 January		435 929	353 550
Additions		15 961	84 242
Disposals		(1 324)	(1 863)
Balance at 31 December		**450 566**	**435 929**
Accumulated depreciation			
Balance at 1 January		73 185	51 821
Depreciation charge	29	23 958	23 227
Disposals		(1 324)	(1 863)
Balance at 31 December		**95 819**	**73 185**
Net carrying amount at 31 December		**354 747**	**362 744**

The major part of investments in intangible assets represents investments into a new integrated computerised banking system - SAP for Banking and front-office operating systems of RR 269 179 thousand (31 December 2009: RR 264 159 thousand). The Group selected the computerised banking system SAP for Banking in an international tender during which it reviewed more than 50 criteria for each of the 11 systems from the vendor list. Currently, the SAP for Banking and operating systems modules are being customised. The systems were not yet put into operation, and accordingly amortisation is not being charged

15 Premises and Equipment

In thousands of Russian roubles	Note	Land	Premises	Other	Total
Residual value as at 1 January 200		**489 568**	**1 776 364**	**507 739**	**2 773 671**
Carrying value					
Balance at the beginning of the year		489 568	1 776 698	887 559	3 153 825
Additions		184	26 304	147 910	174 398
Disposals		-	-	(9 545)	(9 545)
Revaluation		(70 462)	(77 711)	-	(148 173)
Balance at the end of the year		**419 290**	**1,725,291**	**1,025,924**	**3,170,505**
Accumulated depreciation					
Balance at the beginning of the year		-	334	379 820	380 154
Depreciation charge	27	-	48 058	157 316	205 374
Disposals		-	-	(9 545)	(9 545)
Revaluation		-	(41 520)	-	(41 520)
Balance at the end of the year		**-**	**6 872**	**527 591**	**534 463**
Residual value as at 31 December 2009		**419 290**	**1 718 419**	**498 333**	**2 636 042**
Carrying value					
Balance at the beginning of the year		419 290	1 725 291	1 025 924	3 170 505
Additions		53 737	26 391	20 169	100 297
Disposals		-	(13 608)	(59 325)	(72 933)
Revaluation		(11 747)	127 916	-	116 169
Balance at the end of the year		**461 280**	**1 865 990**	**986 768**	**3 314 038**
Accumulated depreciation					
Balance at the beginning of the year		-	6 872	527 591	534 463
Depreciation charge	27	-	42 941	168 693	211 634
Disposals		-	(827)	(14 668)	(15 495)
Revaluation		-	(40 323)	-	(40 323)
Balance at the end of the year		**-**	**8 663**	**681 616**	**690 279**
Residual value as at 31 December 2010		**461 280**	**1 857 327**	**305 152**	**2 623 759**

15 Premises and Equipment (Continued)

Premises and land were independently valued at 31 December 2010 by an independent firm of valuers, ZAO BDO Unikon, Moscow, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value and cost method where market value was not observable

The carrying amount at 31 December 2010 includes RR 1 477 795 thousand (31 December 2009: RR1 321 483 thousand) of revaluation surplus relating to premises and land of the Group. At 31 December 2010 the carrying amount of premises and land would have been RR 864 846 thousand (31 December 2009: RR 837 796 thousand), had the assets been carried at cost less depreciation.

The total value of premises and equipment includes RR 160 662 thousand related to the premises and equipment leased under operating lease contract(31 December 2009: RR 64 112 thousand). The income from lease of these premises and equipment for the year 2010 amounted to RR 8 948 thousand (2009: RR 4 440 thousand).

16 Other Financial Assets

In thousands of Russian roubles	**2010**	**2009**
Trade receivables and prepayments	86 831	82 547
Plastic cards receivables	39 555	36 656
Target capital fund	30 000	30 000
Foreign exchange forward contracts	5 003	-
Settlements on brokerage operations	3 418	1 108
Settlements on other operations	37 650	42 122
Total other financial assets	**202 457**	**192 433**

Other financial assets are neither overdue, nor impaired.

The special capital fund “Education and Science SFD” commenced its work in May 2007, and Center-invest Bank was one of its initiators and founders. The Bank made its first contribution to the Fund in the amount of RR 30 000 thousand in June 2007 on a repayable basis, for a term of 10 years.

Carrying value of each class of other financial assets approximates the fair value at 31 December 2010 and 31 December 2009. At 31 December 2010, the estimated fair value of other financial assets was RR 202 457 thousand (31 December 2009: RR 192 433 thousand).

Geographical, maturity and interest rate analyses of other financial assets are disclosed in Note 3

17 Other Assets

In thousands of Russian Roubles	2010	2009
Repossessed collateral	458 445	534 681
Prepayments to suppliers of equipment for finance leasing purposes	111 269	105 101
Equipment purchased for finance leasing purposes	68 457	138 203
Prepaid taxes and recoverable taxes (other than income tax)	31 253	79 703
Prepaid income tax	-	30 964
Other	15 812	36 221
Provision for impairment of other financial assets	(147 810)	(72 325)
Total other assets		**852 548**

Tax prepayment at 31 December 2010 includes recoverable VAT in the amount of RR 7 933 thousand (31 December 2009: RR 10 212 thousand).

Repossessed collateral represents assets obtained by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future. The assets were initially recognised at fair value when acquired using reports on the property's estimated value, prepared by accredited valuators approved by the Bank's departments based on a comparative assessment approach, which reflects the property value in relation to equivalent objects, with available market value taking into account adjustments, and information on the average increase in residential real estate prices. The fair value as at the end of the year was determined by an independent valuation firm OOO Audit Firm "Centre-Audit" possessing a recognised qualification and a current professional experience in property valuation.

The Group set up an impairment provision for this class of assets amounting to RR 75 485 thousand (2009: 0).

Movements in the provision for impairment of other assets during 2010 and 2009 are as follows:

In thousands of Russian Roubles	2010	2009
Provision for other assets at 1 January	**72 325**	-
Charge to provision for other assets during the period	80 412	72 629
Amounts written off during the year as uncollectible	(4 927)	(304)
Provision for other assets at 31 December	**147 810**	**72 325**

Information on related party balances is disclosed in Note 38.

18 Due to Other Banks

In thousands of Russian Roubles	31 December 2010	31 December 2009
Current term placements of other banks	356 703	681 500
Correspondent accounts and overnight placements of other banks	6 154	223
Total due to other banks	**362 857**	**681 723**

18 Due to Other Banks (Continued)

The structure of current term deposits of other banks as at 31 December 2010 and 31 December 2009:

In thousands of Russian Roubles	**2010**	**2009**
Credit line from PNC Bank	185 042	306 100
Loans from Raiffesenlandesbank for trade financing	19 182	20 642
Current term deposit of NOMOS Bank	152 479	-
Loans from Russian Development Bank for small business financing	-	244 428
Current term deposit of Chelindbank	-	60 330
Total current term deposits	**356 703**	**631 500**

Carrying value of each class of due to other banks approximates fair value at 31 December 2010 and 31 December 2009. At 31 December 2010, the estimated fair value of due to other banks was RR 362 857 thousand (31 December 2009: RR 681 723 thousand).

Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 33. Information on related party balances is disclosed in Note 38.

19 Customer Accounts

In thousands of Russian Roubles	**2010**	**2009**
State and public organisations		
- Current/settlement accounts	-	121 163
- Term deposits	75 693	97 655
Other legal entities		
- Current/settlement accounts	8 650 610	6 831 486
- Term deposits	703 674	2 837 353
Individuals		
- Current/demand accounts	2 526 465	1 844 590
- Term deposits	20 879 245	16 058 842
Total customer accounts	**33 813 688**	**27 791 089**

State and public organisations exclude government owned profit orientated businesses.

19 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

	2010		2009	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	23 405 710	69.3	17 903 432	64.5
Trade	2 036 860	6.0	2 697 227	9.7
Construction	1 835 808	5.4	1 016 406	3.7
Education	943 894	2.8	11 930	0.0
Manufacturing	818 174	2.4	1 279 737	4.6
Telecommunication	689 593	2.0	671 391	2.4
Energy	608 695	1.8	655 818	2.4
Agricultural	580 067	1.7	481 458	1.7
Transport	293 140	0.9	510 656	1.8
Municipal organisations	267 613	0.8	671 748	2.4
Financial sector	82 475	0.2	113 968	0.4
Other	2 251 659	6.7	1 777 318	6.4
Total customer accounts	**33 813 688**	**100.0**	**27 791 089**	**100.0**

At 31 December 2010 the total aggregate balance of 10 largest clients of the Group was RR 3 605 758 thousand or 10.7% of customer accounts (31 December 2009: the total aggregate balance of 10 largest customers amounted to RR 2 518 549 thousand or 9.1% of customer accounts).

Carrying value of each class of customer accounts approximates fair value at 31 December 2010 and 31 December 2009. At 31 December 2010, the estimated fair value of customer accounts was RR 33 813 688 thousand (31 December 2009: RR 27 791 089 thousand). Refer to Note 36.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 32. Information on related party balances is disclosed in Note 38.

20 Debt Securities in Issue

In thousands of Russian Roubles	**2010**	**2009**
Bonds	1 959 795	2 303 347
Promissory notes	80 637	34 557
Total debt securities in issue	**2 040 432**	**2 337 904**

In June 2009 the Bank placed at MICEX the second issue of bonds in the total amount of RR 3 000 000 thousand with maturity in June 2014. Each bond has par value of RR 1 000 and an embedded put option with maturity in June 2012 and exercisable at par.

In July 2010, the Bank fully met claims of bond holders who exercised their put options of RR 1 879 380 thousand at par. Coupon income is payable in coupon periods 3 and 6 at a rate of 9.25% p.a.

As at 31 December 2010, there were 2,813 thousand bonds outstanding, including 853 thousand bonds repurchased by a subsidiary of the Bank (31 December 2009: 3 000 thousand outstanding bonds, including those repurchased by a subsidiary: 696 thousand bonds).

20 Debt Securities in Issue (Continued)

The put option is regarded as closely related to the bonds issued, therefore, not accounted as a separate derivative.

Carrying value of debt securities in issue approximates fair value at 31 December 2010 and 31 December 2009. At 31 December 2010, the estimated fair value of debt securities in issue was RR 2 074 292 thousand (31 December 2009: RR 2 397 560 thousand).

Geographical, currency, interest rate and maturity analyses of debt securities in issue are disclosed in Note 32.

21 Borrowings from International Financial Institutions

In thousands of Russian Roubles	**2010**	**2009**
Term borrowings from EBRD	2 315 613	2 785 433
Term borrowings from IFC	659 532	66 882
Term borrowings from KfW-Bank	468 528	687 800
Term borrowings from DEG	267 946	321 168
Term borrowings from OeEB	267 838	303 476
Term borrowings from Landesbank Berlin	28 061	66 586
Total borrowings from international financial institutions	**4 007 518**	**4 231 345**

In 2005-2010, the Group opened several credit lines with International Finance Corporation (“IFC”), Landesbank Berlin (formerly Gesellschaft Berlin Bank), European Bank for Reconstruction and Development (“EBRD”), German governmental finance and consulting company DEG, and Austrian Bank of Economic Development (Oesterreichische Entwicklungsbank AG (OeEB).

21 Borrowings from International Financial Institutions (Continued)

The principal conditions of these loans are as follows:

In thousands of Russian Roubles	Currency	Issue date	Maturity date	Balance at 31 December 2010	Balance at 31 December 2009
Term borrowings from EBRD	RR	November 2007	November 2012	209 933	264 282
	RR	December 2007	September 2014	501 005	501 368
	RR	December 2007	September 2012	295 501	367 961
	RR	August 2008	February 2013	249 633	350 875
	RR	August 2008	September 2012	48 096	60 164
	RR	January 2009	February 2013	124 685	175 252
	USD	March 2009	April 2014	473 586	608 372
	USD	April 2009	April 2014	413 174	457 159
Term borrowings from KfW-Bank	USD	August 2008	December 2012	407 220	555 982
	EUR	February 2005	August 2011	61 308	131 818
Term borrowings from DEG	USD	June 2005	April 2010	-	17 551
	USD	June 2009	April 2014	267 946	303 617
Term borrowings from OeEB	USD	August 2009	April 2014	267 838	303 476
Term borrowings from IFC	RR	May 2010	December 2014	593 861	-
	RR	December 2010	September 2015	50 176	-
	RR	June 2006	June 2011	15 495	46 485
	RR	February 2005	April 2010	-	20 397
Term borrowings from Landesbank Berlin	EUR	January 2006	January 2011	2 648	8 551
	EUR	July 2006	June 2011	1 168	3 768
	EUR	July 2006	July 2011	2 563	5 520
	EUR	August 2006	July 2011	7 105	15 295
	EUR	July 2007	June 2012	14 577	26 132
	EUR	May 2005	April 2010	-	4 430
	EUR	June 2005	June 2010	-	2 890
Total borrowings from international financial institutions				**4 007 518**	**4 231 345**

The carrying value of borrowings from international financial institutions approximates fair value at 31 December 2010 and 31 December 2009, as interest rate of these borrowings is revised on a regular basis. At 31 December 2010, the estimated fair value of borrowings from international financial institutions was RR 4 007 518 thousand (31 December 2009: RR 4 231 345 thousand).

The Group had no events of default in principal or interest repayment nor any breaches in debt servicing.

Geographical, currency, maturity and interest rate analyses of borrowings from international financial institutions are disclosed in Note 32. Information on related party balances is disclosed in Note 38.

22 Subordinated Debt

In thousands of Russian Roubles	2010	2009
Subordinated loan from DEG	918 918	911 445
Subordinated loan from EBRD	612 681	607 707
Subordinated loan from Black Sea Bank of Reconstruction and Development (Greece)	305 799	303 179
Subordinated loan from IFC	38 663	153 516
Total subordinated debt	**1 876 061**	**1 975 847**

The principal conditions of these subordinated loans are as follows:

In thousands of Russian Roubles	Amount (thousands of USD)	Issue date	Maturity date
Subordinated loan from DEG	30 000	June 2008	October 2018
Subordinated loan from EBRD	20 000	April 2008	October 2018
Subordinated loan from Black Sea Bank of Reconstruction and Development (Greece)	10 000	April 2007	April 2014
Subordinated loan from IFC	5 000	December 2004	January 2011

The carrying value of subordinated loans approximates fair value at 31 December 2010 and 31 December 2009, as interest rate of these loans is revised on a regular basis. At 31 December 2010, the estimated fair value of subordinated loans was RR 1 876 061 thousand (31 December 2009: RR 1 975 847 thousand).

The claims of other lenders against the Group in respect of the principal and interest on these loans will be subordinated to the claims of other creditors in accordance with the legislation of the Russian Federation.

Geographical, currency, maturity and interest rate analyses of subordinated debt are disclosed in Note 3. Information on related party balances is disclosed in Note 38.

23 Other Financial Liabilities

Other financial liabilities comprise the following:

In thousands of Russian Roubles	2010	2009
Prepayment under lease contracts	51 040	51 054
Trade payables	21 357	17 333
Contingent credit related commitments	15 864	13 517
Plastic cards payables	15 814	22 861
Foreign exchange forward contracts	-	19 295
Other accrued liabilities	12 450	11 069
Total other financial liabilities	**116 525**	**135 129**

Foreign exchange forward contracts, guarantees and letters of credit are shown in the consolidated statement of financial position at fair value.

The carrying amount of each class of other financial liabilities approximates fair value at 31 December 2010 and 31 December 2009. At 31 December 2010, the estimated fair value of other financial liabilities was RR 116 525 thousand (31 December 2009: RR 135 129 thousand). Refer to Note 36. Geographical, currency, maturity and interest rate analyses of other financial liabilities are disclosed in Note 33.

24 Other Liabilities

Other liabilities comprise the following:

In thousands of Russian Roubles	2010	2009
Taxes payable other than on income	58 047	97 716
Income tax liability	29 960	-
Deposits insurance agency	21 950	16 487
Other	11 888	28 745
Total other liabilities	**121 845**	**142 948**

25 Share Capital

In thousands of Russian Roubles except for number of shares	Number of outstanding shares	Ordinary shares	Share premium	Preference shares	Treasury shares	Total
At 1 January 2009	**77 763 875**	**1 162 786**	**1 646 428**	**95 923**	**-**	**2 905 137**
At 31 December 2009	**77 763 875**	**1 162 786**	**1 646 428**	**95 923**	**-**	**2 905 137**
At 31 December 2010	**77 763 875**	**1 162 786**	**1 646 428**	**95 923**	**-**	**2 905 137**

At 31 December 2010, all of the Bank's outstanding shares were authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 10 per share (31 December 2009: RR 10 per share). Each ordinary share carries one vote.

The preference shares have nominal value of RR 4 and RR 1 000 and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Preference share dividends are set at 20% p.a. (2009: 20% p.a.) and rank above ordinary dividends. If preference dividends are not declared by the shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time as the dividends are paid.

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

26 Interest Income and Expense

In thousands of Russian Roubles	2010	2009
Interest income		
Loans and advances to SME	2 016 581	1 864 214
Loans and advances to legal entities	901 735	1 138 709
Loans and advances to individuals	847 708	985 570
Mortgage loans	407 531	386 104
Debt trading securities	293 468	217 079
Interest income on impaired loans	267 692	335 802
Due from other banks	65 639	23 946
Overnight placements with other banks	1 018	241
Correspondent accounts with other banks	36	587
Other debt securities at fair value through profit or loss	-	506
Total interest income	**4 801 408**	**4 952 758**
Finance income arising from leasing	133 321	268 520
Total interest income	**4 934 729**	**5 221 278**
Interest expense		
Term deposits of individuals	1 906 193	1 589 619
Borrowings from international financial institutions and subordinated loan	402 762	626 809
Bonds issued	263 467	141 397
Term deposits of legal entities	78 912	106 818
Term placements of other banks	15 933	292 808
Current accounts of legal entities	3 147	37 625
Promissory notes issued	959	1 753
Other borrowed funds	-	91 477
Term placements of the CBRF	-	246 605
Total interest expense	**2 671 373**	**3 134 911**
Net interest income	**2 263 356**	**2 086 367**

27 Fee and Commission Income and Expense

In thousands of Russian Roubles	**2010**	**2009**
Fee and commission income		
- Commission on settlement transactions	333 586	278 059
- Commission on cash transactions	244 395	203 101
- Commission on operations with plastic cards	142 252	117 570
- Commission on currency transactions	31 234	25 571
- Commission on issued guarantees	29 191	44 326
- Commission on cash collection	5 762	5 754
- Commission on fiduciary operations	1 765	2 748
- Commission on factoring operations	-	1 899
- Other	18 630	28 434
Total fee and commission income	**806 815**	**707 462**
Fee and commission expense		
- Commission on operations with plastic cards	42 625	37 041
- Commission on cash collection	36 293	41 504
- Settlement transactions	35 219	27 539
- Commission to collection agencies	31 393	2 389
- Agent commission on interbank transactions	11 478	15 545
- Commission on received guarantees	2 747	2 026
- Commission on currency transactions	1 961	4 611
- Other	4 620	269
Total fee and commission expense	**166 336**	**130 924**
Net fee and commission income	**640 479**	**576 538**

28 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2010	2009
Staff costs		716 668	636 015
Depreciation of premises and equipment	15	211 634	205 374
Security services		102 322	117 223
Taxes other than on income		93 304	87 389
Other costs of premises and equipment		87 394	79 369
Rent		76 537	91 183
Telecommunication and mail		29 817	32 295
Professional services		28 279	36 150
Staff costs other than salary		24 911	26 136
General administrative costs		24 761	25 244
Amortisation of intangible assets	14	23 958	23 227
Advertising and marketing services		13 647	15 865
Losses on disposal of premises and equipment		12 953	10 416
Stationary		11 434	11 737
Insurance		9 270	13 573
Business trip and entertainment expenses		7 754	8 648
Charity		4 005	4 552
Payments to the Board of Directors		3 804	4 851
Other		16 418	19 961
Total administrative and other operating expenses		**1 498 870**	**1 449 208**

Included in staff costs are statutory social security and pension contributions (Unified social tax) of RR 123 062 thousand (2009: RR 112 301 thousand).

29 Income Taxes

Income tax expense comprises the following:

In thousands of Russian Roubles	2010	2009
Current tax	135 750	76 962
Deferred tax	(38 670)	(49 805)
Income tax expense for the year	**97 080**	**27 157**

The income tax rate applicable to the Group's income is 20% (2009: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2010	2009
Profit before tax	**316 894**	**93 771**
Theoretical tax charge at statutory rate (2010: 20%; 2009: 20%)	63 379	18 754
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	33 701	8 403
Income tax expense for the year	**97 080**	**27 157**

29 Income Taxes (Continued)

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

In thousands of Russian Roubles	**1 January 2010**	**Credited/ (charged) to profit or loss**	**Charged directly to equity**	**31 December 2010**
Loans and advances to customers	61 467	12 387	-	73 854
Finance lease receivables	10 466	2 403	-	12 869
Other	12 337	2 762	-	15 099
Gross deferred tax asset	**84 270**	**17 552**	-	**101 822**
Tax effect of taxable temporary differences				
Premises and equipment	(210 944)	20 010	(31 298)	(222 232)
Other	(47 021)	1 108	-	(45 913)
Gross deferred tax liability	**(257 965)**	**21 118**	**(31 298)**	**(268 145)**
Less offsetting with deferred tax assets	84 270	17 552	-	101 822
Recognised deferred tax liability	**(173 695)**	**38 670**	**(31 298)**	**(166 323)**

29 Income Taxes (Continued)

In thousands of Russian Roubles	1 January 2009	Credited/ (charged) to profit or loss	Charged directly to equity	31 December 2009
Loans and advances to customers	38 788	22 679	-	61 467
Finance lease receivables	-	10 466	-	10 466
Other	17 231	(4 894)	-	12 337
Gross deferred tax asset	**56 019**	**28 251**	-	**84 270**
Tax effect of taxable temporary differences				
Premises and equipment	(246 921)	14 646	21 331	(210 944)
Finance lease receivables	(12 182)	12 182	-	-
Other	(41 747)	(5 274)	-	(47 021)
Gross deferred tax liability	**(300 850)**	**21 554**	**21 331**	**(257 965)**
Less offsetting with deferred tax assets	56 019	28 251	-	84 270
Recognised deferred tax liability	**(244 831)**	**49 805**	**21 331**	**(173 695)**

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

30 Dividends

	2010		2009	
In thousands of Russian Roubles	Ordinary shares	Preference	Ordinary shares	Preference shares
Dividends payable at 1 January	-	-	-	-
Dividends declared during the period	-	18 099	-	18 099
Dividends paid during the period	-	(18 099)	-	(18 099)
Dividends payable at 31 December	**-**	**-**	**-**	**-**

All dividends are declared and paid in Russian Roubles.

During 2010 the Bank declared and paid dividends on preference shares with nominal value of RR 1 000 – RR 200 per share (2009: RR 200 per share) and on preference shares with nominal value of RR 4 – RR 0.8 per share (2009: RR 0.8 per share). During 2010 the Bank did not declare and did not pay dividends on ordinary shares (2009: no dividends).

At 31 December 2010 ordinary shares comprise of 77 550 750 shares (31 December 2009: 77 550 750 shares). Total preference shares with nominal value of RR 1 000 and RR 4 per share comprise 90 000 shares (31 December 2009: 90 000 shares) and 123 125 shares (31 December 2009: 123 125 shares) respectively.

31 Segment Analysis

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

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

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

- Lending and leasing - representing retail and corporate lending services, leasing, factoring, bank guarantees issued.
- Treasury – representing financial instruments trading, borrowings on domestic and international markets, liquidity, foreign currency, correspondent and current accounts, corporate deposits.
- Retail banking – representing private banking services to individuals, private customer, deposits, investment savings products, custody, credit and debit cards, municipal payments.

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

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

The Group has identified the following operating segments: lending activities, leasing, retail, securities, treasury, correspondent and current accounts, and plastic cards. Lending and leasing have been aggregated into one reportable segment - lending, correspondent and current accounts, securities, and treasury have been aggregated into one reportable segment - treasury. Retail and plastic cards have been aggregated into one segment - retail.

In addition, the Bank's Management Board reviews the major categories of general and administrative expenses, however, these expenses are not allocated to the above segments and they are not taken into consideration in allocating resources to segments and assessing their performance. These unallocated expenses are therefore presented as a reconciling item.

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

The Management Board reviews financial information prepared based on Russian Accounting Standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) for operating decisions standalone information is not adjusted to statutory subsequent events;

(ii) income taxes are not allocated to segments;

(iii) loan provisions are recognised based on management judgement and availability of information rather than based on the incurred loss model prescribed in IAS 39;

(iv) income on impaired loans are not recognised;

(v) commission income related to lending and commission expenses on borrowings are recognised immediately rather than deferred using the effective interest method;

(vi) finance income arising from leasing is recognised as services provided, advances from lessees are recognised as income pro rata during the period of the leasing agreement;

(vii) the fair value of trading securities portfolio is determined based on average market price other than last bid market price; and

(viii) funds are generally reallocated between segments ignoring internal interest rates.

31 Segment Analysis (Continued)

The Management Board evaluates performance of each segment based on profit before tax.

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

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

In thousands of Russian Roubles	Lending and leasing	Treasury	Retail	Total
2010				
External revenues:				
- Interest income	4 172 346	365 769	9 716	4 547 831
- Fee and commission income and other operating income	635 892	516 400	305 965	1 458 257
- Assignment	5 359	-	-	5 359
Total revenues	**4 813 597**	**882 169**	**315 681**	**6 011 447**
Interest expense	-	(835 780)	(1 909 360)	(2 745 140)
Provision for impairment	(1 168 263)	(6 392)	(7 446)	(1 182 101)
Losses less gains from trading securities	-	(29 245)	-	(29 245)
Fee and commission expenses and other operating expenses	(33 690)	(53 930)	(49 025)	(136 645)
Segment result	**3 611 644**	**(43 178)**	**(1 650 150)**	**1 918 316**
Total reportable segment assets	**31 637 604**	**7 897 772**	**-**	**39 535 376**
Total reportable segment liabilities	-	**(19 539 101)**	**(22 987 263)**	**(42 526 364)**

31 Segment Analysis (Continued)

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

In thousands of Russian Roubles	**Lending and leasing**	**Treasury**	**Retail**	**Total**
2009				
External revenues:				
- Interest income	4 504 695	332 899	13 510	4 851 104
- Fee and commission income and other operating income	758 423	439 337	350 004	1 547 764
- Income received from assignment of the rights of claim	402 089	-	-	402 089
- Gains less losses from trading securities	-	161 432	-	161 432
Total revenues	**5 665 207**	**933 668**	**363 514**	**6 962 389**
Interest expense	-	(1 817 321)	(1 595 456)	(3 412 777)
Provision for impairment	(1 506 763)	(28 414)	(523)	(1 535 700)
Gains less losses from trading in foreign currencies and foreign exchange translation	-	(279 613)	-	(279 613)
Fee and commission expense	(3 438)	(89 524)	(40 081)	(133 043)
Segment result	**4 155 006**	**(1 281 204)**	**(1 272 546)**	**1 601 256**
Total reportable segment assets	**27 024 514**	**5 745 256**	**-**	**32 769 770**
Total reportable segment liabilities	**-**	**(19 867 573)**	**(17 478 842)**	**(37 346 415)**

31 Segment Analysis (Continued)

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

In thousands of Russian Roubles	2010	2009
Total revenues for reportable segments	**6 011 447**	**6 962 389**
(a) accrual method application to fee and commission income	(93 262)	(27 862)
(b) application of IAS 17 on finance lease	(21 772)	(18 822)
(c) fair value of trading securities portfolio recalculation	24 298	(6 605)
(d) recognition of interest income on impaired loans	37 141	162 119
(e) income on buy-back terms of loan notes	-	(61 029)
(f) consolidation effect	(71 648)	(243 439)
(g) other	48 599	24 833
Total consolidated revenues	**5 934 803**	**6 791 584**

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

In thousands of Russian Roubles	2010	2009
Total reportable segment result	**1 918 316**	**1 601 256**
(a)administrative expenses	(1 542 883)	(1 468 687)
(b) application of effective interest rate method	(107 330)	(50 476)
(c) application of IAS 17 on finance lease	(21 772)	(18 822)
(d) fair value of trading securities portfolio and other financial assets and liabilities recalculation	42 863	(31 324)
(e) recognition of interest income on impaired loans	37 141	162 119
(f) recognition of loan loss provision	81 793	(49 310)
(g) income on buy-back terms of loan notes recognised in 2008	-	(61 029)
(h) consolidation effect	(9 251)	27 049
(i) events after the end of the reporting period	(43 525)	(6 103)
(g) depreciation/amortisation recalculation	(30 518)	(11 286)
(k) other	(7 940)	384
Profit or loss before tax	**316 894**	**93 771**

31 Segment Analysis (Continued)

In thousands of Russian Roubles	2010	2009
Total reportable segment assets	***39 535 376***	***32 769 770***
(a) unallocated assets	9 474 875	10 946 798
(b) recognition of loan impairment provision	44 201	(20 096)
(c) recognition of interest income on impaired loans	273 745	237 225
(d) application of effective interest rate method to fee and commission income	(318 115)	(224 115)
(e) finance lease adjustments	(139 073)	(206 243)
(f) fair value of trading securities portfolio recalculation	(4 926)	(45 738)
(g) netting of buy-back terms of borrowing with other liabilities	-	-
(h) consolidation effect	(615 147)	(574 156)
(i) other	28 401	28 535
Total consolidated assets	**48 279 337**	**42 911 980**

In thousands of Russian Roubles	2010	2009
Total reportable segment liabilities	***42 526 364***	***37 346 415***
(a) unallocated liabilities	900 563	988 616
(b) application of effective interest rate method to fee and commission expenses	(46 079)	(50 397)
(c) netting of buy-back terms of loan notes with other liabilities		-
(d) consolidation effect	(871 858)	(814 475)
(e) other	(3 741)	(479)
Total consolidated liabilities	**42 505 249**	**37 469 680**

(f) Geographical information

The Group operates only in the Southern Federal District of the Russian Federation. Below is income as at 31 December 2010 and 31 December 2009:

In thousands of Russian Roubles	2010	2009
Rostov region	4 662 173	5 545 986
Krasnodar Krai	588 855	664 260
Stavropol region and Volgograd region	385 365	251 896
External market operations	375 054	500 247
Total consolidated revenues for reportable segments	**6 011 447**	**6 962 389**

The analysis is based on domicile of the customer.

Below is capital expenditures as at 31 December 2010 and 31 December 2009:

In thousands of Russian Roubles	2010	2009
Rostov region	70 441	18 016
Krasnodar Krai	9 687	8 472
Total consolidated capital expenditures	**80 128**	**26 488**

The analysis is based on location of assets. Capital expenditure represents additions to non-current assets other than financial instruments

31 Segment Analysis (Continued)

(g) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Notes 26 (Interest income), Note 27 (Fee and Commission Income).

(h) Major customers

The Group does not have customers, revenues from which represent 10% or more of the total revenues.

32 Financial Risk Management

The risk management function within the Group is carried out in respect of the entire range of financial risks faced by the Group in the course of business. The focus is placed on the following risks: credit, market (including currency, equity and interest rate risk), liquidity, operational, business event (including legal, strategic and reputational risks) and system risk.

The Bank's risk management function is viewed as a full set of activities aimed to protect its assets.

The Group uses the following main risk management tools:

- Limiting accepted risks and risk concentration by setting limits;
- Managing positions;
- Creating collateral;
- Insuring risks;
- Hedging risks;
- Covering risks by an adequate reserves level;
- Covering risks by an adequate capital level;
- Monitoring compliance with internal procedures and regulations.

The Bank manages risks on the basis of the document "Risk Management Policy of OAO CB Center-invest" approved by the Bank's Board of Directors in February 2009. The policy regulates the Bank's risk management strategy, main requirements and strategy implementation procedures; mandatory business lines and types of risks for monitoring; interaction in the process of managing the Bank's risks.

The risk management strategy described in this document includes:

- Accepting risks on the basis of the level of profitability and risks associated with business lines;
- Priority of developing lending operations;
- Regulatory revaluation of market risks associated with assets;
- Consideration of the level of risk in evaluating business lines' efficiency;
- Efficient capital and reserves management.

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

32 Financial Risk Management (Continued)

The Bank manages credit risks on the basis of the following principles:

- Avoiding risks through refusing from transactions that fall beyond the Bank's Credit Policy or Risk Management Policy;
- Setting concentration limits, limits per one borrower (a group of related borrowers) covering on-balance sheet and off-balance sheet risks ("one obligor" principle);
- Creating and adequately evaluating collateral;
- Using a system of corporate and personal guarantees;
- Diversifying the loan portfolio;
- Limiting officials' authority in making lending decisions without consideration by collegial bodies (credit committees);
- Improving methods of reviewing borrowers' financial and business activity enabling to adequately evaluate the level of risk associated with loans and other credit instruments;
- Regular monitoring of borrowers' financial position, state of collateral and debt servicing;
- Using same credit policies in relation to contingent liabilities and on-balance sheet financial instruments through established credit approvals, risk control limits, monitoring procedures;
- Using selective approaches and procedures for evaluating credit risks and decision-making procedures with consideration of products, risk levels and aggregate outstanding balances per borrower (a group of borrowers);
- Covering credit risks by an adequate capital and reserves level;
- Performing preventive and efficient work on collection of overdue debts.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees the maximum exposure to credit risk is the amount of the commitment. Refer to Note 34. Such risks are monitored on a regular basis.

Lending transactions are approved according to individual decision-making limits and the structure of credit committees:

The Main Credit Committee of the Bank's Head Office approves credit limits for borrowers or groups of related borrowers with aggregate outstanding balances in the range from RR 10 million to 25% of capital, calculated in accordance with the requirements of the Central Bank of the Russian Federation. It is also responsible for issuing guidance to lower level credit committees. The Committee meets twice a week.

Small Credit Committees of the Bank's Head Office approve loans to borrowers and groups of related borrowers with aggregate outstanding balances less than RR 12 million. At present, there are two small credit committees functioning at the Bank's Head Office which approve credit limits for small businesses and retail clients. The Committees meet twice a week.

Transactions of borrowers and a group of related borrowers - legal entities and entrepreneurs with an aggregate debt of up to RR 3 million on standard loan programmes are approved by sole decisions of authorised persons who are confirmed by the order of the Chairman of the Bank's Management Board.

Transactions of borrowers and a group of related borrowers - individuals on standard loan programmes are approved by authorised persons within the limits set by the order of the Chairman of the Bank's Management Board.

Loan applications originated by the relevant client relationship managers are considered on the basis of standardised procedures and passed on to the relevant Credit Committee for approval of credit limit after completion of preliminary, authorisation and monitoring procedures.

32 Financial Risk Management (Continued)

In order to monitor credit risk credit officers are monitoring the borrowers based on a structured analysis of borrowers' business and financial performance in conformity with the requirements of the Central Bank of the Russian Federation. Any significant exposures to customers and groups of related customers with deteriorating creditworthiness are reported to, and reviewed by, Credit Committees, the Risk Committee and the Committee for Problem Loans. The Group uses formalised internal credit ratings in compliance with regulations of the Central Bank of the Russian Federation. The Bank takes preventive actions, performs monitoring and conducts a set of measures aimed at collection of overdue debts.

The Group's credit departments review ageing analysis of outstanding loans and follows up past due balances. The ageing and other information about credit risk is disclosed in Note 11.

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements.

The Bank manages market risks and monitors corresponding limits on a daily basis. Market risks are managed in respect of each component and in general on the basis of the following principles:

- Ongoing monitoring of trading operations;
- Setting limits on financial investments;
- Setting limits on homogenous financial instrument portfolios;
- Monitoring and evaluation of the level of market risk;
- Coverage of market risks through ensuring an adequate capital level.

Market risk associated with revaluation of the trading securities portfolio. The Bank accepts equity risk associated with losses resulting from fluctuations of market values of open positions on securities and derivative market instruments. The Bank opens positions on securities for subsequent resale and for investment purposes.

Equity risks are managed through limiting the overall volume of transactions, exposed to such risk, and setting limits on different types of transactions and specific issuers with consideration of risks associated with the issuer's industry (on the basis of regular monitoring and analysis). The Bank uses a wide range of VaR (Value at Risk) methodologies for reviewing and limiting risks associated with market price fluctuations.

The management sets limits in respect of the level of capital allocated for coverage of market risk.

At 31 December 2010 the level of market risk was RR 249 180 thousand under a limit of RR 844 254 thousand (31 December 2009: RR 139 882 thousand under a limit of RR 876 306 thousand).

Currency risk. The Group is exposed to currency risk associated with losses resulting from fluctuations of market values of open positions in different currencies. Exposure to currency risk is evaluated on the basis of VaR. The size of the currency position is regulated through matching assets and liabilities balances in foreign currencies. The Group seeks to decrease the open currency position, thereby, decreasing its exposure to currency risk. The Bank manages its currency position by using currency swaps and forwards in the interbank market and other transactions. The Group is not exposed to risks associated with changes in precious metals' prices due to the absence of such transactions.

As at 31 December 2010 the ten day VAR level was RR 794 thousand (31 December 2009: RR 1 134 thousand).

32 Financial Risk Management (Continued)

Since VAR is used for management of certain risks, for the purpose of this consolidated financial statements the level of currency risk is examined based on simple sensitivity, calculated based on open currency position of the Group at the reporting date.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2010				At 31 December 2009			
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities excluding derivatives**	**Derivative financial instruments**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities excluding derivatives**	**Derivative financial instruments**	**Net balance sheet position**
Russian Roubles	38 060 279	(36 231 144)	326 170	**2 155 305**	29 955 198	(30 186 444)	1 752 171	**1 520 925**
US dollars	5 402 216	(5 040 103)	(333 277)	**28 836**	6 508 223	(5 576 964)	(902 530)	**28 729**
Euro	953 589	(944 904)	12 110	**20 795**	2 277 625	(1 369 642)	(868 936)	**39 047**
Other	21 661	(930)	-	**20 731**	11 678	(692)	-	**10 986**
Total	**44 437 745**	**(42 217 081)**	**5 003**	**2 225 667**	**38 752 724**	**(37 133 742)**	**(19 295)**	**1 599 687**

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 35. The net total represents the fair value of the currency derivatives.The above analysis includes only monetary assets and liabilities. The Group's management believes that investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	At 31 December 2010		At 31 December 2009	
In thousands of Russian Roubles	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 7% (2009: 20%)	2 019	2 019	5 746	5 746
US Dollar weakening by 7% (2009: 20%)	(2 019)	(2 019)	(5 746)	(5 746)
Euro strengthening by 13% (2009: 13%)	2 703	2 703	5 076	5 076
Euro weakening by 13% (2009: 13%)	(2 703)	(2 703)	(5 076)	(5 076)
Other currencies strengthening by 7% (2009: 27%)	1 451	1 451	2 966	2 966
Other currencies weakening by 7% (2009: 27%)	(1 451)	(1 451)	(2 966)	(2 966)

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

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

Interest rate risk is managed based on the analysis of the structure of the Group's assets and liabilities by interest repricing dates.

The management monitors exposure to interest rate risk on a regular basis and sets limits on the level of interest rate risk that may be undertaken on a quarterly basis.

32 Financial Risk Management (Continued)

The Group evaluates new products from the point of their impact on interest rate risk. Treasury department of the Group operates daily within approved limits on the level of interest rate risk whereas Risk Management department independently monitors compliance of actual level of interest rate to the approved limits.

To manage interest rate risk, the Group uses fixed and floating interest rates for attracted funds.

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Non interest bearing assets**	**Total**
31 December 2010								
Total financial assets	11 343 641	3 820 364	4 037 711	9 342 104	13 576 387	2 246 913	75 628	44 442 748
Total financial liabilities	(13 569 680)	(4 098 723)	(3 481 321)	(2 630 125)	(18 437 232)	-	-	(42 217 081)
Net interest sensitivity gap at 31 December 2010	**(2 226 039)**	**(278 359)**	**556 390**	**6 711 979**	**(4 860 845)**	**2 246 913**	**75 628**	**2 225 667**
31 December 2009								
Total financial assets	11 798 153	3 792 895	4 110 616	8 711 504	8 484 255	1 801 701	53 600	38 752 724
Total financial liabilities	(10 272 410)	(3 744 512)	(4 820 403)	(7 002 859)	(11 312 853)	-	-	(37 153 037)
Net interest sensitivity gap at 31 December 2009	**1 525 743**	**48 383**	**(709 787)**	**1 708 645**	**(2 828 598)**	**1 801 701**	**53 600**	**1 599 687**

32 Financial Risk Management (Continued)

All of the Group's debt instruments reprice within 5 years (2009: all reprice within 5 years).

At 31 December 20010, if interest rates had been 200 basis points lower/higher, with all other variables held constant, profit for the year would have been RR 153 319 thousand (at 31 December 2009: if interest rates had been 200 basis points, profit would have been RR 146 372 thousand) higher/lower, mainly due to the structure and repricing timing of attracted and invested funds.

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

	31 December 2010				**31 December 2009**			
In % p.a.	**RR**	**USD**	**Euro**	**Other**	**RR**	**USD**	**Euro**	**Other**
Assets								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Correspondent accounts and overnight placements with other banks	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Debt trading securities	7.8	2.6	2.6	-	10.9	5.0	-	-
Other debt securities at fair value through profit or loss	0.0	-	-	-	0.0	-	-	-
Due from other banks								
- Deposits with the Bank of Russia	3.0	-	-	-	-	-	-	-
- Short-term placements with other banks	3.7	2.0	-	-	-	2.1	-	-
- Long-term placements with other banks	-	4.6	-	-				
- Promissory notes	-	-	-	-	23.6	-	-	-
Loans and advances to customers:								
- Corporate loans	12.8	6.6	7.7	-	14.2	10.9	-	-
- Loans to SME	15.0	9.2	11.3	-	18.7	12.1	11.9	-
- Loans to individuals - consumer loans	17.8	10.7	8.0	-	19.5	13.2	11.0	-
- Loans to individuals - car loans	14.8	13.7	-	-	16.0	12.6	12.0	-
- Mortgage loans	13.0	12.8	10.9	-	13.8	13.5	13.2	-
Finance lease receivables	22.6	17.5	21.6	-	23.9	19.8	26.9	-
Liabilities								
Due to other banks	-	2.7	4.6	-	9.9	4.0	4.3	-
Customer accounts								
- Current/settlement accounts of legal entities								
- Current accounts of individuals	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1
- Term deposits of legal entities	7.2	2.0	-	-	10.6	5.6	5.7	-
- Term deposits of individuals	7.8	4.2	3.1	1.0	12.8	4.6	4.3	1.0
Promissory notes issued	7.0	-	-	-	10.9	-	-	-
Bonds issued	9.3	-	-	-	16.1	-	-	-
Loans from international financial institutions	7.2	6.2	4.0	-	10.3	6.2	3.8	-
Subordinated debt	-	4.8	-	-	-	5.1	-	-

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

32 Financial Risk Management (Continued)

Other price risk. The Group is exposed to limited risk as a result of fluctuation of equity securities' prices. Transactions with equity instruments are monitored and authorised by the Group's Treasury. The amount of the 10-day VaR in a 99% confidence interval for the Bank's equity instruments portfolio was RR 17 628 thousand as at 31 December 2010 (31 December 2009: RR 5 934 thousand).

The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity for the year and at the end of the reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers.

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

In thousands of Russian Roubles	**Russia**	**USA**	**Europe**	**Other**	**Total**
Assets					
Cash and cash equivalents	5 333 535	489 268	123 088	-	5 945 891
Mandatory cash balances with the CBRF	244 706	-	-	-	244 706
Trading securities	2 907 567	-	-	-	2 907 567
Other securities at fair value through profit or loss	6 005	-	-	-	6 005
Due from other banks	4 511 454	-	-	-	4 511 454
Loans and advances to customers	30 142 571	-	-	-	30 142 571
Finance lease receivables	482 097	-	-	-	482 097
Other financial assets	202 457	-	-	-	202 457
Total financial assets	43 830 392	489 268	123 088	-	44 442 748
Other assets	3 836 589	-	-	-	3 836 589
Total assets	**47 666 981**	**489 268**	**123 088**	-	**48 279 337**
Liabilities					
Due to other banks	156 262	185 042	19 182	2 371	362 857
Customer accounts	33 778 096	641	22 268	12 683	33 813 688
Debt securities in issue	2 040 432	-	-	-	2 040 432
Borrowings from international financial institutions	-	659 532	3 347 986	-	4 007 518
Subordinated debt	-	38 663	1 837 398	-	1 876 061
Other financial liabilities	116 525	-	-	-	116 525
Total financial liabilities	36 091 315	883 878	5 226 834	15 054	42 217 081
Other liabilities	288 168	-	-	-	288 168
Total liabilities	**36 379 483**	**883 878**	**5 226 834**	**15 054**	**42 505 249**
Net gap	**11 287 498**	**(394 610)**	**(5 103 746)**	**(15 054)**	**5 774 088**
Credit related commitments (Note 34)	**773 530**	-	**30 222**	**4 516**	**808 268**

32 Financial Risk Management (Continued)

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

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

	Russia	USA	Europe	Other	Total
Assets					
Cash and cash equivalents	4 639 869	2 718 062	1 610 606	-	8 968 537
Mandatory cash balances with the CBRF	200 322	-	-	-	200 322
Trading securities	1 747 770	-	948 166	-	2 695 936
Other securities at fair value through profit or loss	6 005	-	-	-	6 005
Due from other banks	402 888	-	-	-	402 888
Loans and advances to customers	25 512 558	-	-	-	25 512 558
Finance lease receivables	774 045	-	-	-	774 045
Other financial assets	192 433	-	-	-	192 433
Total financial assets	**33 475 890**	**2 718 062**	**2 558 772**	-	**38 752 724**
Other assets	4 159 256	-	-	-	4 159 256
Total assets	**37 635 146**	**2 718 062**	**2 558 772**	-	**42 911 980**
Liabilities					
Due to other banks	354 784	306 100	20 642	197	681 723
Customer accounts	27 765 557	456	14 861	10 215	27 791 089
Debt securities in issue	2 337 904	-	-	-	2 337 904
Borrowings from international financial institutions	-	66 882	4 164 463	-	4 231 345
Subordinated debt	-	153 516	1 822 331	-	1 975 847
Other financial liabilities	135 129	-	-	-	135 129
Total financial liabilities	**30 593 374**	**526 954**	**6 022 297**	**10 412**	**37 153 037**
Other liabilities	316 643	-	-	-	316 643
Total liabilities	**30 910 017**	**526 954**	**6 022 297**	**10 412**	**37 469 680**
Net gap	**6 725 129**	**2 191 108**	**(3 463 525)**	**(10 412)**	**5 442 300**
Credit related commitments (Note 34)	**812 131**	**90 991**	**24 794**	**11 425**	**939 341**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of capital. Refer to Note 11.

32 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is determined as the risk of facing difficulties associated with the transformation of assets into cash required for repayment of liabilities upon maturity, the real cost of the asset remaining unchanged.

The Asset and Liability Committee of the Bank is a regulatory and consultative body in charge of liquidity risk management. It coordinates actions of the Bank's units that have a direct or indirect impact on liquidity and cooperates with the Credit Committee in respect of liquidity issues.

Operational liquidity management is carried out by the Bank's Treasury on a daily basis through maintaining the overall liquidity reserve, consisting of balances on the Bank's correspondent accounts, cash on hand, due from other banks – primary liquidity reserve, and high liquid securities – secondary liquidity reserve. The Treasury monitors the Bank's payment position on a daily basis.

Efficient liquidity management is ensured through forecasting and reviewing liquidity gaps calculated as the difference between assets and liabilities (including off-balance sheet positions) by maturity. Based on forecast data, the Bank prepares a schedule of future cash receipts and payments and sets its own liquidity surplus (deficit) ratios. These are approved by the Asset and Liability Committee and are used in the current operations of the Bank.

The table below shows liabilities at 31 December 2010 by their remaining contractual maturity. The amounts disclosed in the table are contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the amount in the consolidated statement of financial position is based on discounted cash flows. The table below shows maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities except for assets that are readily saleable in case it would be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions and based on the expected timing of cash inflows.

Financial derivatives are included at the contractual amounts to be paid or received.

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

32 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	5 945 891	-	-	-	-	-	5 945 891
Mandatory cash balances with the CBRF	89 089	9 805	6 834	17 569	121 409	-	244 706
Trading securities	2 982 981	-	-	-	-	-	2 982 981
Other securities at fair value through profit or loss	-	-	-	-	-	6 005	6 005
Due from other banks	3 832 890	158 916	4 377	540 686	-	-	4 536 869
Loans and advances to customers	1 336 071	4 511 200	4 534 938	9 768 028	15 958 010	3 653 460	39 761 707
Finance lease receivables	38 912	91 624	108 791	161 160	184 113	-	584 600
Gross settled forwards	234 309	158 862	-	-	-	-	393 171
Other financial assets	42 769	19 398	6 045	29 710	69 532	30 000	197 454
Total financial assets	**14 502 912**	**4 949 805**	**4 660 985**	**10 517 153**	**16 333 064**	**3 689 465**	**54 653 384**
Liabilities							
Due to other banks	70 643	152 948	328	63 632	81 685	-	369 236
Customer accounts	13 254 186	1 458 803	1 016 784	2 613 764	18 062 452	-	36 405 989
Debt securities in issue	2 077	602	93 533	171 792	2 424 525	-	2 692 529
Borrowings from international financial institutions	7 544	397 343	326 073	841 940	2 997 683	-	4 570 583
Subordinated debt	-	38 764	43 890	44 132	637 886	1 835 227	2 599 899
Gross settled forwards	234 874	153 294	-	-	-	-	388 168
Guarantees and letters of credit issued	69 852	60 497	172 620	250 284	255 015	-	808 268
Other financial liabilities	88 948	10 729	432	412	140	-	100 661
Total potential future payments for financial obligations	**13 728 124**	**2 272 980**	**1 653 660**	**3 985 956**	**24 459 386**	**1 835 227**	**47 935 333**
Liquidity gap at 31 December 2010 arising from financial instruments	**774 788**	**2 676 825**	**3 007 325**	**6 531 197**	**(8 126 322)**	**1 854 238**	**6 718 051**
Cumulative liquidity gap at 31 December 2010 arising from financial instruments	**774 788**	**3 451 613**	**6 458 938**	**12 990 135**	**4 863 813**	**6 718 051**	

32 Financial Risk Management (Continued)

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis because the Group does not generally expect the third party to draw funds under the agreement.

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets							
Cash and cash equivalents	8 968 537	-	-	-	-	-	8 968 537
Mandatory cash balances with the CBRF	62 719	12 999	14 012	27 171	83 421	-	200 322
Trading securities	3 422 390	-	-	-	-	-	3 422 390
Other securities at fair value through profit or loss	-	-	-	-	-	6 005	6 005
Due from other banks	393 845	10 000	-	-	-	-	403 845
Loans and advances to customers	2 055 154	3 953 542	3 916 383	9 296 176	9 710 577	2 857 629	31 789 461
Finance lease receivables	68 656	133 901	166 365	255 916	236 864	-	861 702
Gross settled forwards	1 764 283	-	-	-	-	-	1 764 283
Other financial assets	40 298	21 558	12 217	41 251	47 109	30 000	192 433
Total financial assets	**16 775 882**	**4 132 000**	**4 108 977**	**9 620 514**	**10 077 971**	**2 893 634**	**47 608 978**
Liabilities							
Due to other banks	187 282	16 637	34 604	167 672	315 517	-	721 712
Customer accounts	9 716 007	2 013 685	2 170 619	4 209 109	12 923 228	-	31 032 648
Debt securities in issue	8 256	-	200 608	2 497 202	1 102 587	-	3 808 653
Borrowings from international financial institutions	8 331	146 700	254 705	760 256	3 809 230	-	4 979 222
Subordinated debt	-	-	88 337	124 043	691 487	1 829 727	2 733 594
Gross settled forwards	1 783 578	-	-	-	-	-	1 783 578
Guarantees and letters of credit issued	69 097	27 350	548 440	219 906	74 548	-	939 341
Other financial liabilities	92 478	7 762	2 742	5 203	7 649	-	115 834
Total potential future payments for financial obligations	**11 865 029**	**2 212 134**	**3 300 055**	**7 983 391**	**18 924 246**	**1 829 727**	**46 114 582**
Liquidity gap arising from financial instruments	**4 910 853**	**1 919 866**	**808 922**	**1 637 123**	**(8 846 275)**	**1 063 907**	**1 494 396**
Cumulative liquidity gap arising from financial instruments	**4 910 853**	**6 830 719**	**7 639 641**	**9 276 764**	**430 489**	**1 494 396**	

32 Financial Risk Management (Continued)

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

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**No defined maturity**	**Total**
Assets								
Cash and cash equivalents	5 945 891	-	-	-	-	-	-	5 945 891
Mandatory cash balances with the CBRF	244 706	-	-	-	-	-	-	244 706
Trading securities	2 907 567	-	-	-	-	-	-	2 907 567
Other securities at fair value through profit or loss	-	-	-	-	-	-	6 005	6 005
Due from other banks	3 829 053	155 229	38	527 134	-	-	-	4 511 454
Loans and advances to customers	1 257 079	3 550 781	3 582 595	7 924 323	11 624 894	2 202 899	-	30 142 571
Finance lease receivables	24 143	63 936	82 892	117 672	193 454	-	-	482 097
Investment in associate	-	-	-	-	-	-	320 657	320 657
Intangible assets	-	-	-	-	-	-	354 747	354 747
Premises and equipment	-	-	-	-	-	-	2 623 759	2 623 759
Other financial assets	42 769	24 401	6 045	29 710	69 532	30 000	-	202 457
Other assets	17 636	51 775	37 312	18 713	411 990	-	-	537 426
Total assets	**14 268 844**	**3 846 122**	**3 708 882**	**8 617 552**	**12 299 870**	**2 232 899**	**3 305 168**	**48 279 337**
Liabilities								
Due to other banks	70 385	152 479	20	60 954	79 019	-	-	362 857
Customer accounts	13 231 973	1 393 010	921 633	2 430 351	15 836 721	-	-	33 813 688
Debt securities in issue	2 164	602	4 591	75 418	1 957 657	-	-	2 040 432
Borrowings from international financial institutions	7 537	316 098	289 654	710 791	2 683 438	-	-	4 007 518
Subordinated debt	38 663	-	18 884	-	303 555	1 514 959	-	1 876 061
Other financial liabilities	89 106	11 214	2 617	5 835	7 753	-	-	116 525
Deferred income tax liability	-	-	-	-	-	-	166 323	166 323
Other liabilities	39 278	70 883	-	11 684	-	-	-	121 845
Total liabilities	**13 479 106**	**1 944 286**	**1 237 399**	**3 295 033**	**20 868 143**	**1 514 959**	**166 323**	**42 505 249**
Net liquidity gap at 31 December 2010	**789 738**	**1 901 836**	**2 471 483**	**5 322 519**	**(8 568 273)**	**717 940**	**3 138 845**	**5 774 088**
Cumulative liquidity gap at 31 December 2010	**789 738**	**2 691 574**	**5 163 057**	**10 485 576**	**1 917 303**	**2 635 243**	**5 774 088**	

32 Financial Risk Management (Continued)

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

The analysis by expected maturities may be summarised as follows at 31 December 2009:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Not defined maturity	Total
Assets								
Cash and cash equivalents	8 968 537	-	-	-	-	-	-	8 968 537
Mandatory cash balances with the CBRF	200 322	-	-	-	-	-	-	200 322
Trading securities	2 695 936	-	-	-	-	-	-	2 695 936
Other securities at fair value through profit or loss	-	-	-	-	-	-	6 005	6 005
Due from other banks	393 413	9 475	-	-	-	-	-	402 888
Loans and advances to customers	1 876 256	3 341 989	3 262 460	8 029 235	7 230 917	1 771 701	-	25 512 558
Finance lease receivables	58 330	104 097	129 420	205 812	276 386	-	-	774 045
Investment in associate	-	-	-	-	-	-	307 922	307 922
Intangible assets	-	-	-	-	-	-	362 744	362 744
Premises and equipment	-	-	-	-	-	-	2 636 042	2 636 042
Other financial assets	40 298	21 558	12 217	41 251	47 109	30 000	-	192 433
Other assets	10 047	80 868	21	123 489	638 123	-	-	852 548
Total assets	**14 243 139**	**3 557 987**	**3 404 118**	**8 399 787**	**8 192 535**	**1 801 701**	**3 312 713**	**42 911 980**
Liabilities								
Due to other banks	185 656	12 952	28 100	153 573	301 442	-	-	681 723
Customer accounts	9 692 887	1 872 102	1 956 233	3 904 838	10 365 029	-	-	27 791 089
Debt securities in issue	8 256	-	18 941	2 310 707	-	-	-	2 337 904
Borrowings from international financial institutions	8 306	123 109	210 701	581 586	3 307 643	-	-	4 231 345
Subordinated debt	-	-	59 388	75 611	338 664	1 502 184	-	1 975 847
Other financial liabilities	111 773	7 762	2 742	5 203	7 649	-	-	135 129
Deferred income tax liability	-	-	-	-	-	-	173 695	173 695
Other liabilities	58 152	67 713	10 977	4 198	1 908	-	-	142 948
Total liabilities	**10 065 030**	**2 083 638**	**2 287 082**	**7 035 716**	**14 322 335**	**1 502 184**	**173 695**	**37 469 680**
Net liquidity gap at 31 December 2009	**4 178 109**	**1 474 349**	**1 117 036**	**1 364 071**	**(6 129 800)**	**299 517**	**3 139 018**	**5 442 300**
Cumulative liquidity gap at 31 December 2009	**4 178 109**	**5 652 458**	**6 769 494**	**8 133 565**	**2 003 765**	**2 303 282**	**5 442 300**	

32 Financial Risk Management (Continued)

The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of the portfolio's realisability.

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

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

Operational risk. To ensure efficient risk management, the Bank has created an operational risk monitoring and management system. Currently, the Bank uses the Base Indicative Approach (BIA) to operational risk evaluation. Operational risks are managed on the basis of the regulation approved by the Bank's Executive Board. This activity includes the following:

- Collecting information on operating losses;
- Identifying sources of operational risk in the credit institution's activity;
- Developing regulations and actions for decreasing the level of operational risk;
- Coverage of risks by maintenance of adequate level of capital.

The Bank's information security and continuity are ensured by the Bank's Information Security Policy developed on the basis of ISO 17799 and approved by the Board of Directors.

The Bank has a policy that insures its property interests associated with ownership, use and disposal of the Bank's property and also with unforeseen expenses (losses) incurred by the Bank in carrying out its operations, including: falsification (forgery) of documents; transactions with falsified, lost or stolen securities; transactions with false banknotes (coins); disloyalty of employees; loss or damage of valuable assets of the Bank during transportation; loss or damage of financial documents during transportation by a courier (cash collection) company; loss or damage of valuable assets belonging to the Bank and located in the Bank's specially equipped premises; misappropriation by means of robbery, theft or abbrochment of valuable assets belonging to the Bank and located in the Bank's specially equipped premises; misappropriation by means of robbery, theft or abbrochment of valuable assets belonging to the Bank's clients and located in the Bank's specially equipped premises.

33 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually.

The Group and the Bank are also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Group's capital calculated in accordance with Basel Accord is as follows:

In thousands of Russian Roubles	**31 December 2010**	**31 December 2009**
Tier 1 capital		
Share capital	1 258 709	1 258 709
Share premium	1 646 428	1 646 428
Retained earnings	1 598 671	1 370 252
Total tier 1 capital	**4 503 808**	**4 275 389**
Tier 2 capital		
Revaluation reserve for premises and equipment	1 270 280	1 166 911
Subordinated debt	1 701 436	1 768 782
Total tier 2 capital	**2 971 716**	**2 935 693**
Total capital	**7 475 524**	**7 211 082**

As at 31 December 2010 the Bank's capital adequacy ratio, calculated in accordance with Basel Accord is 19.5% (31 December 2009 – 20.8%).

Management of the Bank believes that the Group and the Bank complied with all externally imposed capital requirements, including Basel II, throughout 2010 and 2009. In accordance with the Bank's Risk Management Policy and Basel II requirements the Bank's capital is distributed to cover unexpected losses on credit, market and operational risks.

Management of Bank believes that during the reporting year the Bank complied with capital distribution limits set by the Board of Directors.

34 Contingencies and Commitments

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

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

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

Capital expenditure commitments. At 31 December 2010 the Group has contractual capital expenditure commitments in respect of premises and equipment, and software and other intangible assets totalling RR 62 960 thousand (31 December 2009: RR 235 422 thousand).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. Management of Bank believes that as at 31 December 2010 and 31 December 2009 the Group was in compliance with all covenants. The most significant and most important covenants are to:

- maintain a capital adequacy ratio as defined by the Basel Committee;
- maintain liquidity ratios;
- maintain the related party exposure ratio.

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

34 Contingencies and Commitments (Continued)

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	31 December 2010	31 December 2009
Guarantees issued	789 727	848 350
Import documentary letters of credit	18 541	90 991
Total credit related commitments	**808 268**	**939 341**

The total outstanding contractual amount of guarantees does not necessarily represent future cash requirements, as this financial instrument may expire or terminate without being funded. Fair value of credit related commitments was RR 18 564 thousand at 31 December 2010 (31 December 2009: RR 13 517 thousand). Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	31 December 2010	31 December 2009
Russian roubles	759 569	786 211
US dollars	13 776	137 414
Euro	34 923	15 716
Total	**808 268**	**939 341**

Assets pledged and restricted. Mandatory cash balances with the CBRF in the amount of RR 244 706 thousand (31 December 2009: RR 200 322 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

35 Derivative Financial Instruments

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

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

35 Derivative Financial Instruments (Continued)

In thousands of Russian Roubles	Note	2010 Contracts with positive fair value	2010 Contracts with negative fair value	2009 Contracts with positive fair value	2009 Contracts with negative fair value
Foreign exchange forwards: fair values, at the reporting date, of:					
- USD payable on settlement (-)		(153 294)	-	-	-
- RR receivable on settlement (+)		158 863	-	-	-
Net fair value of foreign exchange forwards	24	**5 568**	**-**	**-**	**-**

The Group had outstanding obligations from unsettled spot transactions with foreign currencies. Net fair value of unsettled spot transactions as at 31 December 2010 is RR 565 thousand (31 December 2009: RR 19 295 thousand).

36 Fair Value of Financial Instruments

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

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

In thousands of Russian roubles	2010 Carrying value	2010 Fair value	2009 Carrying value	2009 Fair value
FINANCIAL ASSETS				
Loans and advances to customers	30 142 571	30 231 836	25 512 558	25 000 481
- Corporate loans and loans to SME	*21 361 818*	*21 325 281*	*18 319 886*	*18 205 401*
- Loans to individuals - consumer loans	*5 181 682*	*5 244 378*	*4 283 766*	*4 256 281*
- Mortgage loans	*3 599 071*	*3 662 177*	*2 908 906*	*2 538 799*
Finance lease receivables	482 097	483 186	774 045	760 730
FINANCIAL LIABILITIES				
Debt securities in issue	2 040 432	2 074 292	2 337 904	2 397 560
- Promissory notes	*80 637*	*80 637*	*34 557*	*34 557*
- Bonds issued on domestic market	*1 959 795*	*1 993 655*	*2 303 347*	*2 363 003*

Carrying amount of each class of other financial liabilities and liabilities approximates fair value at 31 December 2010 and 31 December 2009.

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36 Fair Value of Financial Instruments (Continued)

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

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

	2010			2009		
In thousands of Russian roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**
FINANCIAL ASSETS						
Trading securities						
- Municipal bonds	184 017	-	-	47 340	-	-
- Corporate bonds	1 614 686	-	-	1 652 427	-	408
- Eurobonds	1 039 241	-	-	948 166	-	-
- Shares of closed mutual funds	69 623	-	-	46 431	-	-
- Corporate shares	-	-	-	1 164	-	-
Other securities at fair value through profit or loss						
- Corporate shares – unquoted	-	-	8	-	-	8
- Other	-	-	5 997	-	-	5 997
Other financial assets						
Foreign exchange forward contracts	5 003	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	**2 912 570**	-	**6 005**	**2 695 528**	-	**6 413**

36 Fair Value of Financial Instruments (Continued)

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. Other securities at fair value through profit or loss are carried at cost. Credit related commitments are recorded at residual value of commission received. Significance of a valuation input is assessed against the fair value measurement in its entirety.

	2010			2009		
In thousands of Russian roubles	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)
FINANCIAL LIABILITIES						
Other Financial Liabilities						
- Foreign exchange forward contracts	-	-	-	19 295	-	-
- Guarantees and letters of credit	-	-	15 864	-	-	13 517
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	**-**	**-**	**15 864**	**19 295**	-	**13 517**

(c) The methods and assumptions applied in determining fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

36 Fair Value of Financial Instruments (Continued)

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

In % p.a.	**31 December 2010**	**31 December 2009**
RR		
Loans and advances to customers		
Corporate loans and loans to SME	11.1% - 20.1%	15.0% - 26.5%
Loans to individuals - consumer loans	13.2% - 18.1%	17.8% - 24.2%
Loans to individuals - car loans	13.9% - 14.8%	18.0% - 18.3%
Mortgage loans	12.7% - 13.9%	16.4% - 17.7%
Finance lease receivables	21.7% - 22.0%	25.7% - 28.4%
Currency		
Loans and advances to customers		
Corporate loans and loans to SME	7.0% - 14.1%	10.0% - 11.6%
Loans to individuals - consumer loans	9.0%	12.0%
Loans to individuals – car loans	10.5%	11.0%
Mortgage loans	8.5%	10.0%
Finance lease receivables	12.0%	14.0%

37 Reconciliation of Classes of Financial Instruments with Measurement Categories

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

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

In thousands of Russian roubles	**Loans and receivables**	**Assets at fair value through profit or loss**	**Total**
Assets			
Cash and cash equivalents	5 945 891	-	5 945 891
Mandatory cash balances with the CBRF	244 706	-	244 706
Trading securities	-	2 907 567	2 907 567
Other securities at fair value through profit or loss	-	6 005	6 005
Due from other banks	4 511 454	-	4 511 454
- Placements with the Bank of Russia	3 000 690	-	3 000 690
- Short-term placements with other banks with original maturities of less than three months	982 212	-	982 212
- Long-term placements with other banks	528 552	-	528 552
Loans and advances to customers	30 142 571	-	30 142 571
- Loans to SME	14 263 200	-	14 263 200
- Corporate loans	7 098 618	-	7 098 618
- Loans to individuals – consumer and car loans	5 181 682	-	5 181 682
- Mortgage loans	3 599 071	-	3 599 071
Finance lease receivables	482 097	-	482 097
Other financial assets:	197 454	5 003	202 457
- Receivables related to plastic card transactions	39 555	-	39 555
- Trade receivables and prepayments	86 831	-	86 831
- Target capital fund	30 000	-	30 000
- Foreign exchange forward contracts	-	5 003	5 003
- Settlements on brokerage operations	3 418	-	3 418
- Settlements on other operations	37 650	-	37 650
Total financial assets	**41 524 173**	**2 918 575**	**44 442 748**
Non-financial assets	-		3 836 589
Total assets	-		**48 279 337**

37 Reconciliation of Classes of Financial Instruments with Measurement Categories (Continued)

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

In thousands of Russian roubles	**Loans and receivables**	**Assets at fair value through profit or loss**	**Total**
Assets			
Cash and cash equivalents	8 968 537	-	8 968 537
Mandatory cash balances with the CBRF	200 322	-	200 322
Trading securities	-	2 695 936	2 695 936
Other securities at fair value through profit or loss	-	6 005	6 005
Due from other banks	402 888	-	402 888
- Short-term placements with other banks with original maturities of less than three months	*393 413*	-	*393 413*
- Promissory notes	*9 475*	-	*9 475*
Loans and advances to customers	25 512 558	-	25 512 558
- Loans to SME	*10 277 485*	-	*10 277 485*
- Corporate loans	*8 042 401*	-	*8 042 401*
- Loans to individuals – consumer and car loans	*4 283 766*	-	*4 283 766*
- Mortgage loans	*2 908 906*	-	*2 908 906*
- Factoring	-	-	-
Finance lease receivables	774 045	-	774 045
Other financial assets:	192 433	-	192 433
- Receivables related to plastic card transactions	*36 656*	-	*36 656*
- Trade receivables and prepayments	*82 547*	-	*82 547*
- Target capital fund	*30 000*	-	*30 000*
- Settlements on brokerage operations	*1 108*	-	*1 108*
- Settlements on other operations	*42 122*	-	*42 122*
Total financial assets	**36 050 783**	**2 701 941**	**38 752 724**
Non-financial assets			4 159 256
Total assets			**42 911 980**

All of the Group's financial liabilities except for derivatives are carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

38 Related Party Transactions

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

The Group's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

At 31 December 2010 and 31 December 2009 the outstanding balances with related parties were as follows:

	31 December 2010			**31 December 2009**		
In thousands of Russian roubles	**Significant shareholders**	**Associate**	**Management and Board of Directors**	**Significant shareholders**	**Associate**	**Management and Board of Directors**
Correspondent accounts with banks	3 772	-	-	80 962	-	-
Gross amount of loans and advances to customers (contractual interest rate: 2010: 7% - 18%, 2009: 10% - 18%)	-	-	13 336	-	-	3 279
Finance lease receivables	-	-	-	-	251	-
Customer accounts (contractual interest rate: 2010: 0% − 17%; 2009: 0% − 17%)	-	73 576	433 470	-	58 377	347 168
Borrowings from international financial institutions (contractual interest rate: 2010: 6% − 8%; 2009: 4.% - 11%	2 583 559	-	-	3 106 601	-	-
Subordinated loans (contractual interest rate: 2010: 5%; 2009: 5%)	1 531 599	-	-	1 519 152	-	-

38 Related Party Transactions (Continued)

The income and expense items with related parties for the years 2010 and 2009 were as follows:

	2010			**2009**		
In thousands of Russian roubles	**Significant shareholders**	**Associate**	**Management and Board of Directors**	**Significant shareholders**	**Associate**	**Management and Board of Directors**
Interest income	-	-	818	-	-	799
Interest expense	(307 580)	(4 739)	(32 664)	(591 270)	(2 735)	(31 560)
Fee and commission income	-	1 914	-	-	183	-
Finance income arising from leasing	-	6	-	-	126	-
Administrative expenses	-	-	(1 968)	-	-	(2 101)

The issued and repaid loans to related parties were as follows:

	2010		**2009**	
In thousands of Russian roubles	**Significant shareholders**	**Management and Board of Directors**	**Significant shareholders**	**Management and Board of Directors**
Loans issued to related parties during the year	-	25 596	-	4 837
Loans repaid by related parties during the year	-	16 358	-	17 306

The major shareholders of the Bank at 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010		**31 December 2009**	
Shareholder	**Equity share, %**	**Voting rights share, %**	**Equity share, %**	**Voting rights share, %**
European Bank for Reconstruction and Development (EBRD)	24.58	27.45	24.58	27.45
German Investments and Development Company (DEG – Deutsche Investitions und Entwicklungsgesellschaft GmbH)	20.10	22.45	20.10	22.45
Erste Bank	9.80	9.80	9.80	9.80
Firebird funds	8.87	9.90	8.87	9.90
Vysokov Vasiliy Vasilievich	8.07	9.01	8.07	9.01
Vysokova Tatiana Nikolaevna	7.91	8.83	7.91	8.83
Rekha Holdings Limited	7.29	8.15	7.29	8.15

In 2010, the remuneration of members of the Board of Directors and members of the Management Board of the Group comprised salaries, discretionary bonuses and other short-term benefits totalling RR 18 474 thousand (2009: RR 19 273 thousand). In 2010, Board of Directors consisted of 7 persons (2009: 7 persons). In 2010, the Group’s Executive Board consisted of 7 persons (2009: 7 persons).

39 Subsidiary of the Bank

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of incorporation
OOO Center-Leasing	Leasing	100%	100%	Russia

OOO Center-Leasing is a leasing company established by the Bank.

40 Events After the End of the Reporting Period

Dividends. Management suggested that the General Shareholders' Meeting should declare a dividend on ordinary shares in the amount of RR 77 551 thousand (RR 1 per ordinary share) and a dividend on preference shares in the amount of RR 18 099 thousand (RR 0.8 per preference share with nominal value of RR 4 and RR 200 per preference share with nominal value of RR 1 000).

In January 2011 the syndicated loan received by the Group from the International Finance Corporation was fully repaid (Note 22).